



**ANNUAL REPORT AND  
ACCOUNTS 2021**

**Connected to our viewers,  
communities and partners**

# Big shows, big names, big audiences

2021 saw us showcase and produce a diverse range of series and new commissions, with big names and broad appeal, both on our own linear and digital channels and for other UK networks. Brilliant content drives big audiences, and we have both in spades – with so much more to come.

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View our Annual Report and Accounts and other information about STV at [STVPLC.TV](https://www.stvplc.tv)

Fronted by presenter Sean Batty this dedicated three-part peak-time sustainability series reached half a million Scots.

# Don't Waste Scotland



# Leaders', Debate

STV's wide-ranging Holyrood Election coverage included Leader interviews and debate, expert analysis and daily reporting on the key issues facing the electorate.



# Celebrity Antiques Road trip



*Antiques Road Trip* and its *Celebrity* sister series continue to be a staple ratings winner for the BBC and a strong returner for STV Studios.

# Landmark



Primal Media's eight-part series for Sky Arts saw artists and local communities across the UK join forces in a quest to create the next great British landmark.

# Murder Island



Genre bending six-part series *Murder Island* saw members of the public take on the role of detective and lead their own investigation into a murder plot written and developed by Ian Rankin.



# The Bridge

STV Player's content library has grown to over 150 drama box sets, including US thriller *The Bridge*.



# STV News

For the third year in a row, *STV News at Six* was the best watched news programme in Scotland.

# Vera

Vera was a top five drama on STV in 2021. The drama is a perennial top performing programme on the channel, with an average audience well over 500,000 year in year out.





# STV Children's Appeal 2021

In 2021, a record £4.4 million was raised by STV Children's Appeal to help the 1 in 4 children in communities across Scotland affected by poverty.





# Thorne

Acquired Player-only title, *Thorne*, starring David Morrissey is a top ten performer on STV Player.



# I'm a Celebrity... Get Me Out of Here!

The popular Network series generated over 1m streams, making it the best performing entertainment show on STV Player in 2021.

# Celebrity Catchphrase

STV Studios won a 13-episode commission for ITV's ratings winner *Celebrity Catchphrase* – its biggest commission since launch in 2013.

# Secrets and Lies

Long form streams grew by 63% driven by strong Network dramas, and growth in STV Player-only content in Scotland and across the rest of the UK.



## 2021 finance and operating highlights

# Record financial performance and continued growth momentum

**Revenue**

## £144.5m

2020: £107.1m 2019: £123.8m

**Adjusted operating profit<sup>1</sup>**

## £25.2m

2020: £18.2m 2019: £22.6m

**Adjusted EPS<sup>2</sup>**

## 45.6p

2020: 34.5p 2019: 38.7p

**Non-broadcast profit (%)<sup>1</sup>**

## 36%

2020: 34% 2019: 28%

## 2.5m

Scottish adults watch STV each week

## 16

commissions won

**Total advertising revenue**

## £112.6m

2020: £90.9m 2019: £101.6m

**Profit before tax**

## £20.1m

2020: £6.7m 2019: £19.0m

**Dividend per share**

## 11.0p

2020: 9.0p 2019: 6.3p

## £4.4m

funds raised by the STV Children's Appeal

## +63%

in streams on STV Player

<sup>1</sup> Before exceptional items and inclusive of High-End Television tax credits (note 27).

<sup>2</sup> Before exceptional items and IAS 19 finance costs (note 9). 2020 and 2019 have been restated to reflect the weighted average number of ordinary shares in 2021 for comparability.

Throughout this Annual Report, where we state record financial performance, it is made by reference to 2010 when the final disposal was made and the Group as we know it today remained.

## Introducing STV

# Scotland's home of news, entertainment and drama



STV Group plc serves audiences with quality content on air, online and on demand.

The business is organised into three dynamic operating divisions, all supported by a central enabling function:



Our Channel 3 broadcast channel, **STV**, is accessible free-to-air on all the main TV platforms in Scotland and reaches 3.2 million adults each month.



STV's rapidly growing, free streaming service, **STV Player** is available across the UK on all major platforms, including Sky Q, NOW, Virgin Media, Amazon Fire TV, Freesat, Youview and Freeview Play.



The Group's award-winning production business, **STV Studios**, is Scotland's biggest production company, creating and producing world class content for a range of UK and international broadcast networks and streamers.

### Our vision towards 2023

Our strategic vision is to transform STV into a digital streaming and content-led media company. We are growing our Digital and Studios businesses to provide viewers with access to high-quality content, whenever they want it and wherever they are. We aim to diversify our business to the point where 50% of our adjusted operating profit comes from these new growth areas by 2023.

## Broadcast

Our Broadcast division runs commercial Public Service Broadcaster, STV, which operates the Channel 3 licences across central and north Scotland. STV brings viewers a strong network schedule of programming alongside our own locally produced news, current affairs and factual entertainment programming.

STV is the best-watched peak-time channel in Scotland and is home to some of the most popular shows on television, including iconic soaps *Coronation Street* and *Emmerdale*; entertainment hits *The Masked Singer* and *I'm a Celebrity... Get Me Out of Here!*; gripping 9pm dramas; and a wide-ranging selection of home-grown productions. Flagship news programme *STV News at Six* is the most watched news programme in Scotland.

STV is advertiser funded and our reach as a marketing platform is unrivalled in our home market. National sales of linear spot advertising and sponsorship are managed by our national sales agent, ITV, and our Scottish clients are serviced by our dedicated Scotland sales team. We offer a 'one stop shop' to regional clients, helping them with advert creation and design, campaign structure, and post campaign research.

The £30m STV Growth Fund enables businesses new to TV advertising to build their brand by reaching a mass audience efficiently and cost effectively, principally through matched funding.

Our Broadcast division remains the engine room of STV, allowing us to engage with mass audiences, creating Scotland's largest marketing 'shop window' for advertisers, and providing a platform to promote our streaming service STV Player to millions of Scots.

**19.6%**  
All time viewing share

**2.3 share points**  
Outperformance of network in peak time

**80%**  
% of Scottish adults who watch each month

## Digital

STV's fast growing broadcaster streaming service, STV Player, gives viewers in Scotland the opportunity to watch STV shows on their terms, live or on demand. Across the UK, the free service offers viewers an extensive catalogue of content from the UK and around the world, including over 3,000 hours of high-quality drama, sport and factual entertainment. Much of this rich library of owned and acquired content is not available to stream from any other platform in the UK.

STV Player is now pre-installed in three quarters of the UK's connected TV homes and is available on all major platforms, including Sky Q, NOW, Virgin Media, Amazon Fire TV, Freesat, Youview and Freeview Play.

STV Player's content library has grown to over 150 drama box sets, including US thriller *The Bridge*, Irish legal drama *Striking Out* and British crime drama, *Thorne*. Viewers can upgrade to STV Player+, a subscription service which offers the opportunity to watch Player content advert-free and download shows for offline viewing.

STV Player offers a more targeted advertising proposition than the broadcast channel, along with a programmatic advertising sell, with all inventory and sponsorship sold by our specialist Digital sales team based in London.

STV Player VIP is a rewards scheme which enables us to build better connections with our viewers and further drive streams, by bringing members a range of benefits including prizes and reduced advertising load as well as being the first to hear about the brilliant new shows arriving on the platform.

# 4.3m

Total registrations

# 114.6m

Total longform streams

# 4,000+hrs

Total content including Ch3 and 3rd party

## Studios

STV Studios is one of the UK's leading content businesses and Scotland's biggest production company. It has an impressive track-record across genres, with commissions for broadcasters and streamers such as BBC One and Two, ITV, Channel 4, Channel 5, discovery+ and Sky.

STV Studios is a family of nine creative labels. Our in-house labels are STV Drama, STV Entertainment and STV Factual. We own a majority stake in award-winning unscripted producer, Primal Media, and a minority stake in Northern Ireland based drama producer, Two Cities Television, who are currently in production with a police drama for BBC One. We own the younger-skewing entertainment label, Barefaced TV, who were commissioned by global streamer, discovery+ in February 2022; and we have a co-production agreement with scripted specialists, Tod Productions. Our most recent additions are unscripted producers Hello Mary, based in Brighton, and Mighty Productions based in Glasgow and London.

Following a period of organisational and creative reinvention, we are building momentum across all genres, winning 19 commissions in 2020 and a further 16 commissions in 2021. 2021 was the division's most successful year in terms of revenue and profit, with a strong pipeline into 2022.

Recent productions include prison drama, *Screw*, and genre-bending series, *Murder Island*, for Channel 4; quiz *Bridge of Lies* for BBC One; and *The Yorkshire Auction House* for Really.

STV Studios also successfully licences its back catalogue globally, delivering considerable income for the division on an ongoing basis.

# 9

Labels

# 16

New commissions

# 168 hours

Programming delivered

## Chairman's statement

As a Scot who grew up watching STV I am honoured and delighted to have been appointed to the Chair of this iconic Company. I bring to the role a broad, international track record in public-company executive management and governance as well as a long professional involvement in digital media.



→  
Paul Reynolds  
Chairman

**I am indebted to my predecessor, Baroness Margaret Ford, for her hard work and leadership over the past eight years and for leaving your Company in a strong position.**

Covid remained a huge, complicating influence during 2021, but STV managed to achieve pre-pandemic levels of growth and profitability, thanks to the strength of our programming, the success of our diversification strategy and the commitment and creativity of our people.

The media environment continues to evolve apace and our strategy of creating a more resilient, diversified business through balancing the success of broadcast with growth in digital and studios, is proving successful and delivering results. The growth of STV Player, in terms of streams and revenues, has outstripped other UK PSBs over the past three years and it is now present on many more digital platforms across the UK. The Player-only content strategy has been a success, resulting in more deals, more titles and more streams.

STV Studios enjoyed a very strong 2021, winning 16 programme commissions and boosting its portfolio of labels to eight as we added the unscripted production company Hello Mary with an initial 25% stake. This followed the acquisition of Barefaced TV and a minority stake in high-end drama company, Two Cities, in 2020. Despite the obstructive effects on production of the Covid pandemic, 2021 saw Studios deliver its best ever performance in terms of revenue and profit. Its sharp focus on returns has delivered a welcome contribution to profitability.

Viewing figures for STV remain strong and we continue to be the best watched peak-time channel in Scotland. We have unrivalled commercial reach in Scotland – 3.2m Scottish adults every month – and this enables significant social impact and provides businesses with the ability to connect with more customers through our credible and trusted media. We are immensely proud of our viewing share, our voice and being the face of Scottish news. STV News bulletins are watched by over half of the Scottish population each month and *STV News at Six* is Scotland's most watched news programme for the third year in a row, with an average audience of 468,000.

The presence of COP26 Glasgow on our doorstep in November 2021 served to re-emphasise the importance of the Company's sustainability strategy, STV Zero. Investors increasingly require companies to show credible sustainability plans and we have made significant strides in ensuring we take account of the impact on the climate in everything we do. STV holds a unique position with an ability to work with partners, programme-makers, and viewers to raise awareness of environmental issues and to support the businesses it works with to effect long lasting change. And of course we also have an important role to play ourselves to achieve our goal of becoming a net zero carbon business by the end of the decade; we are very focused on the actions that need to be taken. Our first target was to be carbon neutral in 2021, which we have achieved.

Delivering the changes required to meet our workforce diversity targets is a continuing priority for the Board. STV's diversity and inclusion strategy contains strategic priorities for delivery by 2023: to create an inclusive culture that enables equality of opportunity for all, to reflect the communities we serve both on and off-screen, and to deliver long-lasting change in all parts of the Company.

Our staff have shown considerable dedication in driving STV's agenda while adapting to the challenges of the pandemic and they are developing the Company's ESG credentials with enthusiasm. This helps make STV a great place to work which is so important in a world where talented people are increasingly exercising their choice.

The STV Children's Appeal has been a rallying point for our people and the people of Scotland and, having celebrated its 10th birthday, has raised almost £29m since its formation. We are delighted to use our unique ability to get the message into the homes of the people of Scotland to support so many worthwhile causes, and especially pleased that the Scottish Government has again pledged to match-fund £1 million of the final total raised – all of which emphasises and strengthens the relevance of STV to Scotland.

We closed the 2021 financial year with the Company in good health and showing good strategic progress, which has delivered profit growth and a favourable cash position. The Board's dividend policy reflects our commitment to strike a balance between capital allocation for continued investment in growth and diversity of earnings, fulfil our pension obligations and pay a sustainable, progressive dividend to shareholders. We have the flexibility to strike an appropriate balance between these competing needs:

- On growth, we have already identified an investment programme of £30m by 2023 to drive Digital and Studios performance, with the target of delivering at least 50% of operating profit from outside traditional broadcasting by 2023.
- On pensions, the Company's defined benefit pension obligations remain a significant part of our financial profile and so we were pleased, in October 2021, to reach early agreement with the trustees for the triennial funding valuation with the same schedule of contributions as previously, which brings certainty for members, trustees and Company alike.
- On dividends, the Board remains ever mindful of its importance to our shareholders and we are pleased to propose a full year dividend of 11p per share, up 22% on last year.



↩ **STV Children's Appeal**  
Fronted by Lorraine Kelly, STV Children's Appeal has raised almost £29m since its formation.

← **Scotland Tonight**  
Current affairs programme, *Scotland Tonight* celebrated its tenth anniversary in 2021.

In closing, I am particularly proud to have witnessed in my first year at STV the dedication, professionalism, and resilience of our management team. Simon, Lindsay and colleagues throughout the business have been tireless in their efforts and fellow Directors have given very generously of their time and experience to advise and assist. I look forward to working with all concerned to realise STV's potential and future growth.

**Paul Reynolds**  
Chairman

## STV 2021: A year of growth

2021 was an outstanding year of growth for STV Group, which saw us exceed our targets and set ambitious new goals as part of a refreshed three-year vision while continuing to support our people, partners and communities as we emerge from the pandemic with momentum and confidence.



→  
Simon Pitts  
Chief Executive

**In 2021 we delivered our highest revenue, highest adjusted operating profit and lowest net debt on record.**

There were two key contributing forces to this success: our ability to continue to grow our audience share on STV and STV Player in tandem with the strong recovery of the TV advertising market; and the performance of our Digital and Studios businesses, which now represent more than one third of our earnings, evidence of the ongoing success of the diversification strategy we launched in 2018.

The speed and scale of the advertising recovery in 2021 exceeded our expectations and underlines the enduring power and relevance of high-quality video advertising. We delivered our highest ever advertising revenue, with brands choosing broadcast advertising to fuel their post-Covid recovery due to its unrivalled levels of trust, brand safety and value.

Our advertising revenue performance was particularly strong in Scotland, driven by the effectiveness of the STV Growth Fund. Our investment in this growth initiative, which makes advertising accessible and affordable for SMEs in Scotland, has been increased to £30m for 2022 with £16m allocated to date, and sees us working closely with the Scottish business community. We are in no doubt about the contribution STV's extensive reach and appeal for advertisers can make to supporting businesses with their post-pandemic economic recovery, and we're proud that the fund has welcomed over 320 Scottish businesses to TV advertising for the first time since launching in 2018, including over 150 since the start of the pandemic.

It is exciting to see real momentum building in our Studios business, which delivered its best-ever financial performance in 2021, despite the continued challenging conditions. We are now starting to see the fruits of the restructure of the division, having invested in our people and our creative pipeline, and complemented our talented team with a series of investments in new companies and partnerships. STV Studios is now a family of nine creative labels, targeting different parts of the growing international production market, all of whom have already secured substantial new commissions. In 2021 we produced more new series than ever, right across the genres, from drama, *Screw*, to factual entertainment event *Murder Island*, to arts competition *Landmark*, and there is much more to come.

The growth of our streaming service, STV Player, continues to accelerate and it's now home to more high quality programming than ever. 2021 saw our digital streams leap by 63% and we recorded our biggest digital audiences ever during the delayed UEFA Euro 2020 football finals, including huge ratings for Scotland's group games. Alongside our first run network content we also now have over 3,000 hours of Player-only programming available, including around 100 drama box sets. This digital-only programming now constitutes over 42% of our total streams and is available across the UK after STV Player launched outside Scotland for the first time. Nearly a quarter of our streams came from outside Scotland in 2021, up from only 2% in 2020.

Within Scotland, STV remains the most popular peaktime TV channel. STV grew its viewing share in 2021 to a 13 year high, a testament to the connection we have with our audience and the strength of our programming including the Six Nations Rugby, Euro 2020 and dramas like *The Bay* and *The Pembrokeshire Murders*.

At the very heart of our business are our brilliant people, of course, who I feel privileged to work alongside. We have continued to operate within strict Covid guidelines and as a result, most of our teams continued to work from home last year, as they did in 2020. Our tireless news teams have remained on the ground, providing our viewers with trusted news, facts and insight throughout the pandemic, and covering countless other major news stories. And our production teams have shown incredible creativity and commitment in



delivering outstanding programmes in the face of multiple restrictions – not least taking a crew of 140 to a Scottish island with a population of 160 for a three week shoot, and delivering a six-part drama in a custom-built prison set in the heart of Glasgow.

The wellbeing of our people is, and always will be, paramount. Their resilience, commitment and good humour has been instrumental in making 2021 a record year for the Group and for that I offer my sincere thanks.

Our commitment to sustainability has been a key theme for the business in 2021, and remains a priority. We launched our strategy, STV Zero, and are making wide-ranging changes across our business to ensure we become net carbon zero by 2030. In an industry first, I was proud to stand on a Glasgow COP26 stage alongside my fellow UK public service broadcasters and sign up to the Climate Content Pledge, a joint commitment to use our broadcast platforms to help inform viewers about sustainability issues and promote climate action. We're proud members of Project albert, the home of sustainability for film and TV in the UK, and are committed to sustainable productions and using our reach to promote sustainability. As an example, our regional series, *Don't Waste Scotland*, together with our first ever on-air sustainability campaign, included stories and tips to encourage a more sustainable lifestyle while delivering strong audiences. We have plans to use our creative skills and reach across Scotland to help make a meaningful positive impact in this area, and we take this responsibility seriously.

Our connection with Scottish communities is the lifeblood of STV, running through everything we do. We are proud to produce Scotland's most popular news programme, the *STV News at Six*, watched by almost half a million people every weeknight, as well as Scotland's only regular current affairs show, *Scotland Tonight*. We also reach millions with our dedicated series' for Scotland, and we connect and partner with people and communities on the ground by working with hundreds of local charities through the STV Children's Appeal. 2021 was the tenth birthday of the Appeal, which has now raised almost £29m since launch and made a positive difference to the lives and prospects of thousands of children and young people across Scotland. Our commitment to ensure STV reflects the true diversity of modern Scotland has also strengthened significantly, with clear targets for on and off-screen representation now embedded and tracked across the Company.

We are proud to be Scotland's public service broadcaster and are contributing fully to Ofcom and the UK Government's thinking as they consider the long-term future of public service media. Ofcom recognises that there must be a radical overhaul of the current regulatory framework to ensure public service media survives and thrives in the digital age and we welcome recognition of the value local audiences place on UK original programming, particularly nations and regions news. As we pursue our ambitious digital growth strategy through STV Player, it is clear that new legislation is urgently needed to ensure public service content is readily accessible and prominent on global digital platforms. In addition, there must be an overarching objective to support the UK's creative economy to drive local production and economic benefits across the nations and regions, including in Scotland. This debate will continue in 2022 as Government and Ofcom consider the future of our broadcast licences and we will be at the heart of it to secure outcomes that serve the best interests of our audiences, colleagues and shareholders.

As we emerge from the pandemic we are optimistic for the future and ambitious for our own growth prospects. 2022 has started brightly and we have set out a clear vision for the next stage of STV's growth, targeting significant expansion in our Digital and Studios businesses, both organically and through acquisition, to the point where these new areas deliver at least 50% of our profits by the end of 2023.

I'm confident we have the right plan, people and partners to deliver on our potential – backed by a strong and supportive Board under the excellent Chairmanship of Paul Reynolds – and the management team and I are excited about the road ahead.



**Simon Pitts**  
Chief Executive Officer

## The STV investor proposition

STV has a clear strategy to transform the Company into a digital streaming and content-led media business, maximising the value of our linear Broadcast channel while growing our Digital and Studios divisions to take advantage of the accelerating market in global video.

This diversification strategy is key to generating sustainable value for our shareholders, as it will provide us with a leading digital platform and library of programme IP that can be monetised, both of which will endure through the changing habits of viewers and increased digitisation.

We have set the target of achieving at least half of our adjusted operating profit from non-broadcast earnings by the end of 2023 (from 24% in 2018).

### STV's market position

We have an increasingly strong market position across all divisions. STV's rapidly growing, free streaming service, STV Player is available across the UK on all major platforms. STV Studios is the largest production company in Scotland and uniquely placed to take advantage of the growing investment in nations and regions production across the UK. Our Broadcast USP is the consistent delivery of mass audiences to a high-quality TV schedule of network and Scottish content. STV is the most popular peak time TV channel in Scotland, reaches four out of five Scottish adults every month, and attracts nearly four times the audience of its nearest commercial competitor, Channel 4. This makes us by some margin the most effective medium for advertisers in Scotland.

### High margin digital business

STV Player has seen rapid growth over the last three years, driven by significant improvements in the user interface and reliability of our streaming service; distribution expansion on all major platforms across the UK; and a growing programme offering which combines first run original content from Channel 3 with more than 3,000 hours of acquired third party content and rich STV archive. Registered users have grown from 3.0m to 4.3m over the last three years, with an ambitious target set to reach 5m by the end of 2023, coinciding with the aim of doubling digital revenues to £20m from a 2020 baseline.

### Studios gathering momentum

Following a period of organisational and creative reinvention, the Studios business is strongly positioned to take advantage of increasing demand for quality content in a UK production market worth more than £3.3bn, as well as growing international opportunities. With a total of nine creative labels now under the STV Studios umbrella, all of which

have won commissions in the last 12 months, there is real momentum and 2021 saw the division deliver its best creative and commercial performance ever. The development pipeline is stronger than ever, with a target of quadrupling revenue to £40m from a 2020 baseline by the end of 2023 within our sights.

### Regional advertising underpinned by the £30m STV Growth Fund

Launched in 2018, the STV Growth Fund is a highly effective tool to bring new advertisers to television by making it affordable and accessible, mainly by match funding advertising campaigns. Since launch we have allocated over £16.5m of funding across 800+ deals, attracting over 320 new advertisers to television for the first time. We also provide additional support to local businesses through our STV Growth Academy, which provides training and mentoring across a range of topics, including social media, brand management and marketing.

### Robust balance sheet supports investment for growth

Following a year of strong growth and cash generation, the Group is now in a net cash position at the end of 2021, underpinned by a £60m revolving credit facility (recently extended to 5 March 2025, and with a further one-year extension option available) providing significant headroom and financial flexibility. We announced a £30m investment programme in March 2021, of which 75% is aimed at driving the growth in Studios and Digital. The pension deficit is well managed with core deficit recovery contributions constant for the last three triennial valuation cycles (the most recent being at 31 December 2020).

### Strong cash generation

Our business has been very resilient through the pandemic and has remained highly cash generative with operating cash conversion of 108% in 2020 and 161% in 2021. We believe this strong cash generation will continue and will enable us to fully execute our investment programme.

### Shareholder returns

As a business, STV has navigated its way through the pandemic confidently and we were able to reintroduce a cash dividend in May 2021. We believe that pivoting our business towards Digital and Studios will drive long-term value for shareholders, but we also recognise the importance of a regular, growing dividend. Our approach to setting dividends is to balance the needs of the business (for reinvestment), with those of the pension scheme, and other stakeholders. We are committed to maintaining this balance while delivering a sustainable, progressive dividend to shareholders.

### Core values

STV is committed to business integrity, high ethical values and professionalism in all our activities, and our social purpose priorities remains an integral part of our strategy. We are making progress on diversity across the organisation, driven by our Diversity and Inclusion Steering Committee and network of peer groups. We have set ourselves specific targets for representation from minority groups and are working towards gender balance in the top 25% of roles by 2023. Our focus on sustainability has accelerated in 2021 with the launch of our STV Zero strategy, setting down our commitment to reduce our environmental impact and promote climate action in an accessible way to our viewers. We have achieved carbon neutrality in 2021 and have set new intermediate milestones on the road to becoming net zero carbon by the end of 2030. We are proud members of Project albert and a co-signatory to their Climate Content Pledge.

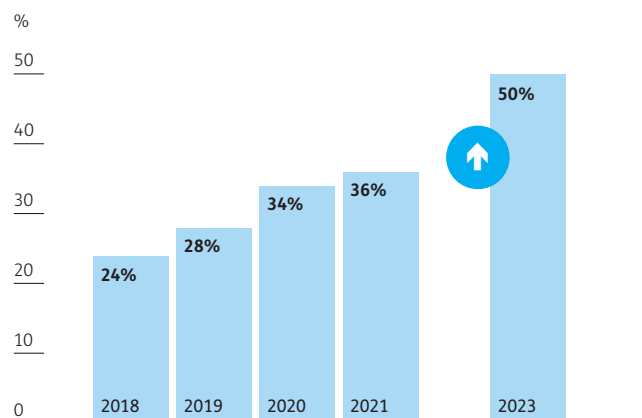
# Audience reach: 3.2m per month

# Growth fund: £30m

# Third party content on Player: 3,000+ hours

# Commitment to sustainability

### Non-broadcast earnings\*



\* Adjusted

## STV business model

Our strategic vision is to transform STV into a digital streaming and content-led media company, maximising the value of our linear Broadcast channel while growing our Digital and Studios divisions to take advantage of the accelerating market in global video.

Our business model sees us combine our strategic assets across three interconnected business divisions to create sustainable, long-term value for all our stakeholders.

### Our strategic assets

**We want to deliver high quality outcomes for all our stakeholders, and to achieve that we rely on a number of key strategic assets.**

#### Our people

People are at the heart of everything we do at STV. Their creativity, commitment, skills, passion and diversity are key to our success.

#### Our culture

We have a strong, creative culture that puts the values of honesty, transparency and fairness at the core of everything we do.

#### Our platforms

We operate the leading marketing platform in Scotland (STV, channel 3) and fast growing broadcaster Video on Demand platform, STV Player. These combine to give us unique scale and reach across all demographics, enabling us to offer bespoke competitive commercial deals to advertisers and agencies.

#### Our location

We run Scotland's largest production company with bases across Scotland as well as a presence in Northern Ireland and London and are uniquely well placed to take advantage of broadcasters' increased commitments to nations and regions production in the UK.

#### Our intellectual property

We own, or have access to, the rights of a diverse portfolio of programmes that are popular across the UK.

#### Our relationships

We have strong relationships with our viewers, advertisers, commissioners and communities to deliver value and boost the economy.

#### Financial capital

We have a strong balance sheet and financial discipline, which provide us with the capital to invest in medium to long-term growth initiatives.

### What we do

**We operate an increasingly diverse business, generating value from a number of different revenue streams:**



# STV on track to hit 50% from non-broadcast earnings\* by 2023 (36% in 2021)

\* Adjusted

## Advertising revenue

We offer bespoke spot advertising and sponsorship solutions on our linear television channel, STV, and addressable and programmatic Video on Demand advertising on our VoD service, the STV Player.

## Commercial partnerships

We work with TV platforms under a series of long-term partnerships, as well as with advertisers to provide a 'one stop shop' for advertising services, extending beyond the sale of advertising to creative design, post campaign analysis and related activities.

## Programme production and distribution

We produce original content for broadcasters and platform owners in the UK and internationally from our production bases across the UK. We own the rights to a library of programmes that we sell and license to broadcasters and platform owners internationally.

## Direct to consumer

We directly monetise audiences through on-air competitions and a paid-for VoD service, STV Player+, which provides the option to stream our content without adverts.

## Delivering value for our stakeholders

**We respond to the changing needs of all our stakeholders and create value for them through efficient delivery of our business operations.**

### Audiences

Through a high-quality TV schedule providing the largest peak time audiences in Scotland – the highest since 2008.

### Advertisers

Through our unique scale and reach, boosted by the £30m STV Growth Fund which is aimed at attracting new advertisers to TV.

### Our people

By developing a supportive, open, creative and collaborative culture; prioritising the safety, mental health and wellbeing of our people.

### Communities

By providing trusted news, facts and information through the most comprehensive local news and current affairs service in Scotland; improving on and off screen diversity to reflect the true face of modern Scotland; raising £4.4m for families and young people in poverty in Scotland through the STV Children's Appeal; supporting Scottish business to recover from Covid through the STV Growth Fund; and championing climate action through STV Zero.

### Investors

Continuing to deliver on a growth strategy that generated the highest adjusted operating profit on record in 2021 together with a return to a cash dividend for shareholders.

### Platforms and partners

Through a range of successful, long-term relationships with platforms, fellow broadcasters, distributors and suppliers, through which they share in our success.

### Government and regulators

STV delivers on its public service obligations and is working with stakeholders to create a sustainable future model for public service media. STV also repaid all furlough monies in full to Government when it became clear that the advertising market was recovering successfully.

# Operating review: Broadcast

2021 was an excellent year for our Broadcast division, with viewers continuing to turn to linear TV for trusted news and high-quality entertainment.

Our connection with our viewers has strengthened further, underlining the importance of Public Service Media to audiences across the country, especially during challenging times like the Covid-19 pandemic.



**Bobby Hain**  
Managing Director

**Our reach in Scotland remains unrivalled and our audiences are strong; STV has a higher daily, weekly and monthly reach than any other commercial channel. On average, we reach 3.2 million adults in Scotland per month, and we reach more 16-34 adults than any commercial channel, making our platform an attractive and unique proposition for commercial partners.**

**Exceptional viewing performance**

Viewing figures for STV soared during the height of the pandemic in 2020, and we have sustained this strong performance through 2021, ensuring it wasn't just a lockdown phenomenon. Our share of commercial channels (28.5%) is the highest it has been since 2008; and our year-on-year growth of one share point is higher than any channel in Scotland or across the UK. Our commercial share is bigger than the next seven largest commercial channels combined.

STV remains the best watched peak-time channel in Scotland. Our daytime, peak and all-time share are all at a 12 year high, and 2021 saw our strongest ever all time share performance versus the ITV Network (19.6% v 17.7%).

↗  
**STV News – Euro 2020**  
Raman Bhardwaj and Sheelagh McLaren fronted STV coverage of Euro 2020. Scotland's clash against the Auld Enemy was the best watched broadcast across all channels in Scotland.

Content

# STV broadcast 44 of the 50 best watched programmes on commercial TV in Scotland

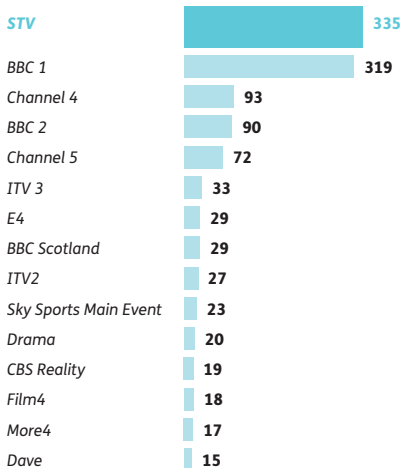
Share

# All time share at a 13 year high

Revenue

# Highest ever total advertising revenue: £112.6m

STV peak time audience (thousands)



Source: BARB, Jan-Dec 2021, peak time (18.00-22.30), individuals

STV is the only PSB channel that outperformed its UK Network equivalent, with BBC1, BBC2, Channel 4 and Channel 5 all having a lower share in Scotland than they have across the UK in 2021.

STV had the most watched news programme, daytime programme, soap, documentary, sports broadcast and entertainment programme across all channels in 2021. This viewing success was driven by a strong schedule of drama, entertainment, factual and sport output, including Six Nations Rugby and in particular, Euro 2020, which captured the attention of a nation of football fans. The much-anticipated England v Scotland match, for which we produced our own presentation, saw STV's highest ever peak audience at 1.94m, becoming our most watched programme of the last decade and best watched football match ever. Across the whole tournament, 3.6m Scots tuned into our coverage.

Other schedule highlights included entertainment juggernauts *The Masked Singer* and *Ant and Dec's Saturday Night Takeaway*; crime dramas *The Pembrokeshire Murders*, *Manhunt* and *Grace*; and Oprah's interview with Meghan and Harry, which was watched by 1.2m Scots. *I'm a Celebrity... Get Me Out of Here!* reached 1.8m Scots across the series and remains a perennial top 10 show.

STV broadcast 98% of programmes with over half a million viewers on commercial television.

Alongside network content, we produced and aired a range of dedicated regional productions for 2021 including sustainability focused series, *Don't Waste Scotland*; Hogmanay show, *Bringing in the Bells*; a half-hour special to whet fans' appetite for the Euros with documentary, *Scotland: We Can Boogie*; and our dedicated STV Children's Appeal content, which this year included a documentary highlighting the issues surrounding young people's mental health during the pandemic and our big tele-fundraiser with



↗ **The Masked Singer**  
Schedule highlight *The Masked Singer* is a top 15 programme on STV.

→ **The Chase**  
*The Chase* remains the most watched regular daytime series in Scotland – every new episode in 2021 won its timeslot.



# Operating review: Broadcast



**Manhunt**

STV is the only commercial channel in Scotland to achieve drama audiences over half a million in 2021.



**Promoting sustainability**

Climate correspondent, Laura Piper and the wider STV News team provided comprehensive coverage of COP26 – making high-level politics relevant and accessible to our audience.



Lorraine Kelly. The Appeal raised £4.4m for children living in poverty in Scotland in its 10th birthday year, bringing the total the charity has raised since 2011 to almost £29m.

Our current affairs programme, *Scotland Tonight*, had an exceptionally busy year whilst at the same time celebrating its 10th anniversary. With dedicated Scottish Parliament Election coverage, including one-to-one interviews with party leaders, comprehensive stories from COP26 and a wide range of current affairs impacting the country, *Scotland Tonight* led the agenda and frequently saw its stories picked up in the daily news titles. We continue to air four episodes a week, including one in peak to make it more accessible for viewers. Since moving to a peak-time slot in 2020, *Scotland Tonight*'s Thursday audience is at an all-time high, having grown to 207,000. The programme is now well established as the nation's number one Scottish-focused current affairs programme.





### Highest ever advertising revenues

Our broadcast channel remains the engine room of STV, with strong cash generation fuelling the investment in key growth areas. The speed and scale of the advertising recovery in 2021 far exceeded our expectations and underlines the enduring power and relevance of high-quality television advertising.

Our strong content offering, and the unrivalled reach of the channel, helped drive total advertising revenue growth of 24% for the full year which, encouragingly, is 11% up on pre-Covid 2019. Our relationship with the business community has continued to strengthen, with brands increasingly choosing our channel to build awareness and drive post-Covid recovery. A key to this success has been continued evolution of the STV Growth Fund, which now sits at £30m of which over £16.5m has been allocated since inception.

### Promoting sustainability

As we all face the scale of the global climate crisis, STV holds a unique position as a public service broadcaster and pre-eminent marketing platform to work with partners, programme makers and viewers to raise awareness of environmental issues and to support the businesses we work with to effect lasting change.

As a business, we have committed to being net zero carbon by 2030 and we are keenly aware of our responsibility to use our platform to reach large audiences with clear messaging around climate change. Our first promotional campaign featured our much-loved weather presenters transformed into older versions of themselves and delivering 'weather forecasts' from the future. The purpose of the campaign – and our three-part series *Don't Waste Scotland* – was to highlight the importance of making small changes in our everyday lives to help improve the outlook for the environment.

Alongside the many changes we have made as a business and across our productions, this on-air campaign is only the beginning, as we seek to continue to raise awareness of climate change in an accessible way on our platform. This commitment was solidified as we signed up to Project albert's Climate Content Pledge with all other UK major broadcasters, collectively promising to weave sustainability messaging through our editorial content.

## Spotlight STV Growth Fund

**We continue to work closely with the Scottish business community, ensuring that advertising is both affordable and accessible via our innovative STV Growth Fund. This initiative is more important than ever as we work hard to help boost economic recovery post pandemic. In November 2021, we announced that we would increase the fund to £30m in 2022 to help drive Scotland's economic recovery.**

Since launch in 2018, and to the end of 2021, we have allocated over £16.5m across more than 800 deals with Scottish SMEs. The fund has enabled over 320 businesses to access TV advertising for the first time, including around 150 since the start of the pandemic. From a travelling restaurant and a sustainable gift hamper company to a teething-bib scale-up and a green boiler business, we are proud to be a key part of these regional SMEs' growth journeys and delivering them real results.

In March, we launched a £1m Green Fund\* aimed at Scottish businesses providing sustainable products and services. The new fund is already helping these businesses connect with consumers via their eco credentials and is open to SMEs with a 'green' objective, product or message, helping them extend their reach and encourage Scots to reduce their own carbon footprint.

In July, we launched a gifted membership initiative as part of our £1m Inclusion Fund\*, which supports businesses committed to diversity and inclusion. £100k of gifted memberships was made available, with an esteemed judging panel meeting with interested businesses to hear about how they champion diversity through their brands. Four successful businesses from across Scotland were awarded membership to help fund new campaigns.

The recent launch of STV Self Service was targeted to increase access to the Growth Fund for businesses apprehensive about marketing. The initiative enables our advertisers to design and book their own campaigns online and provides ease of access to our leading marketing platform.

\* Ringfenced within the overall Growth Fund



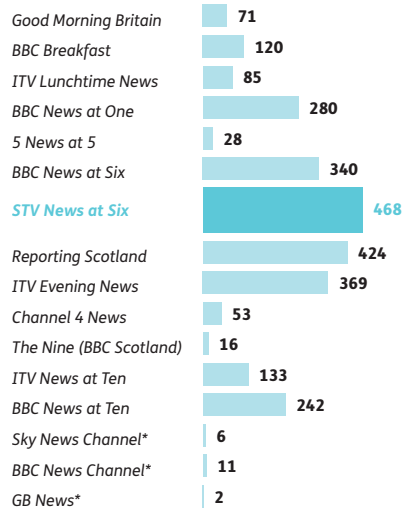
# Operating review: Broadcast



➤ **Expert Voices**  
More than 400 women have taken part in Expert Voices media training.

➔ **Holyrood Election coverage**  
Political editor Colin Mackay and the wider news and current affairs team provided comprehensive and wide-ranging coverage of the Scottish Parliament elections.

## Average audience for all major news programmes (thousands)



\* Average audience across a day (09.30-24.00)  
Source: BARB, 2021 (Mon-Fri), individuals



#### Behind the scenes

A multi-million pound project to upgrade all news broadcast centres was completed in 2021.

## Spotlight STV News

### STV News is the jewel in our regional crown and our tireless team continued its exceptional run from 2020 into 2021.

For the third year in a row, *STV News at Six* is the best watched news programme in Scotland, with an average audience of 468k; and is the most-used source for accessing news about Scotland by people in Scotland (Ofcom News Consumption Survey 2021). Our talented and dedicated journalists and production crews brought viewers across the country the much-needed facts and information around the biggest news to hit Scotland on the nightly *STV News at Six* and in regular bulletins, alongside our comprehensive digital news service.

Our reputation for providing trusted, high-quality, relevant news was cemented further with comprehensive stories around big Scottish events including the Scottish Parliamentary Elections, new developments in the pandemic and COP26, when the eyes of the world were on Glasgow.

The service is watched by over 2.4m (54%) of the Scottish population each month, across all STV News bulletins with 2.2m accessing our news across our digital platforms every month.

#### Digital

2021 was a year of partnership and renewal for STV News digital publishing. Licensing deals with Facebook and Google for STV News content to feature on Facebook News and Google Showcase created meaningful revenue streams and visibility on these important new services.

New apps were successfully launched for iOS and Android mobile devices to offer users a modern, reliable and accessible experience. The STV News website has also benefited from significant updates as part of an ongoing improvement programme. This has enhanced performance and created foundations for future editorial initiatives.

Our continued focus on social distribution delivered strong engagement on Facebook, particularly in relation to video content. We will build on this in 2022 and deploy new tools to deliver greater value from our social posts. We will also invest in audience development on Instagram after promising trials. This initiative will leverage the significant volumes of video content produced by our newsrooms.

Editorial strategy is providing timely and trusted news that is relevant and engaging to a broad and diverse audience. Priorities in 2022 include enhancing our regional output; better showcasing our journalists online and improving our sports offering.

#### On-screen diversity

Our editorial strategy is to provide timely and trusted news that is relevant to a broad and diverse audience and strong progress is being made. For news, we have an on-screen ethnic diversity target of 8% (double the population profile); and a 50:50 target for gender representation. We measure progress against these monthly and regularly exceed our targets but there is still work to be done to ensure we consistently hit these targets across the year.

More than 400 women have taken part in our STV Expert Voices media training workshops, as we seek to increase representation of female experts and women of colour on screen. Through this work we have developed strong partnerships with Women in Journalism and Pass the Mic, and we are pleased to say that dozens of the women who have taken part in our workshops have now used these skills to participate in broadcast interviews with confidence.

#### Investing in news

In September 2021, we completed the multimillion-pound, three-year project to upgrade all six of our news broadcast centres across Scotland to High Definition. This project included two studios with full production galleries, alongside all our cameras and editing workstations.

The project began in STV North in 2019 with full HD upgrades to our Aberdeen, Dundee and Inverness studios and has now completed across STV Central. After an unavoidable hiatus during lockdown, work to refit the Glasgow operations was completed in June, our Scottish Parliament studio facilities in March and the final work in our Edinburgh studio and gallery was completed in September. All studios and galleries now fully support HD end to end – from camera capture to studio layout.

The refit represents a significant investment in our news operation and the team are to be applauded on completing the transition as seamlessly as possible.

News sits at the heart of our public service broadcasting contribution and we are proud to be investing to continue to deliver the high quality, trusted, relevant service that hundreds of thousands of Scots rely on each day. We are committed to protecting regions and nations news for Scotland and ensuring that it remains of the highest quality and accessible to all.

# Operating review: Digital

The acceleration of Digital has continued during 2021, with an exceptional performance and rapid growth of our broadcaster streaming service. Building strong connections with our growing audience is critical. We do this by regularly adding high-quality content, working closely with platforms, and enhancing the user experience via regular product updates.



**Richard Williams**  
Managing Director

**There is strong evidence of the progression of our strategy to significantly increase our addressable audience via UK wide rollout whilst expanding our high-quality content offering. Total streams on the STV Player in 2021 were up 63% year on year, with on demand viewing up 49% and live simulcast more than doubling (up 109%). Importantly, the amount of time spent on STV Player has increased by 42% year on year, from 35.7m hours in 2020 to 50.8m in 2021.**

The growth of STV Player, in terms of streams and revenues, has outstripped the other PSBs over the past three years. In 2018 we delivered 35m streams, with this more than trebling to 115m in 2021.

STV Player is available on all major platforms including Sky, Freeview, Virgin Media, Freesat, Apple TV and Fire TV. In October, we were pleased to confirm our inclusion on Sky's new service – Sky Glass – appearing in the line-up alongside all the other major streaming services and taking our partnership with Sky to the next level. We delivered a fully regionalised Sky Glass STV Player service at launch, which means that users in Scotland can enjoy all four regionalised STV streams and access the entirety of the STV Player catalogue.

↗  
**The Bay**  
Along with the soaps, the second series of British crime thriller *The Bay* made up the top three dramas on STV Player in 2021.

Content

Total registrations:  
4.3m

Audience

Growth in  
streams: 63%

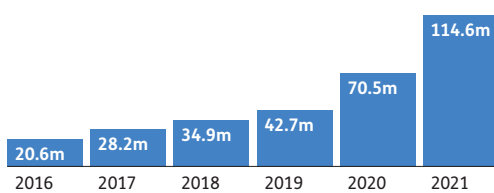
Revenue

Total digital  
revenue: £17.8m

Users of the service across the rest of the UK can access our extensive Player-only content.

4.3m adults are now registered for STV Player. Our expansion into the rest of the UK means that 22% of VoD streams are now coming from outside of Scotland (up from 2% in 2020), with a significant opportunity for future growth.

Growth of STV Player (in streams)



Growth of STV Player in terms of streams (as shown) and revenues has outstripped other PSBs

STV Player and UK-wide strategy

STV is available on all major platforms. More than 1 in 5 of all VoD streams now come from outside of Scotland.



→ **Accused**  
One of 84 drama box sets available on STV Player – 49 of which were brand new to the service in 2021.

# Operating review: Digital

## Must-stream TV

Nothing drives traffic like sport, soaps and drama and 2021 provided a feast of all three.

Euro 2020 saw STV Player repeatedly breaking records as the competition progressed, with football fans watching in their millions. The day of the France v Switzerland and Croatia v Spain clashes saw STV Player deliver its best performing day ever, with more than 1m streams. The much-anticipated Denmark v England semi-final quickly became STV Player's most-watched live event, drawing in almost half a million streams for this game alone. Total streams across the tournament were an impressive 3.9m. The platform proved to be a reliable, user-friendly, high quality and attractive proposition at a time of the highest demand, making Euro 2020 a roaring success for STV.

Soaps and drama dominated the top 50 most watched titles on STV Player, with *Coronation Street* and *Emmerdale* topping the chart. During the Euros, the soaps were displaced by live matches, so we dropped a box set of the week's episodes for both soaps each Monday. Across the month, we saw a significant increase in streams for both titles – *Coronation Street* was up 46% and *Emmerdale* was up 81% – opening up the Player to dedicated and new visitors alike.

Network drama remains a key driver of traffic, with major titles for 2021 boosting our audiences and encouraging 'binge' viewing via box set drops. *The Bay* was our third best watched title in 2021, attracting 2.9m views, alongside *Marcella* (1.8m), *Finding Alice* (1.4m) and *Unforgotten* (1.2m). Importantly, our acquired dramas are competing well with our network scripted content in terms of volume of hours consumed, though the network dramas are still more popular on a 'per episode' basis.



### **The Thirteenth Tale**

STV Player's biggest content deal to date with Banijay Rights brings new programming – and big names such as Olivia Coleman – to the free streaming service.



### **Emmerdale**

Soaps are the biggest shows on STV Player – with *Emmerdale* streams up 52% in 2021.



### **The Commander**

An acquisition from distributor All3Media, *The Commander* has had more than one million streams on STV Player.



## Spotlight

### Player-only content

**We continue to accelerate our acquisitions strategy by developing strong relationships with distributors, with a growing focus on scripted content.**

We worked with 17 partners in 2021, agreed 31 new content deals and added a plethora of drama, true crime, factual and entertainment programmes to our service, complementing the network material. These agreements added an additional c.1,900 hours of Player-only content including more than 850 hours of scripted, representing 173 new titles to our ever-expanding catalogue.

In July, we secured our biggest ever content deal to date, partnering with Banijay Rights to bring 1,250 hours of new programming to the service. We'll provide regular content drops into 2022, constantly refreshing our offering.

Drama (both Channel 3 Network and acquired) and soaps dominate STV Player's top 20 shows and, in response to the popularity of this material we decided to upload new Player-only dramas each week. In 2021, we hosted 84 drama box sets on the service.

12 out of the top 20 programmes on STV Player were non-network, Player-only content, highlighting the growing success of our strategy. These include the US version of *The Bridge*, *The Firm*, *Rogue* and *Gracepoint*, alongside archive favourites *Taggart* and *Take the High Road*.

All our Player-only dramas are available as full series to binge watch but from the beginning of 2021 in line with ITV we began dropping box sets for our network dramas too, to power the inevitable migration of viewers to VoD in line with continued changes in viewing behaviour.

The network soaps remain a valuable part of our offering, always in prime position on our streaming chart, but we are pleased to note that our reliance on these titles is reducing. Whilst traffic to the soaps continues to grow, they now constitute less than 30% of our overall streams, down from 70% three years ago. This is down to our ever-increasing catalogue of Player-only content, helping us develop a more holistic and wide-ranging service for our users.

Traffic is of course the most important metric, and we are pleased to note that 42% of our VoD streams came from our Player-only content in 2021, up from 32% in 2020.

### Top 20 chart by volume and episode (STV Player-only content highlighted)

	Total streams	Avg. per episode
<i>Coronation Street</i>	12.0m	46k
<i>Emmerdale</i>	9.3m	32k
<i>The Bay (S1 &amp; S2)</i>	2.9m	244k
<b><i>The Bridge</i></b>	2.7m	102k
<b><i>Take the High Road</i></b>	2.2m	5k
<i>Marcella</i>	1.8m	229k
<b><i>Thorne</i></b>	1.5m	253k
<b><i>Taggart</i></b>	1.4m	13k
<i>Finding Alice</i>	1.4m	231k
<b><i>The Firm</i></b>	1.4m	63k
<b><i>Rogue</i></b>	1.3m	25k
<b><i>Detective McLean</i></b>	1.2m	119k
<i>Unforgotten</i>	1.2m	195k
<b><i>The Commander</i></b>	1.1m	65k
<b><i>Gracepoint</i></b>	1.1m	107k
<i>I'm a Celebrity... Get Me Out of Here!</i>	1.0m	53k
<i>Angela Black</i>	910k	152k
<b><i>Striking Out</i></b>	870k	87k
<b><i>The Client List</i></b>	860k	34k
<b><i>Janet King</i></b>	750k	31k

Source: Adobe Analytics Jan-Dec 2021, FreeWheel Jan-Dec 2021

# Operating review: Digital

## VoD advertising

We're incredibly proud of our high-quality network content which offers new material to viewers, entices them on to the Player and keeps us distinctive. However, as an AVoD, we require volume to make the service a stronger commercial proposition, and the addition of our Player-only content has been incredibly successful at bringing in new users to the service whilst providing existing users with a greater breadth and depth of content. The wider recovery of the advertising market was reflected in our digital business, and commercial innovation has allowed us to design new opportunities for revenue growth, including sponsored genre carousels, themed content collections and programmatic deals.

As such, VoD advertising on STV Player was up 38% compared with 2020, with ad impressions +43%.

One important development for 2021 was the successful launch of mid-roll ads on drama box sets on the Sky platform, which enabled us to fully monetise our UK-wide expansion. Working with Sky and FreeWheel, these mid-rolls give us more scope to serve further advertising and promos and enable us to monetise every stream on Sky set top boxes. This development gives us additional flexibility to promote other Player content within a stream and brought Sky in line with our other apps, which all include mid-rolls, giving our viewers a consistent STV Player experience.

## Building a loyal audience

In June, we became the first broadcaster VoD service to launch a VIP rewards scheme to build better connections with our viewers and further drive streams. STV Player VIP brings members a range of benefits including personalised email recommendations, opportunities to win prizes each month, including TVs and tickets to must-see events like Euro 2020, as well as no pre-roll adverts, and we will constantly be refining and improving this offer.

In autumn 2021, we trialled 'STV Player Presents' which saw us make the most of our broadcast window to introduce linear viewers to our acquired drama box sets and raise awareness of our Player-only content to a new audience. For the pilot, we aired the first episode of three of our most popular acquired dramas – *Thorne*, *Rake* and *Striking Out* – over the course of three Saturday nights, each time encouraging viewers to head to STV Player to watch the rest of the series. We are trialling 'STV Player Presents' again in Q1 2022 but this time will air them in a prime-time weeknight slot (9pm, Tuesdays) to drive increased viewing figures and migration from linear to VoD.

In the autumn, we were thrilled to be nominated for the 'best on demand service' at the prestigious Edinburgh TV Awards. Whilst we didn't win, our shortlisting alongside the calibre of NOW, Disney+ and All4 is a win in itself – and there's always next year!



→ **STV Player on connected TV**  
STV Player gives viewers in Scotland the opportunity to watch STV shows on their terms, live or on demand.



In 2021, VoD advertising on STV Player was up 38% compared with 2020, with ad impressions +43%.



#### **Detective McLean**

Just one of the drama box sets available on STV Player.



#### **Striking Out**

STV Player Presents saw the first episodes of acquired titles such as *Striking Out* feature on STV's linear channel.



## Spotlight

### Product updates

**STV Player enjoys a level of functionality, stability and app store ratings that have significantly improved over the last three years.**

The team has continually improved the user experience across platforms with technical upgrades a priority, ensuring that the service is reliable and intuitive for users. From design tweaks to personalisation and tailored recommendations, everything our team does encourages greater consumption of our content.

The introduction of the ability to rate the Player in-app on iOS and Android, was an important development to help boost our ranking in searches. We're delighted that the app is receiving four and five-star ratings across iOS, Apple TV and Android, boosting our rankings and visibility; and we are now the highest rated PSB app (compared with ITV Hub, All 4 and My5) across the main app stores.

We successfully launched Red Button functionality on YouView and Freeview Play, making it possible for linear viewers to easily launch the STV Player app on their device. The feature worked well during the Euros, to point viewers to the displaced soap drops; and it also enables us to promote specific Player content.

We also updated the STV Player website, which has always been at the heart of the Player experience. As one of the original platforms, it's important for us to ensure it keeps evolving to meet users' needs, supports the other platforms and showcases all our content. Improvements in 2021 included personalisation on the homepage, an overhaul of our carousels and new links to provide quick access to link STV Player to connected TVs.

One important development was the roll out of Digital Rights Management (DRM) capability across all platforms in 2021. This means that all viewers can now enjoy 'DRM protected' content, allowing them access to more of our programming – thus expanding our available audience. In addition, this enhanced level of security has unlocked deals with premium content partners.

# Operating review: Studios

2021 has been a record year for STV Studios. We successfully won 16 commissions for seven different networks and have delivered our best-ever financial performance, with full year revenue of £27m and adjusted operating profit of £1.3m.

We've also built an incredibly exciting pipeline of shows for 2022. Creatively and commercially, the Studios business is stronger than ever.



**David Mortimer**  
Managing Director

**I'm incredibly proud of the team, who have shown resilience, dedication, and creativity through what continues to be a challenging time for the industry.**

STV Studios entered 2021 with a number of commissions which were developed and won in the height of the pandemic. We had deliberately made the decision to hold our nerve and continue to develop big, bold and potentially transformative projects, even at a time when all production had been halted.

These productions were successfully delivered, despite the ongoing impact of restrictions, and new commissions have been secured regularly throughout the year – all contributing to an outstanding 12 months for the division.

Importantly, we are creating returning and returnable series, which are particularly valuable to the business – the result of a clear strategic decision to move away from developing one-off projects and non-returnable ideas. Highlights include: a significant entertainment commission called *Bridge of Lies*, a hugely ambitious game show which shot in Q4 and will air on BBC One in Q1 2022; a recommission of *The Yorkshire Auction House* for Discovery including two series of 10 episodes and



**Screw**  
STV Studios drama *Screw* was filmed in Glasgow's Kelvin Hall, with a three storey prison set created in the iconic building.

## Content

# Commissions in 2021: 16

## Audience

# 35 million people watched STV Studios content

## Revenue

# Full year revenue: £26.6m

→ **The Travelling Auctioneers**  
BBC One commissioned new daytime series from STV Studios fronted by *Antiques Road Trip* expert Christina Trevanion and restoration maestro Will Kirk.

↘ **Bridge of Lies**  
Ross Kemp will host new BBC quiz show *Bridge of Lies* which is set to air in Spring 2022.



a further five-episode celebrity version; and a 13-episode commission for ITV's ratings winner *Celebrity Catchphrase*, its biggest commission since launch in 2013.

We have strong and developing relationships with the key PSBs, international networks and global streamers; and with production bases in Glasgow, Northern Ireland and Brighton, are well placed to take advantage of the increased commitments to nations and regions productions from the UK PSBs.

### Factual

Our Factual team under the direction of Creative Director, Craig Hunter, had an excellent year with multiple commissions and shows on air.

A key win was the innovative series, *Murder Island*, for Channel 4. We were the first production company to secure a commission from Channel 4's Contestable Fund, and the series captured the imagination of the UK public, which had a total series reach of 9.8m. With world renowned writer, Ian Rankin, secured as writer and three of the UK's most experienced homicide detectives on board, this genre busting cross between drama, factual and a competition between four pairs of amateur sleuths trying to 'solve a murder', made a real impact on TV schedules in 2021.

2021 also saw us secure our first factual series for UKTV, six-part comedy travelogue *British As Folk*, featuring three comedians travelling the country and interrogating the stereotypes around the make up of British life today. We also delivered a four-part series for Channel 5 called *Our Family Farm Rescue*, fronted by Adam Henson and reaching 4.2m across the UK.

*Antiques Road Trip* and its *Celebrity* sister series continue to be a staple ratings winner for the BBC and a strong returner for STV Studios. In 2021, we delivered two series of *Antiques Road Trip* and a further series of twenty episodes of the *Celebrity* series, and a further three series were commissioned for next year (series 25 and 26 of *Antiques Road Trip* and series 11 of *Celebrity Antiques Road Trip*).

New format, *The Yorkshire Auction House*, for Discovery-owned channel, Really, saw Angus Ashworth visit people's homes across the UK and unearth their hidden gems for sale at auction. Launching in March, it became the channel's most watched programme of the year and the most watched series since 2012. It was recommissioned with two series of 10 episodes plus a spinoff celebrity series.

# Operating review: Studios



Our brand-new auction format, *The Travelling Auctioneers*, sees restoration maestro, Will Kirk (*The Repair Shop*) and auction supremo Christina Trevanion (*Antiques Road Trip*) take to the road with their auction house and workshop, unearthing some fantastic vintage pieces. Running for 15 x 45' episodes, this original format will air on BBC One Daytime in 2022.

The Factual team's commissioning streak saw them close the year with an order from Channel 4 for an extraordinary TV event and critical investigation into the most arresting victims of our climate emergency, the whales that wash up on the UK's shores in ever increasing numbers. *What Killed the Whale?* (working title) is an event piece for Channel 4 and will air later this year.

## Entertainment

Headed up by Gary Chippington, our Entertainment team secured further commissions for a key returner for the business; and triumphed at a major industry-wide competitive pitch.

The enduring appeal of entertainment stalwart, *Celebrity Catchphrase*, continues and is a key fixture in ITV's Saturday night entertainment line-up. We have now produced seven series of *Celebrity Catchphrase*, with the most recent completing production in Q4 and airing in Q1 2022. Series 5 of *Celebrity Catchphrase* aired in 2021 and saw

*Screw* has been lauded by media critics:

**"A warm, witty, welcome to hell..."**

**The Guardian**

**"If you fancy some gripping drama teamed with a whole load of laughs, *Screw* will certainly fit the bill."**

**Metro**

**"Fast-moving and deftly drawn prison drama"**

**Daily Mail**

**"*Screw* is proving a real must-see. Bold, sharp, and vibrant with brilliant writing and a great ensemble cast it is unlike anything else on TV right now"**

**The Sun**

**"Rob Williams' excellent prison drama"**

**The Times**

**"...a thoroughly engrossing and addictive pleasure..."**

**The Mail on Sunday**

the show deliver its highest ever viewing figures. The most-watched series of the show ever, it achieved an average audience of 4.8m viewers across its ten-week run, peaking at a brilliant 7.5m.

The team also won a significant commission for a new series for BBC One, *Bridge of Lies*, presented by Ross Kemp. The show was commissioned by BBC Daytime and Early Peak as part of a highly competitive initiative to find new quiz formats made in Scotland and, as such, is a real coup for the team. Promising high drama and even higher stakes, the 25 x 45' part series was filmed in Glasgow and will air on weekday afternoons in the spring of 2022.

## Drama

Our drama team is headed up by Sarah Brown, who spent much of the last year in production with our high-end six-part returnable drama for Channel 4, *Screw* – one of our biggest drama productions to date. Filming was completed in Glasgow's historic Kelvin Hall in the summer. The first production to film in the city's new creative hub, we are thrilled to be a key contributor to the local creative economy and skills development via this high-end series. Starring Nina Sosanya (*His Dark Materials*) and Jamie-Lee O'Donnell (*Derry Girls*), *Screw* introduces us to the C Wing of a busy men's prison, a place that's bursting at the seams with humour, emotional high stakes and danger for prisoners and officers alike.

*Screw* has delivered strong ratings and was Channel 4's best launch to a drama series since *It's A Sin*. Episode 1's overnight was double the slot average for individual share and volume. In January 2022, *Screw* was the most watched title on All4. Following the broadcast of episode six, the series had reached 6.8 m viewers, with huge potential for future growth.

Looking ahead, the drama team has a strong pipeline and are in funded development on a number of key projects for 2022.

## Spotlight

### Creative partnerships

**The new creative labels within our production family (totalling nine creative units) are all making encouraging progress. Our strategy of investing in small/growing production companies who share our values, ambition and enthusiasm for original new formats allows us to spread our creative bets and work with some of the best minds in our industry.**

The journey from development to commission can be a slow one, but progress through 2020/21 assures us that we are investing in the right businesses and that our strategy is really starting to pay off.

Our six independent creative labels all have exciting stories to tell:

Belfast-based, Two Cities, announced a significant win in March this year with an original returnable police drama, *Blue Lights*, for BBC One – its first commission as part of the STV Studios family. Created by the writers of *The Salisbury Poisonings*, *Blue Lights* is a 6 x 60' fast-paced series about rookie police officers working in contemporary Belfast and facing the pressures and dangers of frontline response and will air in 2022.

Primal Media – their ground-breaking series for Sky Arts, *Landmark*, launched in September 2021 and the team are in discussions with the channel around future projects. *Landmark* was simulcast on Sky Arts and Sky Showcase and across the series it pulled in an average audience of 81,000 and reached 941,000 people across the UK. Primal are in advanced funded development with other major channels, including a new reality show in the UK as well as a dating format for a US broadcaster.

Factual Entertainment label Barefaced TV have a strong reputation for original and surprising content. They have recently been commissioned by Discovery+ for a large-scale, high-stakes, young-skewing format *Zodiac Island* (working title) to be delivered in Autumn 2022.

We are excited about future prospects with the talented team at high-end drama producer, Tod Productions, who have a strong, advanced development slate.

We took a 25% stake in unscripted producer, Hello Mary, in September 2021, headed up by Steve Regan whose previous projects as both a commissioner and producer include *Geordie Shores*, *Big Brother*, *Ex on the Beach* and *Lip Sync Battle*. The team recently won a paranormal series commission for the Really channel, and have an exciting slate of projects.

Mighty Productions based in Glasgow and London joined STV Studios in early 2022. Our creative and commercial strategy to build a suite of labels is relatively low risk and beginning to pay off, with solid progress delivered across all through 2021, fully complementing STV Studios' in-house Drama, Factual and Entertainment slates. We remain the largest production company in Scotland and look forward to a busy and productive 2022.



We are investing in the right businesses and our strategy is really starting to pay off.

# Operating review: Studios



## STV Studios commissions in 2021

**Celebrity Catchphrase**  
23 hours (23 x 60' for ITV – two series)

**Murder Island**  
6 hours (6 x 60' for Channel 4)

**Blue Lights**  
6 hours (6 x 60' for BBC One)

**British as Folk**  
6 hours (6 x 60' for Dave)

**Bridge of Lies**  
18.75 hours (25 x 45' for BBC One)

**Yorkshire Auction House**  
20 hours (20 x 60' for Really – two series)

**Celebrity Yorkshire Auction House**  
5 hours (5 x 60' for Really)

**The Travelling Auctioneers**  
11.25 hours (15 x 45' for BBC One)

**What Killed the Whale**  
1.5 hours (1 x 90' for Channel 4)

**Antiques Road Trip**  
37.5 hours (50 x 45' for BBC One – two series)

**Celebrity Antiques Road Trip**  
20 hours (20 x 60' for BBC Two)

**STV Children's Appeal**  
1 hour (1 x 60' for STV)

**Trapped Underground**  
8 hours (8 x 60' for Really)

➤ **What Killed the Whale**  
A significant and timely investigation for Channel 4.



←  
**Elizabeth is Missing**  
 Award-winning TV film starring Glenda Jackson.

↓  
**Antiques Road Trip**  
 This popular STV Studios returning series sells well both domestically and internationally.



## Spotlight International sales

We delivered a particularly strong year of catalogue tape sales in 2020, fuelled by the demand for shows at the onset of the pandemic and providing a reliable source of income for the business. The positive news is that this exceptional sales level has been sustained in 2021 across our full catalogue of programmes and format relicensing.

A distributor neutral position drives our successful strategy of working with multiple distributors to match the most appropriate sales agent to our content, securing the best deals with businesses such as Britbox, Acorn TV, Discovery and PBS (US).

Key titles that have delivered for us in 2021 include:

- Our award-winning TV film, *Elizabeth is Missing*, which as well as being critically acclaimed, is one of our significant sellers to key territories around the world, with over £1m of sales achieved to date.
- We completed a high-volume sale of *Taggart* to UKTV.
- *Antiques Road Trip* continues to sell well both domestically (to Discovery) and internationally, including a new deal with PBS in the US, including both linear and VoD.



↗  
**Images clockwise from top left**  
 British as Folk  
 Murder Island  
 The Yorkshire Auction House  
 Celebrity Catchphrase

## Finance review

For the year ended 31 December 2021

Our record results in 2021 are testament to the creativity of our people, the resilience of our business, and the growth momentum across our operations.

We have delivered our highest revenues and adjusted operating profit ever, and our disciplined approach to costs and cash has delivered a net cash position at the end of the year.



→  
**Lindsay Dixon**  
Chief Financial Officer

### Results summary

	2021	2020
<b>Adjusted results*</b>		
Advertising revenue (£m)	<b>112.6</b>	90.9
Total revenue (£m)	<b>144.5</b>	107.1
Operating profit (£m)	<b>25.2</b>	18.2
Operating margin	<b>17.5%</b>	17.0%
Profit before tax (£m)	<b>23.6</b>	16.6
Earnings per share (p)	<b>45.6</b>	37.5
<b>Statutory results</b>		
Total revenue (£m)	<b>144.5</b>	107.1
Operating profit (£m)	<b>21.6</b>	17.7
Profit before tax (£m)	<b>20.1</b>	6.7
Profit after tax (£m)	<b>19.4</b>	7.7
Effective tax rate	<b>3.5%</b>	(14.9%)
Earnings per share (p)	<b>42.7</b>	18.2

\* Refer to note 27 in the Notes to the financial statements on page 125.

Throughout this Annual Report, where we state record financial performance, it is made by reference to 2010 when the final disposal was made and the group as we know it today remained.

### Trading overview

Total advertising revenue for the year was £113m (2020: £91m), an increase of 24% on 2020 and, more crucially, up 11% on 2019, which was itself a record year pre-pandemic. This increase was largely a result of the continued growth in our Digital division coupled with a strong recovery of the TV advertising market. Total Group revenue increased by 35% to £145m (2020: £107m), with significant growth in our Studios division adding to the record performance in advertising revenue. On a like for like basis, excluding STV ELM Ltd which was sold in August 2021, Group revenue was up 39% on the prior year and up 21% on 2019.

Adjusted operating profit increased by 39% to £25.2m (2020: £18.2m), equivalent to an operating margin of 17.5% (2020: 17.0%). On a statutory basis, operating profit increased by 22% to £21.6m (2020: £17.7m).

The Broadcast division generated an operating profit of £21.8m (2020: £15.5m), an increase of 41% on the prior year and up almost 10% on 2019. This result was largely driven by the recovery of the national TV advertising market and through leveraging STV's unique offerings in the regional marketplace with initiatives such as the STV Growth Fund, including the STV Green Fund. Our arrangement with ITV meant that our contribution to the national programme budget only increased by the same percentage as national advertising revenue.

The Digital division generated operating profit of £7.9m (2020: £6.5m), an increase of 21% on 2020 and up 8% on 2019. STV Player's growth and the increase in addressable audience was driven by the UK wide rollout and continued investment in high-quality content. These were enablers for the division to capitalise on the opportunities presented by the wider recovery in the ad market.

2021 was a landmark year for STV Studios with the division generating revenues of £26.6m (2020: £8.7m), beating our guidance of £20-25m, thanks to shows like *Screw* (for Channel 4), *Landmark* (for Sky Arts) and returning stalwarts including *Antiques Road Trip* (for BBC) and *Celebrity Catchphrase* (ITV). The division returned an adjusted operating profit of £1.3m (2020: loss of £0.3m) marking a significant milestone in the division's transformation journey and providing a springboard for further success.



Adjusted profit before tax was £23.6m (2020: £16.6m), after charging finance costs of £1.5m (2020: £1.5m). These comprised interest on the Group's borrowings of £1.2m (2020: £1.2m) with the balance being non-cash costs in relation to the Group's lease liabilities. These adjusted results are before finance costs in relation to the Group's defined benefit pension schemes and inclusive of High-End Television (HETV) tax credits receivable. Statutory profit for the year was £19.4m, an increase of £11.7m on 2020 (£7.7m).

#### Cash flow and net cash

At the balance sheet date, the Group had net cash of £0.3m (2020: net debt of £17.5m), a first for the business. The higher operating profit, combined with the timing of receipts on productions, proceeds received from disposal of minority investments, and a working capital benefit, in part associated with the timing of payments to ITV, all contributed to this net cash position. Operating cash conversion was 161% for the year (2020: 127%).

In March 2021, the Group refinanced its bank facilities, agreeing a new £60m revolving credit facility, with £20m accordion, for a minimum tenor of 3 years with two one-year extension options. The first extension option was agreed in February 2022 on commercial terms in line with the existing facility, with the RCF now running to March 2025.

The covenant package is in line with the Group's previous facility: leverage (net debt : EBITDA) and interest cover. At the end of the year, the Group's leverage was nil (2020: 0.7 times) due to the marginal net cash position and interest cover was 49.4 times (2020: 28.3 times), both metrics well within the covenant limits of 3 times (maximum) and 4 times (minimum) respectively.

#### Update on £30m investment plan

In March 2021, we announced the next 3-year phase of our strategy, which included a £30m investment programme targeted principally at driving growth in Digital and Studios. We have invested £8.5m in 2021 across content and marketing in Digital, pipeline development and investments in Studios, and capital projects in Broadcast to upgrade core infrastructure and technology.

Our investment in Studios was split across the in-house labels and making new investments in other independent producers. During the year, we acquired a 25% minority stake in Hello Mary for £0.6m and we also paid £0.4m in respect

#### Reconciliation of net debt to net cash

	£m
<b>1 January 2021</b>	<b>(17.5)</b>
EBITDA	27.4
Working capital incl. leases	5.9
Capital expenditure	(2.9)
Interest and corporation tax	(2.3)
Defined benefit pension schemes	(9.6)
Proceeds from disposal of STV ELM Ltd	0.6
Proceeds from disposal of minority holding in Unity Software Inc	4.7
Production finance to associates	(0.6)
Investment in associates	(1.0)
Dividends paid	(4.4)
<b>31 December 2021</b>	<b>0.3</b>

of convertible loan notes to Two Cities Television (who we acquired a 25% shareholding in, in January 2020), in line with the terms of our agreement.

Our closing net cash position coupled with our renewed banking arrangements mean that we are in a strong position, with headroom and flexibility to consider options to accelerate our growth strategy further, should opportunities arise.

#### Non-statutory measures

This Annual Report includes both statutory and non-statutory (or adjusted) performance measures, the latter intended to exclude significant, non-recurring items from the results for a period, and enable the users of the financial statements to compare performance across financial years on a like for like basis. The combination of these statutory and adjusted measures is useful to investors as it provides them with a basis for measuring our operational performance. The non-statutory measures should not be considered in isolation from, or as a substitute for, financial information in compliance with GAAP, and the non-statutory measures used in this Annual Report may not be directly comparable with similarly named amounts reported by other companies.

In calculating the adjusted measures of operating profit, profit before tax and EPS, the Group excludes exceptional items (as well as the tax charge or credit on those amounts) and IAS19 finance costs, and reflects HETV tax credits as contributions to operating costs.

## Finance review

For the year ended 31 December 2021

Exceptional items are items of income or expense which, because of the nature, size and/or infrequency of the events giving rise to them, are considered to be one-off and do not necessarily directly relate to the underlying trading of the Group.

HETV tax credits receivable relate to premium programme production activity (see below). These items are included to reflect performance in a consistent manner and in line with how the business is managed on a day-to-day basis. IAS 19 finance costs are excluded from non-statutory measures as they are non-cash items that relate to historic defined benefit pension schemes.

### Exceptional items

Total pre-tax exceptional items for the year is a net charge of £0.8m, being repayment of furlough monies (of £1.7m) and a net credit of £0.9m in relation to completion of the divestment of the STV ELM.

In March, the Board took the decision to repay all monies received through the Government's Coronavirus Job Retention Scheme ('CJRS') in advance of returning to payment of cash dividends in May. The repayment of CJRS monies has been recorded as an exceptional charge during the year, as it was a voluntary repayment and does not relate to trading performance in the period.

In August 2021, the Group completed its divestment of the non-core STV ELM Ltd for a total consideration of £0.6m (resulting in a gain on sale of the same amount). Full provision had been made for the expected credit loss in relation to debts due from the Scottish Children's Lottery in the prior year, with the actual write-off being £0.3m lower than the provision.

### HETV tax credits

The Group meets the eligibility criteria to claim HETV tax relief through the production of certain dramas created in its Studios division. This incentive was introduced in the UK to support the creative industries and is a critical factor when assessing the viability of investment decisions in the production of high-end drama programmes. These production tax credits are reported within the total tax charge in

the Consolidated Income Statement in accordance with IAS 12. However, we consider the HETV tax credits to be a contribution to production costs and therefore more aligned to working capital in nature. Accordingly, HETV tax credits are excluded from the adjusted tax charge and instead disclosed within adjusted operating profit in the notes to the accounts. The Group was due £1.9m (2020: nil) from HMRC for HETV tax credits claimed in the year.

### Corporation tax

A total tax charge of £0.7m has been recognised in the year (2020: credit of £1.0m). This comprises a tax charge on profits before adjusting items of £2.9m (2020: £0.6m), a tax credit on exceptional items of £0.3m (2020: £1.6m) and £1.9m receivable for HETV tax credits (2020: nil). The total tax charge of £0.7m on profit before tax of £20.1m represents an effective tax rate (ETR) of 3.5%. The ETR in 2020 was -14.9%.

The tax charge on profits for the year is lower than the standard rate of tax principally because of the amounts due in relation to HETV tax credits and the change to the rate at which deferred tax has been recognised at the year end. This follows the decision by the UK Government to increase the rate of corporation tax to 25% from April 2023. As the Group has deferred tax assets (in relation to pension scheme deficits and losses), the increase to the rate results in a tax credit of £2.0m being recognised in the year. The Group paid £1.2m in corporation tax in 2021 (2020: £0.4m).

### Earnings per share (EPS)

Adjusted basic EPS at 45.6p was 22% up on the prior year, driven by the increased profit generation of the Group. On a statutory basis, EPS was up 24.5p to 42.7p due to the significantly lower level of net exceptional items in the current year. A reconciliation of the two measures is shown in note 9 to the financial statements.

### Pensions

The Group has two defined benefit pension schemes, both of which are closed to new entrants and only one of which has a small number of active employees.

The latest triennial valuations for the schemes were due as at 31 December 2020, and we reached agreement with the Trustees in early October 2021. The Schedule of Contributions agreed is on the same basis as previously, with the contingent cash mechanism continuing to be in force. These documents were agreed against the backdrop of slightly more prudent assumptions underpinning the valuation, which was appropriate given the maturity of the schemes. The funding deficit was agreed as £116m, with the recovery plan running to October 2030. The agreement of the funding valuations in an efficient manner has created capacity for both Company and Trustees to work together on journey planning with a view to making progress against the recovery plans, and work is already underway.

The IAS 19 accounting deficit across both schemes was £79.4m at the end of the year (2020: £70.3m). The increase in the liability is primarily driven by an update to the mortality assumption used as well as reflecting the latest membership data following completion of the triennial valuation. Partially offsetting these increases was the gain derived from the higher discount rate and the benefit of contributions paid by the Group.

#### Dividends

The Board is recommending a final dividend of 7.3p per share resulting in a total dividend of 11.0p for the year, an increase of 22% on 2020. If approved at the Annual General Meeting on 21 April 2022, the final cash dividend will be paid on 27 May 2022 to shareholders on the register as at 19 April 2022.



**Lindsay Dixon**  
Chief Financial Officer

## S.172 statement

Engaging with our stakeholders

**In the decisions taken during 2021, the Directors consider that they have acted in the way most likely to promote the success of STV for the benefit of its members as a whole, having regard to the stakeholders and matters set out in S.172 of the Companies Act 2006.**

The Directors, in line with their duties under S.172 of the Companies Act 2006, act individually and collectively in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members. In doing so each Director has regard, amongst other matters, to:

- the likely consequences of any decision in the long term
- the interests of the Company's employees
- the need to foster the Company's business relationships with suppliers, customers and others
- the impact of the Company's operations on the community and the environment
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly, as between members of the Company

STV's success depends on creating and nurturing positive relationships with the people, communities and organisations that have an interest in the business and may be impacted by the decisions taken. These stakeholders are at the heart of the framework that sets out our purpose, business model, strategic priorities, values and culture. STV wants to be a business that provides positive outcomes for its employees, customers, shareholders, suppliers, communities, environment, government and regulatory bodies.

STV identifies its key stakeholders through its strategic planning process, which is focused on delivering long-term sustainable value. Stakeholder engagement and analysis is also key to STV's approach to risk management. Across the Group, we engage with stakeholders through direct discussion, participation in surveys, and consultations with government and other regulatory bodies.

The Directors are supported in the discharge of their duties by agenda planning for Board and Committee meetings to ensure there is sufficient time for the consideration and discussion on key matters and by processes which ensure the Board is provided with timely management information from all STV's business areas.

The following table provides some insight into how the Board discharges its duties under S.172 across each of the key identified stakeholder groups.

### Colleagues

#### Why it's important to us?

- Our colleagues are integral to the success of STV and so nurturing them is essential

#### Key priorities of the stakeholder group

- Knowing their voice is heard
- Ensuring everyone is treated fairly
- No compromises on safety and wellbeing, including mental health
- Development and career progression
- Alignment between personal and Company values

#### Engagement with stakeholder group

- Designated employee Director who is STV's Senior Independent Director
- The 'Minute Live', a weekly, all Company informal discussion led by the CEO
- Annual employee surveys
- 'Wellbeing from STV' programme of activities
- Broad range of benefits

#### Board response

- Commitment to building a truly inclusive culture
- Continuous prioritisation of health and wellbeing
- Succession planning for key roles
- Engagement with colleagues across all offices

### Customers

#### Why it's important to us?

- Our viewers, subscribers, advertisers and commissioners are the cornerstone of STV's continued success

#### Key priorities of the stakeholder group

- Variety of programming both broadcast and produced
- Availability and reach of linear and digital channels
- A trusted and impartial news service
- Awareness of key social and topical issues

#### Engagement with stakeholder group

- Dedicated Viewer Enquiries team
- Customer surveys via Scotpulse
- STV Growth Fund, incorporating the Green Fund, Inclusion Fund, Self Service and the Growth Academy
- Rich variety of content
- Social media
- Market insight into viewing habits

#### Board response

- Increase in STV Growth Fund to £30m
- Investment in Player-only content
- Investment in new creative labels to fill genre gaps
- Technology roadmap for STV Player reflecting customer feedback

## Suppliers

### Why it's important to us?

- Continuity and sustainability of our supply chain is critical for our long term success

### Key priorities of the stakeholder group

- Timely payment practices
- Open and transparent negotiations
- Compliance with laws, regulations and industry regulators

### Engagement with stakeholder group

- ITV/STV Council
- Face to face meetings with suppliers
- Contract performance reviews

### Board response

- Strategic oversight of relationship with ITV
- Commitment to fair treatment for all suppliers

## Investors

### Why it's important to us?

- Investors play a vital role in the success and growth of STV through provision of funds

### Key priorities of the stakeholder group

- Strategy and execution
- Prospects for future growth
- Investment plans
- Returns via dividends and capital appreciation
- Strong environmental practices
- Transparency and openness

### Engagement with stakeholder group

- Annual General Meeting
- Capital Markets Days
- Visits to Company operating premises
- One to one meetings
- Dedicated Investor section of the corporate website

### Board response

- Regular communication of performance
- Provision of guidance where appropriate
- Robust business model and medium-term targets
- Sustainability and diversity strategies and targets

## Community and environment

### Why it's important to us?

- In order to remain relevant to our viewers and advertisers, we must reflect the communities we serve both on-screen and off-screen and use our public service broadcaster status to share important topical social and environmental issues

### Key priorities of the stakeholder group

- Availability of trusted news, facts and insight
- Support for local causes and community projects
- Supporting local business and high streets
- Alignment between corporate and broader social objectives, including climate action and diversity and inclusion
- Representation through programming, on screen and on line

### Engagement with stakeholder group

- News and current affairs programming aligned with key social issues
- Established online portal, STV Self Service
- Extension of the STV Growth Fund to the Inclusion Fund and Green Fund
- STV Growth Academy
- STV Children's Appeal

### Board response

- Increase in STV Growth Fund from £20m to £30m
- Launch of STV Zero, STV's sustainability strategy
- Appointment of Femi Otitoju as STV's Diversity and Inclusion advisor
- Commitment under the Climate Content Pledge with other broadcasters

## Government and regulators

### Why it's important to us?

- Active engagement provides STV the opportunity to input on matters relating to our industry and our business, to ensure that our voice as Scotland's leading public service broadcaster is heard

### Key priorities of the stakeholder group

- Compliance with laws and regulations
- Ethical operations and practices
- Creating and sustaining employment
- Investing in the creative industry, providing training and development opportunities
- Environmental, Social and Governance practices

### Engagement with stakeholder group

- Participation in a range of consultations affecting our industry and business
- Direct engagement with policy makers, e.g. Department of Digital, Culture, Media & Sport (DCMS), Scottish Government, Ofcom
- RTS Bursary scheme

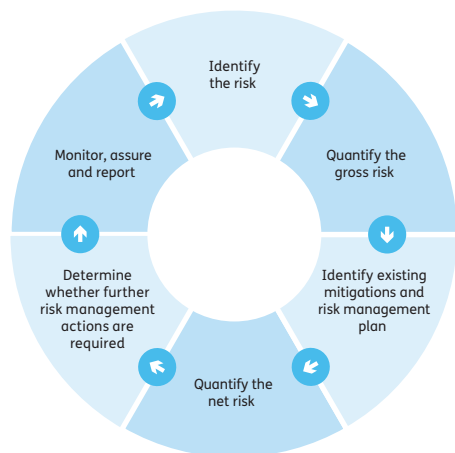
### Board response

- Consultation responses to industry matters
- Investment in independent production companies
- Providing direct employment for c.500 people, and supporting UK freelancer community
- Joint training initiative between STV News and Women In Journalism Scotland

# Risk management

## Risk management and internal control

### Risk management cycle



### Risk management process

STV's management systems, organisational structures, processes, policies and behaviours together form a system of internal control that governs how its business is conducted and the associated risks are managed. Risk is inherent in the Company's business and activities and the ability to effectively identify and manage risk is a vital element of business success. Risk management takes place across many different processes and operations throughout the Company and the Board considers this to be a fundamental business discipline, designed to balance risk and reward and to protect the Group against the potential impact of uncertainties that could threaten the achievement of its business objectives.

The Board has approved a formal risk management policy, which defines the objectives of and commitment to risk management. The policy sets out the Group's risk appetite together with how identified risks are managed and monitored as well as detailing how risk management is embedded within the Group.

STV's risk management process is designed to identify, assess, respond to, report on and monitor the risks that threaten the Company's ability to achieve its business strategy and objectives, within its agreed risk appetite. It is an important factor in the Company's financial soundness, performance, reputation and future success which is why the review of risk and risk management has been embedded throughout the Company. The process provides a consistent and clear framework for managing and reporting risks from the Group's operations to management and to the Board. It is a fundamental part of the culture in STV and while all employees are responsible for risk management, the Directors have overall responsibility for monitoring and reviewing the effectiveness of the risk management activities from a strategic, financial and operational perspective. They must satisfy themselves that the Company's risk management policies and procedures are consistent with its strategy and risk appetite.

The system seeks to avoid incidents and enhance business outcomes through allowing us to:

- understand the risk environment, identify the specific risks and assess the potential exposure for STV
- determine how best to deal with these risks to manage overall potential exposure
- manage the identified risks in appropriate ways
- monitor and seek assurance of the effectiveness of the management of these risks and intervene for improvement where necessary
- report through the management hierarchy and to the Board on a periodic basis on how significant risks are being managed, monitored, assured and the improvements that are being made.

While the Board has overall responsibility for risk management, each divisional managing Director has day-to-day ownership of the risks relevant to their respective areas of responsibility. In conjunction with their team, they ensure that identified mitigating actions and controls are being operated effectively. They also continually assess the risk landscape to determine changes in likelihood or significance of identified risks and the emergence of any new risks.

### Roles and responsibilities

The key roles and responsibilities for risk management comprise three layers. Each role within the Company is well-defined with clear responsibilities and a transparent reporting structure.

The first line of defence is our divisional management teams who are responsible for managing their area of the business to ensure divisional strategic objectives are achieved and that there is compliance with Group policies and standards throughout their division. Issues are escalated via the Divisional Board structure to the Management Board as required. Divisional management teams are supported by specialist groups in relation to cyber, GDPR and regulatory compliance.

Our second line of defence is the Management Board with overall responsibility for managing the Group to ensure it meets its strategic objectives. It is responsible for managing the risks that may have the potential to impact the delivery of the Group's strategic objectives, monitoring business performance, taking strategic decisions in accordance with the authority delegated to it by the Board and escalating issues to the Board as required.

The third line of defence comprises Internal Audit, the Audit & Risk Committee and then the Board. The Audit & Risk Committee has delegated authority from the Board to review the effectiveness of the Group's risk and internal control frameworks. It performs an annual assessment of the effectiveness of the risk management and internal control frameworks, reviews reports from the internal and external auditors and reports to the Board on the outcome of the work performed.

The Board has overall responsibility for the Group's risk management and internal control frameworks and the strategic decisions within the Group. It undertakes an annual review and ongoing monitoring of the effectiveness of the risk management and internal control frameworks as well as an annual review of the Risk Appetite Statement. All Directors receive the minutes of Audit & Risk Committee meetings and at the Board meeting following each Audit & Risk Committee meeting, the Committee Chairman provides a comprehensive and detailed verbal update on discussions that have taken place.

## Risk agenda

The Board has reviewed the effectiveness of the systems of risk management and internal control, and the principal risks affecting the Group in line with its Risk Appetite Statement. These activities meet the Board's responsibilities in connection with Risk Management and Internal Control as set out in the UK Corporate Governance Code.

The aim of the Risk Appetite Statement is to highlight the risks that we should be willing to take, as well as those which we would not. The statement includes a series of risk assertions that are aligned to our strategy, together with the risk parameters within which we expect our people to work. Compliance with the Risk Appetite Statement is monitored through the Group's functional and front line controls including oversight and reporting mechanisms and the Statement is reviewed annually.

The Report from the Audit & Risk Committee includes further detail on the work undertaken during the year to review the internal control and risk management systems of the Group.

## Risk management activities in 2021

The Board's focus on risk is wide; Directors consider their role in mitigating the impact of risks, including climate related risks, on a broad set of stakeholders including employees, customers, viewers, shareholders, government and regulatory bodies, community and broader society.

The Board considers that policies and procedures bring uniformity to the Company's operations, establish guidelines and best practice for acceptable behaviour within STV and that their use is vital to reducing the risk of unwanted events. During 2021, the Schedule of Matters Reserved to the Board was reviewed, updated and approved as were the Terms of Reference for each of the Board Committees. A new policy was adopted by the Board dealing with the employment of former employees of the external auditor and a revised Share Dealing Code, compliant with UK MAR, was also adopted.

In terms of climate related risks, the Board has undertaken a process to identify, assess and agree strategies to manage these – in accordance with the requirements of Task Force on Climate-Related Financial Disclosures (TCFD). In addition to the Board, the Audit & Risk Committee, Management Board, divisional boards and the Sustainability Group all have their respective parts to play in the sustainability governance structure. Our TCFD disclosures can be found on pages 45 to 49.

The Board has considered both viewing trends and competitive trends in the industry, following presentations on each of these subjects received from members of the leadership team and industry experts. There has also been significant engagement with the Government and Regulators on the various consultations during 2021, including the s.229 report as part of the Channel 3 broadcast licence renewal.

The Company's 2021 Modern Slavery Statement was discussed and approved at the December meeting and the full statement can be found on pages 71 and 72. An updated Gift and Hospitality policy was approved by the Board and this now extends to gifts and hospitality which have been offered to third parties, even where not accepted. Management did a review of the limits in place and were supported by the Board in their decision to reduce them in order to capture a greater proportion of the activity in this area.

The Board spent considerable time during 2021 discussing the Company's sustainability strategy, STV Zero, and it was agreed that the frequency of reporting on progress of delivery of this vital strategy should be increased. There will now be three reports prepared for Directors' consideration each year and this increased focus reflects the need to further embed sustainability considerations into Board processes and instil a proactive approach to risk management in this area.

Three contract tenders were carried out during 2021: for the Group's insurance broker; the auditors of the Group's pension schemes and for the internal auditor function. In each case, consideration was given as to who should be asked to participate, with recommendations sought both internally and from other external advisors. A formal and detailed Invitation To Tender document was issued and following receipt of a signed non-disclosure agreement, participants were provided with relevant information and documents and given the opportunity to meet with the tender panel to ask questions or seek clarification on any issues. Thereafter, tender documents were submitted before presentations were made to the panel. STV considers its tender process to be thorough, highly valuable and insightful, ensuring that the strongest and most capable candidates are selected with fees in a reasonable range.

Several actions were taken by the business in 2021, and formally reported to the Board for discussion, including:

- Annual report, update and approval of all GDPR policies by the Data Security Group, covering a range of topics including Data Protection, Data Retention and Destruction, IT Acceptable Use and Mobile Device Policy. These have been rolled out across the Group with each individual requested to read and accept their terms;
- Annual, Company-wide GDPR training;
- Annual GDPR refresher training, comprising e-modules and a test, is in the process of being rolled out across the Group; and
- Commencement of a Group-wide cyber awareness training programme which combines monthly videos covering a range of key topics with regular phishing exercises, replacing the annual exercise which used to be undertaken.

Our new insurance broker, Marsh, has a dedicated cyber risk management team who have been engaged as part of the overall insurance service agreement to provide external support and insight. A process is currently underway and involves benchmarking our cyber security maturity as well as assessing and modelling cyber risk scenarios in terms of brand, reputational, regulatory and financial implications to assist with identifying transferable risks. One of the key outputs will be a refreshed cyber risk register, enhanced by assessment of the quantification of potential loss for each risk, which will be used by Marsh to ascertain which of those is transferable to an insurer. The refreshed register will also provide a strong input to the Cyber Security Group and Internal Audit and will be used to identify areas of focus for future activities.

In advance of the COP26 Climate Conference which took place close to our offices in Glasgow, a full disaster recovery exercise for broadcast transmission was enacted. This was successful in proving that the processes and functionality in place under the DR plan operated as anticipated.

## Risk management

### Risk management and internal control continued

Fault Injection Testing/Chaos Engineering is carried out on an ad-hoc basis by the digital team. While there is not a set schedule for these types of tests, they are performed when gearing up for a significant event, such as COP26 and particularly peak-traffic events such as the Euros. These tests involve faults or failures being intentionally caused in parts of the system, often without prior warning, to ensure that:

- automated recovery or failover kicks in when expected
- monitoring and alarms fire as expected and are recording enough data to aid diagnosis of the fault
- staff understand incident response procedure and runbooks
- how systems are likely to fail can be identified in a controlled manner

#### Risk register

A risk register formalises the consideration of risks and opportunities in a way that enables wider consideration and discussion within management and at a Board level and is the culmination of a bottom-up assessment by operational management and a top-down assessment by the Board. It helps to ensure that all significant risks have been suitably identified and assessed and are being actively managed.

Although a risk register tends to focus on negative risks it can also address the opportunities that face the business and assist both management and the Board in ensuring that their risk policies are appropriate. Not all risks are controllable or foreseeable, for example, natural disasters. Our response to such risks is having controls which lessen the impact to our business should they occur, including active business continuity and disaster recovery plans.

For each risk identified, the gross risk is quantified by considering the potential impact and likelihood of occurrence (each on a scale of 1 to 5). Then, incorporating the impact of the existing mitigating actions and controls, the net risk is assessed. If the net risk is not acceptable and is not in line with our risk appetite, further mitigating actions and controls are identified as necessary. All risks are assigned to an appropriate risk owner and the Board is provided with risk updates as part of the normal process by which the Audit & Risk Committee provides reporting on its activities.

The structure of STV's risk register mirrors the divisional structure of the Group with each division and the central functions (taken together) having their own individual risk register, owned by the divisional managing Director (or the Chief Financial Officer in the case of the central functions). A separate cyber risk register is also in place which is owned by the Group's Cyber Security Committee.

These registers are reviewed and the consideration of risk and risk management plans are executed through the divisional board governance structure. All five registers: Broadcast, Digital, Studios, Central and Cyber are considered each year by the Audit & Risk Committee with updates provided to the Board thereafter.

Each of the divisional managing Directors presented a strategy proposal for their respective area of the business to the Board during the year, which included a narrative on the key business risks and opportunities. This provided the Non-Executive Directors with the opportunity to ask detailed questions and enhance their understanding of the risks facing each division.

The Group risk register, which captures those risks from the five registers which have a gross risk rating (i.e. before mitigating actions) of 12 or more, is reviewed by the Board each year, with a focus on internal control and to ensure that all risks have been captured and areas of emerging risk considered. A paper covering significant updates to other risks not included on the Group register is also prepared for the Board. The Chair of the Audit & Risk Committee provides an update to the Board on the work of the Committee in this area.

#### Internal controls

The system of internal control is designed to manage rather than eliminate risk and can only provide reasonable and not absolute assurance against material misstatement or loss. By further developing and operating an annual and ongoing risk management process to identify, analyse, report and manage significant risks, the Board seeks to provide a reasonable assurance against material misstatement or loss.

The following key controls across the Group are in place:

- a comprehensive financial review cycle, which includes a detailed budgeting process where business units prepare budgets for approval by the Board, monthly reporting of trading results for review and, where necessary, corrective action as well as detailed and regular re-forecasting
- clearly defined management structure and delegation of authority to committees of the Board, subsidiary boards and divisional boards
- high recruitment standards and formal career development and training to ensure the integrity and competence of staff
- regular reviews of key performance indicators and business risks with consequent steps to manage any matters arising
- procedures for the approval of capital expenditure
- payment controls
- monthly monitoring and re-forecasting of results against budget, with major variances followed up and management action taken where appropriate
- ongoing procedures to identify, evaluate and manage significant risks faced by the business and procedures to monitor the control systems in place to reduce these risks to an acceptable level
- provision to the Board and management of detailed, accurate and timely information based on comprehensive management information systems, which are continually being improved and updated
- controls around the engagement of freelancers and other contract staff.

Regular review is vital to ensure that the risk culture continues to be embedded throughout the Group and that the risk framework is operating effectively. It also provides the Board and the Audit & Risk Committee with an overall view of the Group's risk profile, identifying any major exposures and mitigating actions.



## Risk appetite

STV's risk appetite can best be demonstrated through the following table:

Risk category	Unacceptable to take risks					Higher willingness to take risks				
	1	2	3	4	5	6	7	8	9	10
Reputation	←	→								
Compliance and regulatory	← →									
Returns and profitability		←		→						
Technology	←		→							
Opportunities						←			→	
TV market			←		→					
Operational			←				→			
Pensions	←	→								
People and culture	← →									
Corporate sustainability	←	→								

### Reputation

STV places great importance on upholding its reputation and therefore has a low appetite for risk in conducting any activities that put its reputation in jeopardy, could lead to undue adverse publicity or could lead to loss of confidence by the Scottish and UK political establishments, regulatory bodies or by its shareholders and other stakeholders.

### Compliance and regulatory

It is critical that STV conducts itself in a compliant manner at all times, particularly in relation to its broadcasting licences and it has no appetite for any breaches of statute or regulation.

### Returns and profitability

STV aims to deliver strong, sustainable growth through the strategic options it identifies, ensuring that these deliver appropriate returns, with a focus on market median margins (as a minimum target), clear return on investment and good working capital management together with cash generation. While opportunities may be taken that result in some dilution to the operating margin in the short term, these would be expected to generate margin enhancing results within the 3 year plan period.

### Technology

STV is reliant upon various forms of technology for the transmission of its programmes and for the operation of the STV Player and has a low appetite for risk in these areas.

### Opportunities

New opportunities, projects, collaborations, joint ventures, and mergers and acquisitions are periodically considered, as is technology innovation, if they are aligned with our strategic direction towards creating sustainable value. These inevitably involve an element of risk. STV has a strong appetite for the development of such opportunities provided always that the potential benefits and risks are fully understood and that appropriate mitigation measures are in place.

### TV market

Various aspects of the TV market are, to an extent, beyond the control of STV, such as national airtime advertising revenue and the increasing number of SVoD services now available to consumers, but are vital to STV's success. Accordingly, STV has a modest appetite for risk in activities within this area.

### Operational

STV faces various operational risks (inadequate or failed procedures, systems or policies) in the running of its business and accepts a medium level of risk around such areas provided that potential benefits and risks are fully understood and sensible measures are put in place to mitigate these.

### Pensions

There are funding deficits in STV's two defined benefit pension schemes and while the investment strategy is determined to reduce the impact of material market movements and thereby protect members' benefits, various measures are being taken to reduce the deficit. STV has a low risk appetite in respect of its pension obligations.

### People and culture

STV's Directors and staff are the driving force behind its progress and prospects and accordingly it aims to build a diverse workforce with a focus on developing the full potential of all staff. STV is committed to building a diverse and inclusive culture and through its Open Access Charter, has a strategy in place to ensure it represents the communities it serves. STV considers equality, diversity, dignity and respect to be of paramount importance, together with employee development and the health and safety of employees. It has no appetite for any deviation from its standards in these areas.

### Corporate sustainability

STV is striving to become a sustainable business, creating long-term value by taking into consideration how it operates in the ecological, social and economic environment. It has integrated sustainability into its business and operations and at the start of 2021 launched its sustainability strategy, STV Zero, with regular and formal reporting to the Board. Using its current carbon footprint as a backdrop, a series of targets have been established in order to become a net zero carbon business by 2030, and its short term target of becoming carbon neutral by 2021 has been achieved. STV has a low appetite for risk in this area.

# Risk management

## Principal risks and uncertainties

**As in any business, there are risks and uncertainties that could have an impact on the Group's operating results, financial condition and prospects. The Group's risk management and assurance framework is designed to make this less likely by clearly identifying and seeking to mitigate key risks.**

While there is still some uncertainty associated with Covid-19, the suite of measures taken by the Group during 2020 has stood it in good stead. There are now more embedded remote ways of working with new technology acquired to facilitate video conferenced meetings in offices allowing participants to join from home. On the operational side, the advertising market has shown strength and resilience and programme production activity has now been in continuous operation since Summer 2020 with 2021 proving to be the best ever year in terms of revenue and profits. The Board and management will continue to monitor the Covid-19 position, and any emerging macro risks.

The risk assessment process evaluates the probability of risks materialising and the financial or strategic impact of that risk. The Group risk register sets out the key risks which have been identified across the business with the impact and likelihood of each risk considered. Each risk is scored on a gross and, after mitigating controls have been taken into account, a net basis. The assessment and reporting criteria are designed to provide the Board with a consistent, Group-wide perspective of the key risks. The register is reviewed and updated biannually both at an operational and at a Board level with the Audit & Risk Committee conducting an in-depth review annually which is thereafter reported to the Board.

The Board has oversight over the principal risks while the Audit & Risk Committee provides oversight and reassurance to the Board on the procedures for the identification, assessment and reporting of risk. Management is responsible for considering and executing the appropriate action to mitigate these risks whenever possible. It is not possible to identify every risk that could affect our business, and the actions taken to mitigate the risks described below cannot provide absolute assurance that a risk will not materialise and/or adversely affect our business or financial performance.

In terms of emerging risk, there is a developing agenda on ESG matters and we are currently reviewing our internal processes for managing any associated emerging risks and are incorporating this into our broader risk management practices. Further information on our governance framework in support of identifying, managing and mitigating climate-related risks and opportunities can be found in our TCFD report on pages 45 to 49.

The Directors confirm they have carried out a robust assessment of the principal risks facing the Company and the risks identified have been fully evaluated and taken into account in preparing the budgets and forecasts which support going concern, the viability statement and impairment assessments. The principal risks and uncertainties set out below are those believed to have the greatest potential to impact our ability to achieve the Group's strategic objectives, or which have the greatest potential impact on the Group's solvency or liquidity.

The Directors will continue to monitor these but believe the Group is in a strong position to continue to drive its growth strategy.

### Regulatory environment



**Risk category:** Compliance and regulatory  
**Risk trend:** No change

#### Potential impact:

STV's linear broadcast business is operated under licences that are regulated by Ofcom, and the key Channel 3 licences have a term that runs to the end of 2024. These Channel 3 licences contain conditions around contribution to public service broadcasting, programme production and compliance with Ofcom's codes. In the event of any serious or repeated breaches, Ofcom has powers to impose sanctions on licensees including, in the most extreme circumstances, financial penalties or revocation of licences.

Separately from compliance, changes to policy and regulation or a failure by the UK government to regulate may have a negative impact on the future of our public service broadcast (PSB) licence, our business model and/or the cost of operations. PSB regulation needs reform to respond to changes in viewer behaviours and the increasing scale of digital media companies, accelerated by the Covid-19 pandemic. The outcomes of the ongoing PSB regime review may have a significant impact on our business model and operations, in particular in the event of a reluctance by government to intervene on key issues (such as fair value, prominence, and the influence of digital players). The Channel 3 licence renewal process has started and is running concurrently (although independently) with Ofcom's Public Service Media review.

#### How we manage it:

As licensee, it is STV's responsibility to ensure that the terms of these licences are adhered to and measures have been put in place internally to ensure this happens. There is a dedicated compliance function, and a compliance mentality has been embedded across all relevant areas of the business, with regular staff training undertaken. There is frequent contact with the regulator to ensure awareness and understanding of any updates or changes to the codes/rules and that appropriate changes to internal processes are implemented as required.

STV makes formal submissions to the Regulator in response to all open consultations to ensure matters of the most significance to the Group are presented to policy makers. We also collaborate with other organisations in our industry, where appropriate and where individual objectives are aligned.

#### Governance and oversight:

The Broadcast board meets monthly and is chaired by Bobby Hain, MD of Broadcast. It is attended by both Executive Directors, the Group Commercial Director, Legal Director, HR and Communications Director, Company Secretary as well as representatives from News, Marketing and Finance. The regulatory landscape is a regular standing agenda item, with the licence renewal process currently discussed in detail at each meeting.

Compliance reports are received by the Management Board at least twice a year, and the annual plan is approved by both the Data Security Group and the Management Board.

The STV Board is provided with regular Legal and Regulatory updates as part of the CEO's report which have more recently included an update on the licence renewal process. At the November meeting, Bobby Hain attended and presented his strategy to Directors which included detailed information on the renewal process. The Board also had the opportunity to review and comment on the draft responses to open consultations during the year.

#### Risk trend key



No change



Increasing



Reduced

### Market volatility and advertising spend



**Risk category:** TV market  
**Risk trend:** No change

#### Potential impact:

STV's sales, expenses and operating results could vary from period to period as a result of a variety of factors, some of which are outside STV's control. These factors include general economic conditions; conditions specific to general advertising markets including the commercial television market; trends in sales, capital expenditure and other costs; and the introduction of new services and products by STV or its competitors. In response to an ever-changing operating and competitive environment, STV may elect from time to time to make certain pricing, service or marketing decisions that could have a material adverse effect on sales, results of operations and/or financial conditions. Having experienced significant uncertainty in the early months of the Covid-19 pandemic, 2021 has seen the Group return to pre-Covid trading levels. While there is still uncertainty, the risk level has been assessed as consistent with last year.

#### How we manage it:

STV's national advertising is sold by ITV and the contract requires ITV, as agent, to maximise revenue through 'best endeavours'. ITV provide a weekly performance report, and regular meetings are held between the senior commercial management from both companies to understand current forecasts, trends, and other related matters. STV's London-based marketing team is responsible for monitoring the digital advertising market and selling VoD advertising on the STV Player to customers across the UK. STV aims to create greater value for advertisers through focusing on targeted opportunities and new ways to engage with consumers. STV's regional Scottish advertising is sold by a separate, dedicated team who pursue a range of initiatives designed to ensure the effectiveness of our sell, driven by the STV Growth Fund through which we provide matched-funding and other support to make TV advertising affordable and enable businesses to grow their brand awareness. The strength of the relationships that the commercial teams have with their clients is crucial in selling advertising services, and in maintaining those sales levels during periods of uncertainty.

Our clients are already aware of the benefits of advertising on STV and we have an array of marketing and advertising opportunities across STV and STV Player to help existing and new businesses reach Scottish consumers and grow their business, including the STV Growth Fund and STV Self Service. The economic environment and regulatory landscape are closely monitored for emerging trends or risks that could potentially have an adverse effect on our advertising revenue.

#### Governance and oversight:

This is discussed at each Broadcast board meeting when STV's Commercial Director provides a report on national and regional sales and the general outlook for the market. VoD revenue sales, and related impressions delivered, are reported to the Digital board. Weekly advertising revenue reports, by category, are circulated to the Management Board, highlighting movements in forecast, key market/customer changes and other relevant information.

Both the CEO and the CFO report on the advertising market in their respective reports at each Board meeting with the latter providing rolling forecast information on each of national, regional and VoD revenues. The Group's Commercial Director attended the November meeting at which time he provided an update on driving the Scottish economy as part of the advertising strategy and three year plan.

### Reliance on ITV



**Risk category:** Returns and profitability  
**Risk trend:** No change

#### Potential impact:

The majority of STV's Channel 3 programming content is provided by the ITV Network. Therefore, its ability to attract and retain audiences is dependent on the quality, variety and diversity of programming available, which, in turn, impacts the ability of STV to attract regional advertisers. In addition, the performance of ITV as STV's national advertising sales agent is a significant factor that affects the financial performance of the Group.

#### How we manage it:

This relationship is managed closely, with regular updates on programme and schedule developments being provided through STV's Head of Consumer Insights with STV's Commercial Director having responsibility for the sales relationship with ITV. Contracts are in place for all network functions performed by ITV with agreed consultation processes for any changes to arrangements. Regular dialogue includes formal quarterly ITV Council meetings with minutes provided to Ofcom.

Regarding ITV acting as the Group's national sales agent, there are regular meetings between the Commercial Directors of both businesses to discuss latest forecasts, booking trends and similar factors. In addition, there is profit protection for STV by virtue of the contractual arrangement in place with ITV, whereby STV's contribution to the national programme budget is pegged to national advertising revenues, with the cost only increasing in the same proportion as any increase in revenues.

#### Governance and oversight:

The Managing Director of Broadcast and the CEO attend the ITV/STV Council, along with other members of the senior management team. At these meetings programme strategy and performance is discussed as well as relevant regulatory issues, marketing plans and operational issues relating to the relationship between the two. The CEO provides a comprehensive report to the Board at each meeting which covers all aspects of STV's relationship with ITV, including meetings held and issues discussed.

# Risk management

Principal risks and uncertainties continued

## Changing viewing habits



**Risk category:** TV market  
**Risk trend:** New principal risk

### Potential impact:

Previously, television was broadcast to a mass audience through a small number of channels and followed a set schedule. However, advances in technology and improved connectivity have resulted in viewers being able to access content through VoD services and this could have an impact on STV's reach and the resultant level of advertising revenue we can generate.

### How we manage it:

While STV remains the best watched peak-time channel in Scotland, with daytime, peak and all-time share at a 12 year high, the potential shift to digital viewing is very much a focus for both the Broadcast and Digital teams. The strategy of the digital business is to provide viewers with the opportunity to decide what they want to watch and where and when they want to watch it. The Player is building strong connections with its growing audience by adding new high quality content – both network and acquired – and considerable investment was made during 2021 in Player-only content. STV Player is available on all major platforms including Sky Glass and the UK-wide rollout of the service, which will significantly increase the addressable audience, is progressing well. A rewards programme, STV Player VIP, was launched in 2021 to build an even stronger connection with viewers.

### Governance and oversight:

Consumer insights are discussed at each Board meeting with detailed information on the schedule performance provided including percentage viewing share, the year on year change in this and the year on year changes in audience volumes. At the October meeting, presentations on both viewing trends and competitive trends were given by third party specialists in those areas. At the Broadcast and Digital divisional board meetings audience and viewing figures for both linear television and VoD services are discussed. This matter is also discussed with ITV at the ITV/STV Council meetings.

## Cyber attack or data breach incident



**Risk category:** Technology/operational  
**Risk trend:** No change

### Potential impact:

Cyber risk commonly refers to any risk of financial loss, disruption to operations or damage to a company's reputation resulting from the failure of its information technology systems. STV is dependent on technology for the smooth running of its business and a cyber-security incident could lead to a loss of commercially sensitive data, a loss of data integrity within systems, a loss of financial assets through fraud, or a disruption that prevents efficient running of our operations. Remote working and changes to operating procedures, brought about by the Covid-19 pandemic, increased this risk in the prior year. We have concluded no change in the trend over 2021.

### How we manage it:

We have implemented a data and cyber security risk management framework, with relevant elements led by the Data Security Group, Cyber Security Group and the Group's Compliance Manager. Our framework combines a number of technical measures, designed to both prevent and detect incidents, as well as a range of policies for staff to follow, and an on-going programme of training to ensure awareness of Group practices and emerging risks. The policies in place cover information security, data retention and data incident reporting. The IT infrastructure is protected by firewalls and software restricting use to authorised persons only. Regular internal and external network penetration tests are performed by a third-party specialist to ensure the level of protection is maintained. We also have an on-going programme of hardware and software upgrades to ensure current security protections are in place, and the business is able to operate efficiently.

Several cyber related risk management activities were carried out in 2021, including the commencement of a detailed project led by our insurance broker (for more details refer to page 67). In advance of the COP26 Climate Conference event taking place just along from STV's main office, a full disaster recovery exercise for broadcast transmission was enacted. This was successful in proving that the processes and functionality in place under the DR plan operated as anticipated.

Fault Injection Testing/Chaos Engineering is carried out on a periodic, unannounced basis by the Digital team to ensure that recovery protocols and controls operate effectively and as intended, to ensure that:

- automated recovery or failover reacts when expected
- monitoring and alarms trigger as expected and are recording enough data to aid diagnosis of the fault
- staff understand incident response procedure and runbooks
- how systems are likely to fail can be identified in a controlled manner

### Governance and oversight:

Monthly meetings and on-going schedules of activity of both the Data Security Group and the Cyber Security Group, with regular reporting to the Audit & Risk Committee.

Review and challenge of capital and other major projects by divisional boards, supplemented by reporting on disaster recovery tests and chaos engineering in Digital.

Regular reports to the Board on major projects, internal controls and risk management, supplemented by reports from the Chair of the Audit & Risk Committee on work undertaken in relation to cyber risk register reviews.

### Risk trend key



No change



Increasing



Reduced

### Defined benefit pension scheme shortfalls



**Risk category:** Pensions  
**Risk trend:** Reduced

#### Potential impact:

The STV defined benefit pension schemes' investment strategy is aimed at reducing any market movement impacts. However, it is possible that a macro-economic change could impact the value of scheme investments and liabilities and increase the deficit, requiring the Group to increase its contributions. Following agreement being reached on the 2020 triennial valuation, using a more prudent set of assumptions and with a schedule of contributions in line with that agreed previously, this risk has decreased.

#### How we manage it:

The Company is invited to attend all Investment Sub-Committee meetings, and also certain agenda items of the Actuarial/Valuation Sub-Committee and the full Trustee Board. This meeting participation is supplemented by certain papers being shared with the Company, specifically on performance of the scheme's investments and hedging reports, which enable an on-going and active dialogue in relation to the investment portfolio. Following agreement on the 2020 triennial valuation, a Memorandum of Understanding between the Company and the Trustees was put in place, which sets out each other's commitment to working together towards agreement (and delivery) of a long term journey plan.

#### Governance and oversight:

Managing STV's defined benefit pension schemes has been identified as a key risk for several years and is discussed regularly and in detail by the Board. During the course of 2021, the CFO has presented a number of papers in relation to the triennial valuation, key underlying assumptions, and broader progress towards building a stronger and more collaborative relationship with the Trustees. This work was supplemented by a detailed paper, presented to the Board in October by the Company's pension advisers, LCP, which covered an overview of the Group's schemes, changes in the regulatory landscape, and their potential impact on STV.

### Recruitment and retention of people



**Risk category:** Operational  
**Risk trend:** New principal risk

#### Potential impact:

The market for talent is incredibly competitive, particularly for both Studios and Digital and recruiting and retaining the best creative and technological people is vital to successfully grow STV's business. The costs of hiring staff is also increasing and there is added pressure on securing diversity through the recruitment process in order to attain STV's diversity targets.

#### How we manage it:

Having a clear strategic direction provides an attractive backdrop to working at STV and the HR team ensures that all employees receive at least the market rate in terms of compensation. Salaries are regularly reviewed and there are a wide range of benefits available to employees. The new hybrid working arrangements mean there is no longer a requirement for employees to be permanently office based so the pool of available candidates for roles, particularly in the Digital division, has increased. Having appointed Femi Otitoju as STV's Diversity and Inclusion Advisor, she is helping to shape, accelerate and support the delivery of STV's inclusion strategy.

#### Governance and oversight:

Succession planning and talent management is discussed regularly at both the Board and Nominations Committee meetings as well as at the Studios and Digital divisional board meetings.

### Changes to principal risks

'Post Brexit uncertainty' has been removed as a principal risk following the signing of the UK-EU Trade and Cooperation Agreement in December 2020 which eliminated the doubt around a no-deal Brexit. 'Group funding' has also been removed as a principal risk now that STV has completed its refinancing which consists of a new £60m facility with a £20m accordion and two 1 year extensions. At the year end the Company was in a net cash position.

'Changing viewing habits' and 'Recruitment and retention of people' have been included as principal risks for the first time. The risk trend is increasing for both these risks and additional focus is now being given to these areas through our internal control and risk management framework.

## Risk management

### Viability statement

**In accordance with the UK Corporate Governance Code 2016, the Directors are required to perform an assessment of the Group's viability over a period longer than the twelve months required for the going concern statement.**

This year's viability assessment covers a three-year period, a duration that has not changed since the requirement for this viability reporting was introduced. The Directors consider that three years continues to be the most appropriate time frame for assessing the Group's longer-term viability, after consideration of the following factors:

- Visibility over the broadcast advertising business is relatively short term; advertising remains cyclical and closely linked to UK economic growth;
- The programme development lifecycle for programmes tends to be more medium term, however over time there is less visibility due to changes in viewer demand;
- The speed of innovation in the digital landscape continues to drive changing viewer and consumer habits, with limited visibility beyond the short-term;
- One of the Group's key funding obligations is payment of contributions to its defined benefit pension schemes, which are dependent on funding valuations undertaken every three years; and
- Capital expenditure requirements do not require consideration over a period beyond three years.

This year's assessment covers the period from 1 January 2022 to 31 December 2024.

The viability assessment evaluates the potential financial impact of the principal risks and uncertainties that are faced by the Group, to assess its ability to withstand them. The analysis takes as its starting point the Group's 2022-2024 Strategic Plan which was prepared over November and December 2021, and approved by the Board in January 2022. These plans are the result of detailed consideration of all areas of the business including the business model, opportunities, potential risks and uncertainties faced over that timeframe, and include profit and loss and cash flow forecasts.

In assessing the viability of the business, the Board considered several factors that may have a material impact over the period covered by its assessment, principally falling under the risks of 'Market volatility and advertising spend' and 'Changing viewing habits'. Consideration was also given to the identification of any medium term impacts on the business of the Covid-19 pandemic. The main factors identified were:

- a) The performance of the national and regional advertising markets is significantly adverse to forecast;
- b) The projected growth in digital advertising is significantly adverse to forecast, including the impact of being unable to grow the STV Player outside Scotland, or for that growth to require incremental investment over and above the level assumed in the Strategic Plan; and
- c) The projected growth in programme commissions and therefore revenue in STV Studios is significantly adverse to forecasts, and is insufficient to leverage fully the fixed cost base.

The Board does not consider any of these factors to individually threaten the viability of the business and therefore the viability assessment focused on a range of potential scenarios in which there was a compounding effect from all factors crystallising simultaneously. These scenarios included a severe but plausible downside scenario, and more extreme scenarios in which the Group would breach borrowing and/or covenant levels. The Group reflected on its experiences in Q2 2020 (during the first Covid lockdown) when considering severe but plausible outcomes, given advertising revenue declines during that time were the most significant seen by the business in its history.

The severe downside scenario modelled assumed a combination of (i) significant reductions in linear advertising revenues over a 12 month period with a relatively slow return to more normal levels; (ii) flat Digital profitability as a result of incremental investment required to grow the STV Player outside Scotland; and (iii) a reduction in anticipated commissions within Studios, particularly in the drama genre and from global streamers. Even in these extreme circumstances, the Group would remain within its banking facility (without exercising the £20m accordion facility) and comply with all financial covenants.

In evaluating these models, the Directors took into account a number of the available mitigating actions that the business would reasonably take to manage the impact, specifically in relation to cost reduction, management of working capital, capital investment and returns to shareholders.

Having conducted the above exercise and taken into account the business model, strategic aims, risk appetite, and principal risks and uncertainties, along with the Group's current financial position, the Directors are satisfied that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period under review.

# Taskforce on Climate-related Financial Disclosures (TCFD) report

## Compliance Statement

This is the Group's first report in accordance with the Taskforce on Climate-Related Disclosures (TCFD), the Listing Rules having been amended such that all premium listed companies must report on a 'comply or explain' basis with the TCFD Framework for periods beginning on or after 1 January 2021.

As required by Listing Rule 9.8.6(8)R, this report sets out how we have responded to the four pillars, and 11 recommended disclosures, of the TCFD Framework and narrative disclosure has been provided on all aspects. This report constitutes our full disclosure in this area with no separate reporting provided elsewhere, either on our corporate website or in other documents. Our internal processes have evolved over the course of 2021 and will continue to do so over the coming months and years, and so there are two recommendations within the TCFD Framework that we are not yet fully consistent with. These are:

- The recommendation under the Strategy pillar to describe the resilience of our strategy, taking into consideration different climate-related scenarios, including a 2° Celsius or lower scenario; and
- The recommendation under the Metrics & Targets pillar to disclose Scope 3 Greenhouse Gas emissions and related risks.

With regard to the Metrics & Targets pillar, the metrics and targets we have disclosed are those which relate to successful execution of our sustainability strategy as we have not identified any material climate-related risks against which to report.

In the relevant subsequent sections of this report, we have provided additional information explaining our progress towards compliance with these recommendations and an anticipated timescale for full compliance.

## Introduction

Through STV Zero, our sustainability strategy, we are committed to mitigating STV's environmental impact and improving the long-term sustainability of all aspects of our business in response to the climate crisis. The transition to becoming a net zero carbon business by 2030 will require some changes in the way our business operates, which will be achieved through delivery of the framework of targets set out in our strategy. There are also potential opportunities for the business to support advertisers promoting sustainable goods and services and to connect with our audiences and support them to make more sustainable choices.

During 2021, the potential risks and opportunities that the climate crisis presents to the business have been considered and the outcomes from this process have enabled an assessment of actual and potential financial impacts on the business arising from climate change.

This assessment forms the basis of disclosures against the TCFD framework and, as we progress towards our goal of net zero by 2030, we will undertake further analysis to inform this assessment and develop our disclosures in future.

## Governance

An early priority following the launch of STV Zero has been to ensure a clear understanding of our strategy, its purpose and aims, and that the issues, risks and opportunities presented by climate change are understood across the business. Assigning and communicating clear responsibilities across the organisation, including the oversight responsibilities held by the Board, will be key to supporting the implementation of STV Zero and ensuring effective ongoing assessment and management of climate-related risks and opportunities.

The Company's sustainability governance structure is set out below. This structure identifies the key responsibilities at different levels of the organisation and clarifies accountability for governance. This will be reviewed at least annually by the Board as part of the Group's wider risk management and review processes.

In approving this sustainability governance structure, the Board has given consideration to its own expertise and experience in this area, and specifically included a section on this topic in the recent Board evaluation process. Directors are comfortable that there is sufficient experience among existing members for the short to medium term, with a number of Directors receiving training through involvement in other roles. Notwithstanding this, further consideration will be given to this through the normal succession planning undertaken for Non-Executive Directors, against an evolving backdrop. The Audit & Risk Committee has also asked the Internal Auditors (KPMG) to undertake an audit of the Group's sustainability processes, activity, targets, and reporting in 2022, to supplement the work of the management team, and obtain insight and assurance from KPMG's specialists.

## STV: Sustainability governance structure

### PLC Board

Responsible for:

- Ensuring the effective delivery of STV Zero targets
- Reviewing key climate-related risks and opportunities and overseeing mitigation strategies as part of the regular review of principal and emerging risks
- Considering sustainability as part of stakeholder engagement
- (Remuneration Committee) Setting sustainability-related targets in executive incentive arrangements

### Audit & Risk Committee

Responsible for:

- Supporting the PLC Board in its responsibilities for sustainability, including:
  - Overseeing compliance with, and progress on, sustainability reporting
  - Overseeing the Company's environmental data and its accuracy and completeness, the Company's annual sustainability targets, and the governance and planned roadmap to enable the targets to be achieved
  - Ensuring sufficient, appropriate assurance is obtained in relation to sustainability reporting

### Management Board

Responsible for:

- Identifying all climate-related risks and opportunities and developing appropriate mitigation strategies
- Reviewing and monitoring climate-related risks on a bi-annual basis as part of the routine risk reviews and establishing effective mitigation and controls to manage risks
- Ensuring appropriate action is being taken to achieve the STV Zero strategy, through review of quarterly reporting on climate-related issues, including targets and metrics

### Divisional Boards

Responsible for:

- Monitoring divisional progress against divisional emissions reduction plan

### Sustainability Group

Responsible for:

- Promoting and championing sustainable behaviours across the Company

## Taskforce on Climate-related Financial Disclosures (TCFD) report

Following the Board's approval of the sustainability strategy in December 2020, a triannual Board reporting schedule has been implemented to provide information about climate-related issues; to undertake regular assessment of climate-related risks and opportunities and mitigation strategies; to enable monitoring of the progress of delivery of STV Zero targets; and to consider related stakeholder issues. As was the case in 2021, consideration of climate-related risks and opportunities will be incorporated into broader strategy and investment discussions at each of the Divisional Board, Management Board and PLC Board levels, as often as required.

More broadly across the organisation, managers have sustainability targets incorporated into their personal objectives. The Remuneration Committee is responsible for approving the objectives of the Executive Directors, on which an element of variable pay is dependent. On a quarterly basis, and as part of routine risk reviews, managers are responsible for assessing and managing climate-related risks and opportunities within their business area. Additionally, managers are responsible for ensuring appropriate action is being taken to deliver the STV Zero strategy as it relates to their business and areas within their control. Four times a year, reports on sustainability related issues, including progress against targets, will be delivered at divisional board meetings.

The STV Sustainability Group comprises representatives from every business area who are responsible for promoting and championing sustainable behaviours across the Company and participating in the development and implementation of sustainability initiatives. Its members have played an important role as ambassadors for STV Zero as this has been introduced to the business.

### Strategy

An initial assessment of climate-related risks and opportunities was undertaken over the second half of 2021, led by the Director of Operations & Delivery and involving the Head of HR & Comms, the CFO, the STV Sustainability Group, Management Board and PLC Board. The overarching conclusion of this process was that none of the risks identified gave rise to any material exposures to the Group. This process also concluded that none of the risks represent a significant threat to the Company's strategy and growth plan, its cash generation, long-term viability, or ability to operate. In this context, we defined 'materiality' as an impact on the business that limited our ability to carry out our operations, and/or required a change to our business model, and/or had a significant impact on our liquidity thereby limiting our ability to invest or meet our obligations.

Although the TCFD Framework only requires disclosure of actual and potential impacts of climate-related risks and opportunities on our business, strategy and financial planning where those impacts are material, as this is our first report under the new obligations, we have provided some detail behind the process we undertook, and the main risks and opportunities identified. It is principally because our initial risk and impact assessment has not identified any material impacts that we are still developing our response to the recommendation to consider broad resilience across a range of different climate-related scenarios. With a quarterly review of climate-related risks and opportunities established, this process will be developed during 2022 to assess the resilience of the Company's strategy in a wider range of scenarios, including higher and lower carbon contexts and situations involving increased physical climate-related risks.

In terms of the risk assessment, transition and physical risks were considered – transition risks being those that arise from transition to a low carbon economy, and physical risks being those that arise from the physical impacts of a changing climate. In carrying out this assessment, we considered three time periods: the short term to the end of the current financial year, 2022; the medium term, from 2023 to end of 2025; and the long term, from 2026 to 2030. These time periods were considered relevant in the context of the Company's business planning cycle; investment plan; and its strategy to transition to a net zero carbon business by 2030.

The most significant – but not material – potential climate-related risks identified are (with the relevant area of the business and anticipated time period indicated in brackets):

- Failure to embed sustainability in the culture of the business (Company-wide and short term).
- Failure to achieve Project albert accreditation which could impact the ability of STV Studios to secure new commissions (STV Studios and medium term).
- Failure to deliver our sustainability targets which could impact the attractiveness of the Company's investment proposition (Company-wide and medium term).

There were no significant risks identified in the long-term.

Opportunities were identified in the short and medium term to attract advertisers wishing to promote the sustainability of their products and services, as evidenced through the positive experience of attracting new advertising clients since the launch of the STV Green Fund. The STV Green Fund, introduced at the level of £1m, has not all been awarded yet and so we don't believe these opportunities will be material in the short to medium term. Using STV's position as a trusted public service broadcaster to promote sustainable lifestyles and behaviours presents an opportunity for audience engagement.

Alongside our initial assessment of climate-related risks and opportunities, we have undertaken an exercise to understand the related actual and potential financial impacts on our business. This will be revisited on a regular basis to ensure it reflects emerging risks and opportunities, and the wider markets in which we operate. Our initial conclusion is that there is no significant financial impact in terms of operating costs, capital investment or balance sheet valuations arising from the risks and actions required to achieve the headline sustainability target of becoming net zero by 2030. Details behind this assessment are set out below:

- Achieving carbon neutrality in 2021 was driven by several actions, the most individually significant of which were switching to renewable electricity in our sites where we have control of the electricity supply contracts (97% of total usage) and reducing levels of business travel. The cost of carbon offset credits in 2021 was minimal.
- We have reviewed our property, plant and equipment (PPE) to identify any items that are impaired as a result of changes to the way we work to reflect transition to a more environmentally sustainable operation. Most of our PPE is broadcast technical infrastructure, other items of IT infrastructure in support of the STV Player and core support functions (email, networks, etc) and multi-media kits used by our journalists and news operation. There have been no impairment charges identified through this review.



- In March 2021, we set out a £30m investment programme over 3 years to accelerate growth in our Digital and Studios businesses. In Digital, this investment focuses on the licencing of third party content for the STV Player, and marketing thereof, and further development of the STV Player user interface. In Studios, it is placing more creative bets either through enhancing our in-house development teams or continuing to invest in external creative labels. We do not expect the nature of this investment to materially change as a result of our work to achieve our STV Zero targets and priorities, nor do we expect the financial quantum to change. Lastly, we do not anticipate any change to the priority we attach to each area of investment.
- It is possible that certain costs of operation may increase as we transition to lower carbon operations, for example heat, light and power, and insurance. We do not expect these to be material, and there may be opportunity to offset these manageable cost impacts through additional advertising revenue from brands seeking to promote the sustainability of their products and services.
- We have held initial discussions with the trustees of the Group's defined benefit pension schemes to understand their approach to the climate crisis from an investment perspective. The trustees are at an early stage of their own journey and have engaged their investment managers for advice. Based on discussions to date we have not identified any significant risks or incremental costs to the Group but have undertaken to continue engagement with the trustees as they develop their thinking and look to implement potential actions in this area.
- Lenders and equity investors are placing increasing significance and importance on our sustainability credentials, and we actively engage with them on STV Zero and our targets. We anticipate that, at some point in the future, lenders may seek to embed climate-related clauses in our facility agreement and thereby directly link the cost of funds with successful delivery of our sustainability targets. Our current debt facility, with a 3-year term, was agreed in March 2021 and has no such linkage. We have recently exercised the first of our one-year extension options with no climate-related conditions being applied.

### Risk management

Following the Board's approval of STV Zero, the identification, assessment and management of climate-related risks has been further embedded into the Company's risk management and internal control processes during 2021.

The initial review to identify climate-related risks was led by the Chief Financial Officer, Head of HR & Comms and Director of Operations & Delivery and involved the Management Board and representatives from across the business. This was facilitated through a series of brainstorming sessions, the output of which was a climate-related risk register that identified transition and physical risks, by division, across each of the time frames explained above. Those climate-related risks identified have been assessed within the context of the existing risk register for each business area to determine their relative significance and likelihood. None of the climate-related risks identified are deemed to be principal risks from a Group perspective or give rise to material exposures. This initial climate-related risk register was discussed in detail at a Board meeting in Q4 2021, when the Board concluded it was complete and appropriately reflected significance and likelihood in the context of the wider Group.

All climate-related risks have been assessed as emerging risks and quarterly assessment and monitoring has been put in place for 2022 onwards that will provide an appropriate control process as understanding and corporate knowledge is developed, informing decisions about mitigation or control. This process will be conducted through divisional board meetings and through triannual updates to the Board.

Divisional action plans are being developed to embed a culture of sustainability into the business, the failure to do so having been identified as one of the most significant climate-related risks the Group faces. These divisional plans cover a range of actions, including:

- Targets to reduce carbon emissions through less business travel;
- A requirement to update disaster recovery plans to include contingency measures to support business continuity and manage service disruption in the event of climate-related impacts;
- Ensuring team members have undertaken sustainability training relevant to their role;
- Where measurable, recycling of consumables related to kit and operating equipment.

### Metrics and targets

The fourth pillar of the TCFD Framework requires disclosure of the metrics and targets used to assess and manage relevant climate-related risks and opportunities, where they are material.

Since the launch of STV Zero in early 2021, the Company has committed to become a net zero carbon business by 2030 – the key target which has defined the other metrics we have set to manage climate-related risks and opportunities. Becoming a net zero carbon business by 2030 is underpinned by targets aimed at reducing our carbon impact in five key areas: energy consumption; waste reduction; programme making; promoting sustainability using STV's reach; and achieving a sustainable supply chain. In turn, the achievement of these targets will only be achieved if we successfully embed a sustainability culture into the business.

The metrics and targets within our STV Zero strategy were set following an audit and analysis of the Company's carbon impact using 2019 (pre-pandemic) as a baseline.

At the start of 2021 we set an initial target to be a carbon neutral business by the end of the year. This has been achieved by offsetting all emissions from our business operations (Scope 1) and energy use (Scope 2). We have offset these emissions (412 tonnes CO<sub>2e</sub>) by investing in nature-based solutions using industry-recognised Project albert's 'Creative Offsets', provided in partnership with Natural Capital Partners. Details of the Company's Scope 1 and 2 emissions are set out in the Streamlined Energy and Carbon Reporting table on page 49.

Our energy usage target to obtain 100% of electrical energy from renewable sources directly procured by the Company by 2022 has been achieved. In 2022 we will identify suppliers to support a transition to renewable gas.

A training programme was delivered to all colleagues during 2021 to provide everyone with an understanding of climate fundamentals and provide context for the importance of STV Zero. Further training will be provided during 2022.

All programmes produced by STV Studios and STV in 2021 were Project albert certified and we are on track to achieve Project albert accreditation for all programming by the end of 2022.

With progress of the implementation of the STV Zero strategy on track, we identified additional interim targets designed to build momentum and further embed sustainability across the business, as well as bridge the gap between now and 2030.

## Taskforce on Climate-related Financial Disclosures (TCFD) report

The table below summarises those targets; the majority are intentionally short-term to provide improved indicators of progress and to support the growing focus and understanding of the Company's sustainability aims. Divisional actions plans have been developed to further embed our targets into each area of the business.

We have identified the changes required to our current business processes, to the decision-making criteria we use and to the way we work to support achievement of these targets. In early 2022, we introduced divisional emission reduction action plans, providing each business area with a target to reduce their Scope 1 and 2

emissions, and emissions from business travel (which falls under Scope 3). We are not yet able to assess the carbon emissions of our supply chain beyond business travel, but targets in this area will be set when the sources of Scope 3 emissions have been identified. Progress will be reviewed on a quarterly basis at divisional board meetings with updates incorporated into the sustainability governance structure.

We recognise the importance of setting science-based emissions targets and made a submission to the Science Based Targets initiative (SBTi) to obtain this accreditation for our strategy and targets in early 2022.

Additional targets and measures	Implementation
<b>Embedding sustainability into the business:</b> Obtain verification of our carbon reduction targets using the Science Based Targets initiative (SBTi)	Secure SBTi approval during 2022
<b>Embedding sustainability into the business:</b> Development of divisional emissions reduction plans to integrate sustainability into all areas of the business	Implement in Q1 2022, with quarterly review process
<b>Embedding sustainability into the business:</b> Introduction of sustainability targets in all management incentive plans to support increased accountability for delivery of sustainability targets	Implemented during Q1 2022
<b>Energy consumption:</b> Accelerate reduction in business travel and amend target to achieve a 50% reduction (from 2019 levels) by 2022 – initial target was set for achievement date of end of 2025	Foreshorten target achievement date from 2025 to end of 2022
<b>Waste reduction:</b> Undertake audit to quantify gross tonnage of waste and identify interim targets to support becoming a zero-waste business by 2030	Audit during H1 2022 Interim targets introduced H2 2022
<b>Promoting sustainability on-screen using STV's reach:</b> Commit proportion of regional programming to sustainability focused programming on STV	Deliver by end of 2022
<b>Sustainable supply chain:</b> Complete audit of supply chain and identify interim targets to enable achievement of a sustainable supply chain by 2030	Audit during H1 2022 Interim targets introduced H2 2022
<b>Our culture:</b> Extend sustainability training to delivery 'Ad Net Zero Essentials' training to Commercial creative team	Achieve by end of 2022

### Streamlined Energy and Carbon Reporting (SECR) – based on data for year ended 31 December 2021

In line with the GHG Protocol Corporate Standard, the Company's SECR is based on the disclosure of emissions from operations over which it has direct financial and operational control. As the Company is registered in the UK with no operations overseas, all emissions derive from UK-based activities. These Scope 1 and Scope 2 emissions are set out in the table below.

A dual reporting approach to the emissions associated with the Company's grid electricity consumption (Scope 2) has been used to disclose both a location-based and market-based figure.

We continue to monitor Scope 3 emissions, including business travel and energy consumption data arising from the activities of STV Studios which are outside the scope of the SECR. During 2022 as we undertake planned activity to audit our supplier base in support of achievement of our target of having a sustainable supply chain, we will review our disclosure of emissions in this category.

During 2021, Scope 1 emissions increased as all areas of the business resumed operations following the disruptive impact of Covid-19 in 2020. Despite this increase in Scope 1 emissions, total Scope 1 and Scope 2 emissions decreased against the prior year as a result of achieving the target to source electrical energy that the Company procures directly from renewable sources.

A range of energy efficiency measures and sustainability improvements have been implemented in 2021. These include the continued installation of LED lighting in the Company's Pacific Quay headquarters; the completion of the conversion to electrical energy from renewable sources at locations where energy supply contracts are within the Company's direct control; a technology investment programme to provide all colleagues with laptops and the upgrade of meeting technology in the Company's offices to support a more sustainable way of working with the introduction of hybrid work patterns; and the installation of smart photocopiers to drive reduction in wastepaper. Additionally, all colleagues have completed environmental sustainability training, delivered by BAFTA/Project albert.

Scope	Description	Unit	2021	2020	
1	Emissions from gas, refrigerants and owned vehicles	tCO <sub>2e</sub>	411.88	396.31	
		kWh	2,147,726.31	2,057,373.09	
2	Location based	Electricity emissions using geographical location	tCO <sub>2e</sub>	672.92	731.02
			kWh	3,169,218.47	3,135,556.33
	Market based	Electricity emissions using purchased electricity factor	tCO <sub>2e</sub>	-	-
			kWh	3,169,218.47	-
Total 1 & 2 SECR Minimum		tCO <sub>2e</sub>	1,084.80	1,127.34	
		kWh	5,316,944.78	5,192,929.42	
Total Scope 1&2 intensity ratio (location based)		tCO <sub>2e</sub> per £m sales revenue	7.51	10.54	
Total Scope 1&2 intensity ratio (market based)		tCO <sub>2e</sub> per £m sales revenue	2.85	-	

### Methodology

The methodology used to calculate 2021 emissions is the GHG Protocol Corporate Standard. In addition, the 2019 HM Government Environmental Reporting Guidelines: Including SECR guidance and the 2021 UK Government's Conversion Factors for Company Reporting have been used.

The only estimated emissions data is for electrical energy consumed in the Company's office premises in Dundee, Inverness and London. The estimated consumption is based on the square footage of these locations which are used for the same purpose as our other office premises. This amounts to 2.5% of our total Scope 1 and Scope 2 emissions.

The 2021 intensity ratio has been calculated by dividing total Scope 1 and Scope 2 GHG emissions (location based and market based methods) in tonnes by total sales revenue for the 2021 financial year.

## Social impact



STV is committed to making a positive social impact which is integral to the delivery of our growth strategy. As a responsible business we provide an inclusive and positive working environment for our people, and use our powerful platform as a force for good.

### Our people

**We are committed to providing an environment that attracts the best creative talent, enables creativity to flourish, ensures equality of opportunity, and is fun and supportive.**

Our priorities in 2021 were the continued support for the wellbeing of colleagues whilst planning for a more flexible way of working in future.

Promoting wellbeing and encouraging colleagues to talk about feelings of isolation and concerns arising from the pandemic were the key themes of our internal communications. A bespoke training programme for managers – Wellbeing & Resilience – was delivered by our partners, SAMH, designed to ensure our managers feel equipped to provide support and tools to improve their mental wellbeing and the wellbeing of their teams.

We extended our network of Mental Health First Aiders as more colleagues sought training to enable them to manage their wellbeing and provide support to colleagues, families and friends.

Improving the support available to our freelance colleagues, whose contribution is key to the success of STV Studios, remains a key aim of our wellbeing strategy. A new framework to ensure our productions provide an inclusive, safe and mentally healthy production environment was developed and introduced. This includes mandatory training covering respect and dignity at work and wellbeing; the appointment of dedicated mental first aiders and safeguarding contacts on every production; and the introduction of exit interviews for freelancers.

Our Gold Award status from the Scottish Government’s ‘Healthy Working Lives’ standard has been retained, providing a benchmark to measure the effectiveness and impact of our programme of wellbeing activities.

↓ Wellbeing from STV provides resources and activities to promote general wellbeing, including mental health awareness to staff.

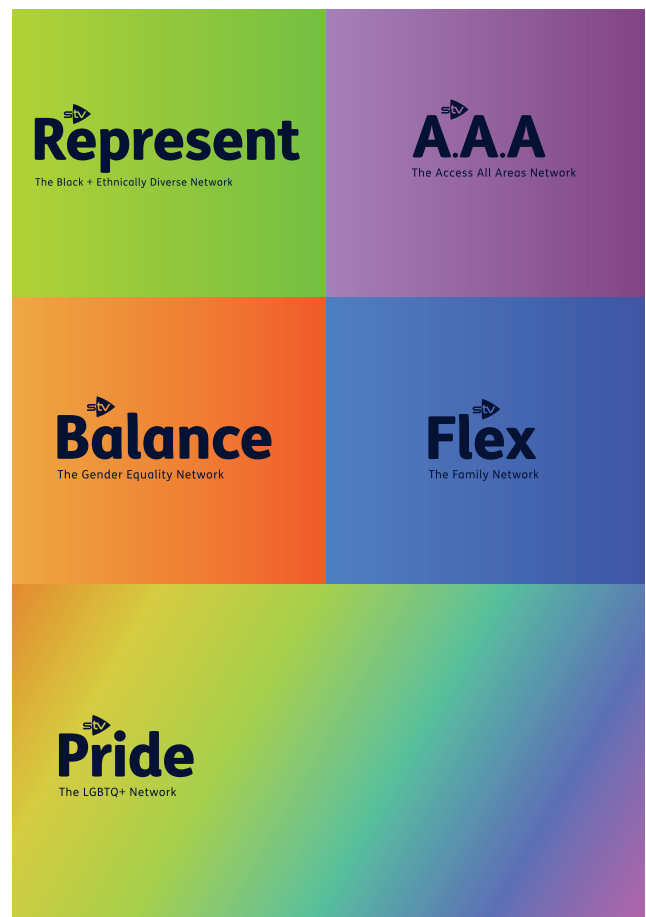
→ Our network of five peer groups are empowered to effect positive change across the business.



Implementing new ways of working to increase flexibility has been a key organisational objective during 2021. A hybrid pattern has been established as the norm for the majority of roles, supported by an extensive programme of changes to the physical environment of our office spaces and investment in new technology.

Keeping colleagues connected and informed of business progress has continued to be supported by our range of internal communication channels. These include a daily all-colleague e-newsletter, weekly all-colleague video conference briefings hosted by the CEO and a variety of informal engagement sessions structured to facilitate cross-business communications. Additionally, a programme of social events, held over video platforms, has continued during 2021.

Our employee opinion survey, Have Your Say, provides measurement of engagement and the survey is open to all staff and freelancers. In 2021, the survey was focused on monitoring wellbeing and engaging colleagues about future ways of working. Engagement levels remain high at over 80%.



## Diversity and inclusion

**Our aim is to create an inclusive culture that enables equality of opportunity for all; to reflect the communities we serve both on and off-screen and to drive sustainable change in all areas of the Company.**

Achieving diversity in all areas and at every level of the Company through attracting and retaining people from the widest range of backgrounds is vital to our commercial and creative success.

On-screen we are committed to ensuring the content we produce authentically portrays and reflects the diversity of our audiences. These aims are underpinned by targets, set for delivery in 2023.

Six strategic priorities, to support achievement of our ambitious targets, were identified for delivery in 2021 and 2022:

- Increase diversity at all levels, with a particular focus on senior editorial, production, and leadership roles
- Increase representation and portrayal of diverse voices in the content that STV produces, commissions, and acquires for STV and the STV Player
- Develop cultural competence and learning for all to support an inclusive culture
- Diversify our talent networks and pipeline
- Improve access, retention and representation of diverse talent in STV Studios
- Improve diversity and authentic portrayal in the advertising content we produce

The STV Diversity and Inclusion Steering Committee (DISCo) comprises representatives from all areas of the Company and has oversight and a remit to challenge delivery of our D&I strategic priorities. Our D&I advisor, Femi Otitoju, who was appointed in early 2021 and reports to the Chief Executive, also sits on the DISCo, providing insight and a wider industry perspective. To drive delivery of our priorities and targets in 2022, all managers have been assigned targets relating to delivery of our D&I aims.

A strong network of five peer groups has become successfully established as a driving force for positive change across the Company. Each group is sponsored by a member of the Management Board and the groups are responsible for the development of action plans and play a key role in building an inclusive culture. The groups also consider social mobility across their respective agendas, as well as the intersectional and multi-faceted nature of diversity, including the potential impacts on the mental health of people in under-represented groups who feel isolated or socially excluded.

### Our people

During 2021 we have continued to broaden our recruitment channels, improve accessibility and create new access paths for current and future talent. To support achievement of our targets, we have introduced changes to our recruitment processes. This includes pausing the selection process if required to ensure every shortlist include candidates from under-represented groups. 27% of appointments in 2021 came from under-represented groups. Our highly sought-after placement opportunities are a key entry route to the industry and we have committed to at least 25% of these being secured by ethnically diverse candidates; at least 25% to candidates living with a disability and 33% to candidates from lower socio-economic backgrounds.

Embedding inclusive leadership and developing cultural competence are the key aims of the next phase of our programme of diversity and inclusion training, delivered by Femi Otitoju. New and developing policies will also be covered, including the Company's Menopause Policy, launched in October 2021, and the introduction of a policy to support trans colleagues. To support an on-air campaign in October 2021 highlighting invisible disabilities, we supported 15 colleagues to complete 'Introduction to BSL' training with further programmes arranged for 2022. In addition to training, we continue to provide opportunities for Company-wide discussions involving guest speakers. Topics have included improving equality and visibility for disabled people in the television industry and off-screen and discussions to mark Black History Month.

### Our targets

	Workforce: Our people	On screen contributors: Our audiences			
		STV News at Six	News only	Sport only	Scotland Tonight
<b>Gender</b>	50:50 balance across top 25% of roles by earnings and a balanced gender profile across the rest of the organisation	50:50	50:50	50:50	50:50
<b>Ethnically diverse</b>	8% of colleagues based in Scotland 33% of colleagues based in London	8%	8%	8%	12%
<b>Disability</b>	12% of all colleagues	Target to be confirmed following a review of existing representation levels. Through STV Expert Voices we are working to broaden our network of contributors to increase representation of disabled people across news and current affairs output.			
<b>LGBTQ+</b>	4% of all colleagues	No target set			

# Social impact

Diversity and inclusion continued

## On-screen

The STV News team aim to reflect the lives of all the communities that we serve and ensure they are authentically represented. On-screen representation of ethnicity and gender is monitored on a monthly basis against targets and in 2022 this will be extended to include disability monitoring.

Across 2021, targets to increase the number of ethnically diverse contributors on *STV News at Six* (from 4% to 8%) and *Scotland Tonight* (12%) were achieved. Targets have also been set to achieve a gender balance of contributors on both programmes.

'STV Expert Voices' was launched to broaden our network of on-screen contributors and increase representation of diverse views and voices across our news and current affairs output. Through partnerships with equality organisations, including Equate Scotland's Pass the Mic project, Women in Journalism, Inclusion Scotland and Enable Scotland, we are working to increase the number of female contributors and also to increase representation of programme contributors from ethnically diverse backgrounds or those living with a disability. 'STV Expert Voices' delivered five virtual training sessions on media interview skills to

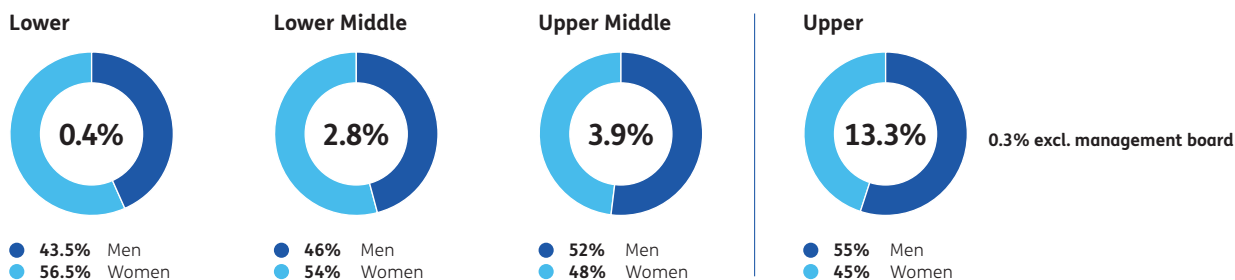
over 400 people from under-represented groups working in healthcare, business, academia, and the third sector, who are experts in their subject matter. These popular sessions have been followed up with one-to-one coaching for new broadcast and digital contributors who have been engaged to support development of digital news articles, long form interviews or recorded pieces related to their experience.

The STV Inclusion Fund was launched in 2021, providing Scottish businesses demonstrating a commitment to inclusive growth and championing diversity access to advertising to support their growth.

Through a competition process, four businesses have received awards from the fund: Social Stories Club; Daisy Tree Baby Boutique; Deaf Action; and Women's Enterprise Scotland (WES).

On STV Player, we have partnered with the Digital Accessibility Centre, to audit user accessibility. This has identified improvements for implementation by our in-house software development team whilst providing the team with insights to inform future platform development activities. During 2022, the audit will review access service provision, including the availability of subtitles, audio description and signed content.

## Our gender pay profile\*



The mean gender pay gap is 5.7% across 75% of all roles (2020: 7.7%).

\* Figures are based on all permanent and fixed term STV employees

## Gender pay gap

The mean gender pay gap continued to reduce at 15.3%, with the median at 8.3%. The mean and median gender bonus pay gap increased in 2021 to 66.0% and 80.0% respectively as a result of several factors. Gender bonus pay gap reporting is prone to volatility when making year on year comparisons due to various factors that impact bonus payments, including bonus payment dates. This impacted the 2021 bonus pay gap. One of a number of adjustments made to remuneration in response to the financial implications arising from Covid-19 was the deferral of bonuses earned by the management board in 2019 which fell into the 2021 gender bonus pay reporting period. Excluding the deferred bonuses awarded at management board level, the mean and median 2021 gender bonus gap figures were 23.6% and 68.4% respectively.

## Gender balance

Overall, across the Company our gender profile is balanced, 51% women: 49% men. We have set a target to achieve gender balance at all levels of the organisation, with a particular focus on closing the gap across roles in the upper earnings quartile. We continue to make progress with 45% of roles in this quartile held by women, an increase from 30% in 2017. At board level (PLC and management board), 33% of roles are held by women. We are seeing evidence of the impact of measures to support women to progress through the organisation into senior roles – including regular succession planning to assess and strengthen our talent pipeline for senior roles and development programmes

to support career progression – with 71% of promotions in 2020/21 secured by women. Our internal career development programmes have a target to achieve a 50:50 gender balance of participants.

As a result of these measures, the Company's gender pay gap continues to narrow year on year, reducing by 33% over four years since 2017 when reporting started.

## Gender pay gap 2021\*

**15.3%**  
mean

2020: 15.6%

**8.3%**  
median

2020: 14.6%

**66.0%**  
mean bonus pay

2020: 44.6%

**80.0%**  
median bonus pay

2020: 46.4%

\*Based on the Gender Pay Reporting date of 5 April 2021



## Sustainability

### Aims

- Net zero carbon by 2030
- Zero waste business by 2030
- Sustainable supply chain by 2030
- All STV and STV Studios programming carbon neutral by 2022
- Use STV’s reach to promote sustainability

Since the launch of our sustainability strategy, STV Zero, in early 2021, we are making progress towards our long-term aim of becoming a net zero carbon business by 2030.

We have a wide-ranging framework of targets to reduce our carbon impact and use STV’s audience reach and pre-eminent marketing platform to promote sustainability by raising awareness of environmental issues and positively influencing consumer behaviour.

We achieved all targets set for delivery in 2021, including becoming a carbon neutral business. A total of 412 tCO<sub>2e</sub> has been offset from our business operations (Scope 1) and energy use (Scope 2). A further 1,221 tCO<sub>2e</sub> incurred through programme making activities and other business travel has been offset by our production teams as they have secured industry-recognised Project albert environmental certification.

In June we became consortium members of Project albert, providing access to an industry network, insights and advice and support with training. STV Creative, our successful commercial production business, joined Ad Net Zero, the advertising industry’s response to the climate crisis, and is working in partnership to implement a carbon impact calculator for use on all advertisements and promotions we produce.

As STV’s home city of Glasgow hosted COP26 in late 2021, we collaborated with our industry peers and participated in an exciting programme of events co-ordinated by BAFTA to highlight the unique role of the television industry in response to the climate crisis. Along with other UK broadcasters and streaming services, we signed the Climate Content Pledge, committing to using our content to help audiences understand solutions to tackle climate change.

Encouraging colleagues to adopt more sustainable behaviours and lifestyles has been supported through the roll-out of a training programme, Climate Fundamentals, delivered by the Project albert team. We will build on this with the further sustainability training during 2022.

A new governance structure has been introduced to embed STV Zero into all areas of the business, setting clear responsibilities and enabling fuller disclosure of our performance against our targets in future. For further details, refer to our report under the TCFD Framework on pages 45 to 49. With all targets set to date achieved, new interim targets have been agreed for 2022. These have been introduced to maintain momentum and further embed sustainability across the business, creating a visible roadmap to support achievement of our long-term goals. Additionally, emission reduction action plans are being introduced into all divisions and will be monitored and reported on a regular basis through divisional boards.

We have committed to ensuring our targets are science based and in early 2022, applied to the Science Based Targets initiative (SBTi) for verification of our targets to evidence the impact of our strategy in reducing the Company’s carbon impact.

### Our targets

#### Energy consumption

- Net zero by 2030
- 100% of directly procured electrical energy from renewable sources
- Halve business travel by end of 2022

Becoming a carbon neutral business by the end of 2021 is the first significant milestone toward net zero.

Ahead of target, we secured all electrical energy from renewable source in our office locations where we control the energy supply contracts. These locations represent 97% of our total consumption of electrical energy.

Further energy efficiency measures were introduced including continued installation of LED lighting and the implementation of new technology and IT equipment to support colleagues to work in a more flexible and sustainable way in future.

In 2022, we will begin to move to renewable gas at our sites where our gas supply contracts are under our control.

The transition to move our vehicle fleet and all leased cars to hybrid has also been completed in 2021.

↓  
STV Zero targets.

**ZERO**

**ENERGY CONSUMPTION**  
Achieve 100% of electrical energy used from renewable sources by the end of 2022  
Reduce business travel by 50% by the end of 2022

**SUPPLY CHAIN**  
Our supply chain will be 100% sustainable by 2030

**PROGRAMME MAKING**  
STV will continue to Albert certification for all of its programming, including news and current affairs, by 2022

**CARBON NET ZERO BUSINESS BY 2030**  
Use promotional efforts to educate STV’s commitment to environmental sustainability and encourage positive behavioural change from our viewers and advertisers

**PROMOTING SUSTAINABILITY**  
Launch of STV Green Pledge in 2022 to support advertisers  
FOR VIEWERS: Ensure environmental sustainability is represented in the content of our programming

**WASTE REDUCTION**  
STV will become a zero waste business by 2030 via its programme of work, Re-use and recycle and the removal of single use plastics

**CARBON NEUTRAL SINCE 2021**

**REDUCE. REUSE. RECYCLE.**

# Social impact

Focused on the environment continued

Business travel generates a significant proportion of our carbon impact. Recognising the opportunities for more sustainable ways of working that have been proven to be effective during the pandemic, we have brought forward the target date to significantly reduce business travel, aiming to halve this by the end of 2022, an accelerated target date from the original plan to achieve this by 2025.

### Waste reduction

- Zero waste business by 2030

The first target set as part of our zero waste strategy was the immediate removal of single use plastics from the Company's catering suppliers from early 2021. This was extended to hired catering used on all of the Company's productions as carbon impact measurement was introduced on all programming. The removal of single use plastics from all operations and our supply chain is a long term aim and will be a priority as we work with our suppliers.

As colleagues return to the office in early 2022, a behaviour change campaign has been introduced to encourage all colleagues to 'reduce, reuse, recycle' and become a 'STV Zero Hero'. As we have prepared our offices to enable more flexible working, we have taken the opportunity to make changes in support of our sustainability goals. Wastepaper bins have been removed from desk areas and we have invested in new printing equipment designed to encourage a reduction in paper consumption.

### Programme making

- All programmes produced by STV and STV Studios to receive Project albert certification by the end of 2022
- All STV and STV Studios' productions to be carbon neutral by the end of 2022

During 2021, all STV Studios' programming was registered with Project albert and four productions were albert certified, including drama series, *Screw*; *Celebrity Catchphrase*; *Inside Central Station* and *British as Folk*.

↓  
STV Zero activity touches all areas of the business.



All STV (non-news) programming is registered with Project albert, with three-part mini-series, *Don't Waste Scotland*, and the *STV Leaders' Debate* awarded albert certification.

### Sustainable supply chain

- 100% sustainable supply chain by 2030

Achieving a sustainable supply chain is our primary route to reduce the Company's Scope 3 GHG emissions. Preliminary work has identified that approximately 80% of our supplier base (by value of procured goods and services) have sustainability commitments consistent with the achievement of our long-term aim. During 2022, an audit of the remaining constituent of our supplier base will be undertaken to identify opportunities to work with our suppliers towards increased sustainability.

Improving our understanding of the carbon impact of the distribution of our content has been identified as a priority for 2022 and we will engage with our peers in the industry on the development of measurement tools.

### On screen – audience and advertisers

- Using STV's reach to promote sustainability

STV's close and trusted relationship with the audience and our position as the biggest channel in Scotland presents an opportunity to bring the complex to life in an accessible, practical and uplifting way. In the run-up to COP26 in October we broadcast our first dedicated sustainability focused programme. Peak-time three-part series, *Don't Waste Scotland*, was specially commissioned to coincide with COP26 and outperformed several national environmental programmes in terms of audience share.

This coincided with the launch of an on-air campaign, *Small Changes Big Differences*, featuring STV's weather team which also generated a positive audience and media reaction. The team were aged by 40 years and delivered weather forecasts from the future, highlighting the importance of making small changes everyday to live more sustainably.

The STV Player has also featured environmentally friendly focused shows on the 'Green Hub', which was sponsored by Smart Meters.

Through the STV Green fund we are supporting Scottish businesses in becoming more sustainable. This £1m investment fund, launched in March 2021, offers match funded advertising support for Scottish businesses who provide or promote sustainable products and services. The launch partner was the Edinburgh Boiler Company, who committed to plant a tree for every boiler they installed, offsetting an estimated 450 tonnes of carbon emissions in 2021.



### FTSE Russell

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that STV Group has been independently assessed according to the FTSE4Good criteria and has satisfied the requirements to become a constituent of the FTSE4Good Index Series.



## Contributing to our communities

**The STV Children's Appeal was launched in 2011 and uses the power of STV to shine a light on the issue of child poverty, raise funds and drive positive change.**

### STV Children's Appeal in 2021

With new lockdown measures brought back into force, Scotland's most vulnerable and disadvantaged children, young people and families began 2021 with renewed pressures. Once again, the STV Children's Appeal was well placed to provide urgent and timely support to those who needed it most.

### A record breaking year

In 2021, a record £4.4 million was raised to help the 1 in 4 children in communities across Scotland affected by poverty. This brings the total amount raised by the STV Children's Appeal since its formation to almost £29 million.

### Fundraising campaigns

Our longstanding relationship with Scottish Government enabled us to distribute £1.6m of additional Government funding to help vulnerable families cope with the effects of winter. Funds were used to help people pay for food, heating, warm clothing and shelter.

Between December 2020 and March 2021, 317 grants were made to 327 community groups and voluntary organisations in every local authority area of Scotland. In total, 7,516 families and 11,844 children received funding and support.

STV uses its platform as Scotland's commercial public service broadcaster to shine a light on the issues faced by so many people across Scotland. In support of the STV Children's Appeal, it seeks to shine a light on the issues faced by children and their families who are affected by poverty, encourage donations from viewers, and enable young people to tell their stories to the widest possible audience to drive positive change.

By Spring, our focus concentrated on the mental health impact Covid-19 was having on young people. Starting in May, the STV Children's Appeal ran regular adverts on STV's broadcast channel and social media platforms to highlight the impact of a year of lockdowns on our young people's mental health, to encourage donations from viewers to support the recovery phase. The campaign received celebrity backing from a number of famous Scots, including actor James McAvoy, TV personality Gail Porter and author Douglas Stuart.

The proceeds of this campaign were distributed to 50 projects across Scotland to improve young people's mental health through initiatives such as counselling sessions, peer support groups and leisure activities.

In addition to our Mental Health campaign, large scale community and corporate fundraising initiatives took place during 2021. To mark the Appeal's 10th birthday, fundraisers were asked to take part in the 10xChallenge: use the number 10 to create an engaging fundraising event such as walking 10 miles, running 10k's or cycling for 10 days. The campaign was generously sponsored by long-term supporter Tunnock's.

Meanwhile the successful Kiltwalk event returned in 2021 in two formats – a virtual event in Spring and a live event in Autumn – with hundreds of people taking part.

In addition, scores of dedicated individuals, community groups, corporates and schools have undertaken their own fundraising events or made donations for which we are extremely grateful. Without this support, the work of the Appeal simply could not happen.

↓  
Children performing at Centrestage during this year's annual telefundraiser.

↓  
STV stars jumping for joy at the prospect of starting the Virtual Kiltwalk.



# Social impact

Contributing to our communities continued

## Employee engagement

STV employees continued to be great ambassadors for the Appeal in 2021 by organising and taking part in fundraising activities, raffles, quizzes, the 10xChallenge and Kiltwalk events. The total raised was match-funded by STV to ensure even more children and young people can be helped.

## Programming

A special documentary was commissioned to examine the impact of Covid on young people's mental health. *Where's Your Head At?* enabled several young people to tell their stories, their struggles, and how support from Appeal-funded projects has helped them through this difficult period.

The main telethon programme hosted by Lorraine Kelly aired in October and featured an exciting blend of entertainment and powerful case studies of children and families affected by poverty. The programme reached 1.7 million Scots.

↓  
Some of the famous faces who supported this year's mental health fundraising campaign.



## Spotlight Marking 10 years of STV Children's Appeal

**The STV Children's Appeal celebrated its 10th birthday in 2021 and marked a decade of supporting young people affected by poverty in Scotland. But despite raising over £24 million in the previous nine years, the Appeal's vital work continued apace in 2021, with a major new fundraiser being launched to help raise funds at a time when support was needed more than ever.**

STV's Weatherman Sean Batty and journalist Sophie Wallace were joined by a group of 10-year-olds for a joint birthday celebration and to announce the 10xChallenge, with each party-goer vowing to take on their own fundraising challenge to support the charity.

The 10xChallenge gave the nation one simple mission: to take part in their own challenge or event inspired by the number '10' across a ten-day period in September. And just as they had continually wowed us with their creativity and generosity in previous years, the Scottish public pulled it out the bag yet again.

One Glasgow schoolboy swam ten 200m lengths of his local pool in one session, whilst a daredevil from Stirling took on a 10,000ft skydive. Even world record-holding cyclist Mark Beaumont got involved, switching sports to set himself a running challenge alongside daughter Harriet.

Continuing the 10-year celebrations, the Appeal's annual telefundraiser was broadcast, for the first time, from one of the charities that has benefited from its support over the last 10 years. Kilmarnock-based performing arts charity CentreStage welcomed Lorraine Kelly for an evening of music, fun and important real-life stories – showing viewers at home why the work of the Appeal to tackle child poverty continues to be so crucial.

The incredible response from the public throughout the Appeal's milestone birthday year resulted in £4.4 million being raised, pushing the total amount raised since 2011 to almost £29 million, and setting the Appeal up for another decade of critical fundraising for the children and young people in Scotland who need it most.

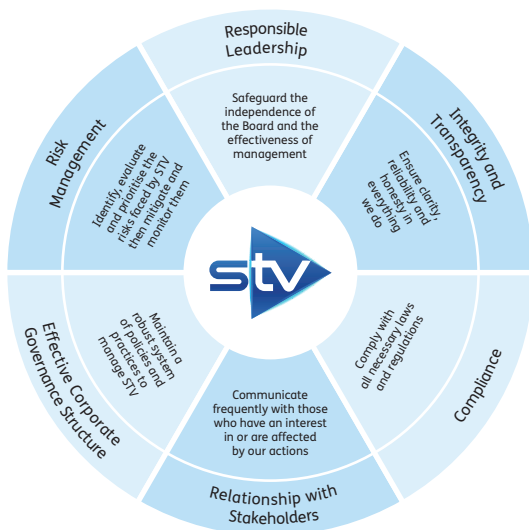
↖  
Andrea Brymer hosts a special documentary on the impact of Covid on young people's mental health.  
←  
STV Children's Appeal 10th birthday celebrations.

# Introduction to governance

## Corporate governance at STV

At STV, we strive to maintain the highest standards of corporate governance and have created a working culture where honesty, openness and fairness are valued. The Board of Directors' remit is to provide direction to help shape STV's strategy and ensure that it is being executed effectively within a structure that is well controlled, mitigates risk and is compliant with corporate and social responsibility. Good governance comes from an effective Board which provides strong leadership and engages well with both management and stakeholders. The Non-Executive Directors bring a range of different experiences and backgrounds and provide constructive challenge to the Executives, which is vital to create accountability and drive performance. This in turn creates an environment that generates and preserves value for stakeholders.

As Directors, we are mindful of our statutory duty to act in the way each of us considers, in good faith, would be most likely to promote the success of STV for the benefit of its members as a whole, as set out in S.172 of the Companies Act 2006, and further details of how we have achieved this can be found on pages 34 and 35.



## Board effectiveness

Under the Code, the Board is required to undertake a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors. In January 2022 the Board conducted an internally facilitated evaluation and details of the process and its outcome are covered in the Corporate Governance report. Following this, I am satisfied that the Board and its Committees are carrying out their duties efficiently and that there is an appropriate balance of skills, experience, knowledge and independence on the Board.

## Sustainability

Since the announcement of our ambitious sustainability strategy – STV Zero – in March last year, sustainability has been a significant focus for the Board. Both the Company and the Board place great importance on the reduction of our environmental impact and to improving the sustainability of all our business activities and the input from our Non-Executive Directors has been invaluable in these discussions. Ms Cannon, in particular, has brought her knowledge, from within the oil and gas industry, of advising companies on energy transition and reducing carbon intensity. I have had considerable Board level involvement in other companies, on policy and target setting across various

aspects of climate change, which enabled me to lead the discussions on this topic as part of the wider risk management and strategy activities of the Board.

The expectations of investors, regulators and other stakeholder groups to obtain information on our approach to considering sustainability matters are ever increasing and more formally mandated through the UK's regulatory framework including Streamlined Energy and Carbon Reporting and our reporting, for the first time this year, against the recommendations of the Taskforce on Climate-related Financial Disclosures (pages 45 to 49).

## Diversity and inclusion

Diversity and inclusion has also been a regular Board discussion topic particularly since the appointment of Femi Otitoju as STV's Diversity and Inclusion advisor in February 2021 and it was a key consideration for the two appointments made during 2021. Ms Otitoju presented to the Board in June, outlining the current challenges and noting that the role of Board members was paramount in influencing how well people believed the message and would thereafter get involved, developing an insight and understanding of what STV wanted to achieve. Directors found her presentation informative and several Directors thereafter arranged a separate session with Ms Otitoju to discuss various points in more detail.

Once again our Non-Executives' contributions to these discussions has been valuable with Ms Mandhar sharing her approach to building a diverse workforce at The Athletic through continually looking at ways to be inclusive and putting in place relevant and appropriate training programmes. Mr Miller has also been able to bring his experiences with other organisations, one of which is a member of the 30% Club, established with the goal of increasing ethnic diversity on boards and in senior teams.

Achieving the changes required to meet our workforce diversity targets is a continuing priority and the subject of discussions across the business as we strive to improve representation and build an inclusive culture. Further details of progress made in this area can be found on pages 51 to 52.

## Relationship with shareholders

During 2021, despite the various Covid-19 restrictions in place, we have had increased engagement with shareholders, particularly on ESG matters, whether through written submissions to them on activities in certain areas, or meetings with investors which have involved the Senior Independent Director, the Chairman of the Audit & Risk Committee and myself. Our first 'in person' Annual General Meeting in three years is being held on 21 April 2022 at Pacific Quay and we look forward to meeting the shareholders who are able to attend and answering any questions they may have.

## Compliance with the UK Corporate Governance Code

The Board considers that, in respect of the financial year ended 31 December 2021, the Company has complied fully with the UK Corporate Governance Code 2018 (the Code) and this section, together with the Directors' Remuneration Report, set out on pages 79 to 87, describes in greater detail how the principles and provisions of the Code have been complied with. The Code is published by the Financial Reporting Council and can be accessed via its website, [www.frc.org.uk](http://www.frc.org.uk).

**Paul Reynolds**  
Chairman  
9 March 2022

## Board of Directors

At 9 March 2022



### **Paul Reynolds** Chairman

**Appointed: February 2021**

**Committees: Nomination (Chair)**

Paul has over 30 years international public-company experience as a Chair, non-executive Director and senior executive, including tenures as Chief Executive of BT Wholesale and Executive Director of BT Group plc and Chief Executive of Telecom New Zealand Ltd. He is currently a non-executive Director of Tosca IOM Ltd, the holding company of TalkTalk Telecom Group. Paul is also active in financial services, as a non-executive director at Computershare Ltd in Melbourne and Chair of data-analytics fintech, 9Spokes Ltd. He has held previous roles as a non-executive Director at Eircom Ireland Limited, XConnect Global Networks Ltd and Japan-based telecommunications company, eAccess Ltd. Paul is Chair of the STV Children's Appeal.



### **Simon Pitts** Chief Executive

**Appointed: January 2018**

Previously, Simon was a member of the executive board of ITV plc, holding the position of Managing Director, Online, Pay TV, Interactive & Technology. Over a 17 year career there, he held a range of senior roles and, as Director of Strategy, was one of the main architects of the company's transformation under Archie Norman and Adam Crozier and also oversaw strong growth in ITV's digital businesses. Simon was also on the board of ITN for eight years and prior to ITV, worked in the European Parliament. He is Vice Chair of the Royal Television Society and a trustee of the STV Children's Appeal and literary charity Oscar's Book Prize.



### **Lindsay Dixon** Chief Financial Officer

**Appointed: May 2019**

Lindsay is a Chartered Accountant with extensive commercial experience gained across a range of sectors covering the FTSE 100, 250 and large private companies. Previously, Lindsay held the role of Group Financial Controller at William Grant & Sons Limited and prior to that was Group Financial Controller of The Weir Group plc. In addition to her core financial responsibilities she has wide ranging M&A, investor relations and international experience. After qualifying at Deloitte, she held senior finance roles with Johnston Press plc.



### **Simon Miller** Senior Independent Director

**Appointed: December 2016**

**Committees: Audit & Risk, Remuneration, Nomination**

Simon is an experienced non-executive director and chairman and has had exposure to a wide range of financial, commercial and manufacturing businesses. Simon is Chairman of Hampden & Co, private bankers and of Bankers Investment Trust. He is also chairman of Blackrock Sustainable American Income Trust although will step down from this role over the summer. Simon was formerly chairman of Brewin Dolphin Holdings PLC and a non-executive director of Scottish Friendly Assurance Limited. Simon read Law at Cambridge and is a Barrister at Law.



### Anne Marie Cannon Non-Executive Director

**Appointed: November 2014**

**Committees: Remuneration (Chair); Audit & Risk**

Anne Marie has over 40 years' experience in the energy industry and investment banking and is an experienced director, holding executive and non-executive roles. She is currently Deputy Chair at Aker BP ASA, and a non-executive director on the boards of Harbour Energy plc and the privately owned Aker Energy AS. In addition, she is a Senior Advisor in the Strategic Advisory business at PJT Partners. Anne Marie was previously a Senior Advisor at Morgan Stanley and has also held financial and commercial roles at Shell UK, Schroder Wagg and Thomson North Sea, as well as executive director positions on the boards of Hardy Oil and Gas and British Borneo.



### David Bergg Non-Executive Director

**Appointed: May 2018**

**Committees: Remuneration; Audit & Risk**

David has worked in the broadcasting industry for over 30 years at ITV, the BBC, Sky, TV-am and Channel Five. He started his career in a number of ITV regional audience research teams (including Grampian Television), before moving into marketing and programme acquisition roles and then embarking on a succession of senior scheduling positions. David was Director of Programme Strategy at ITV for 20 years from 1997 to 2017 and retains extensive contacts at senior levels in the broadcasting and programme production sectors in the UK and USA.



### Ian Steele Non-Executive Director

**Appointed: November 2015**

**Committees: Audit & Risk (Chair); Remuneration; Nomination**

Ian qualified as a Chartered Accountant in 1980 with Arthur Young McClelland Moores. His subsequent career involved time with The British Linen Bank, Touche Ross, Rutherford Manson Dowds and Deloitte. Ian retired as Senior Partner for Deloitte in Scotland and Northern Ireland in 2015 and prior to retiring, had been on the UK Board of Deloitte LLP for over eight years. Ian was a Corporate Finance Advisory Partner with Deloitte and was Head of Global Advisory for three years. He is on the Advisory Board of Visible Capital and is Chairman of Iomart Group plc.



### Aki Mandhar Non-Executive Director

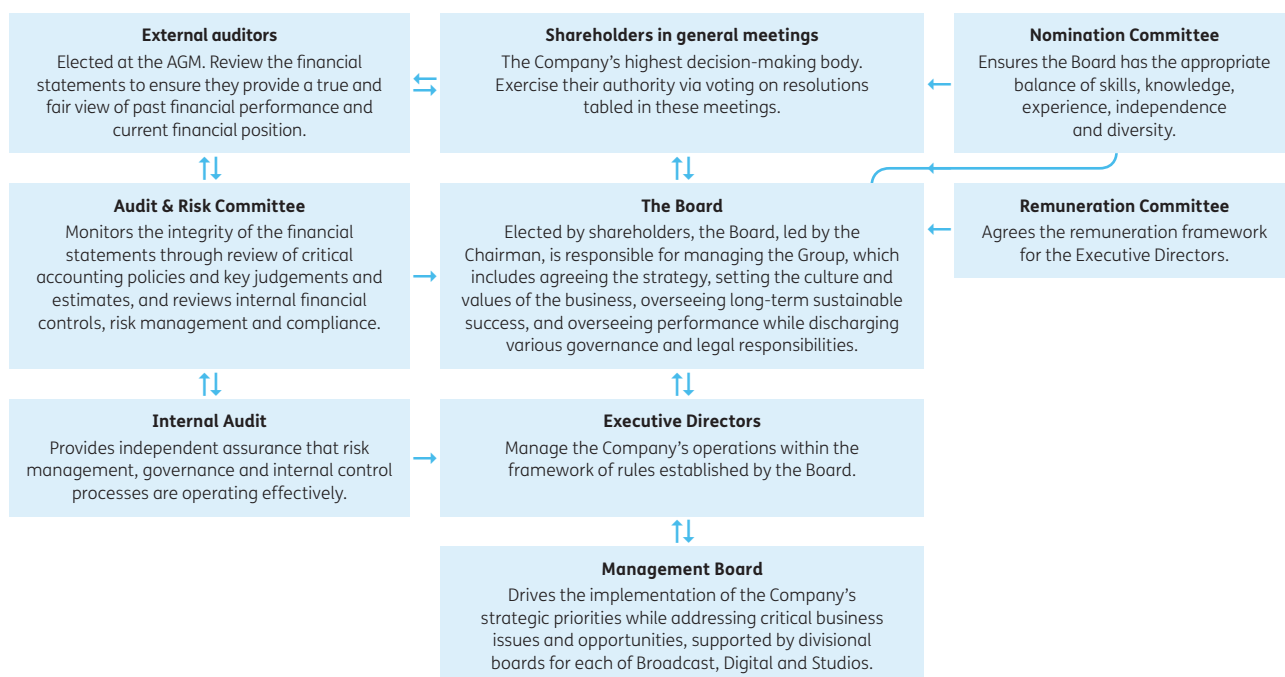
**Appointed: February 2021**

**Committees: Audit & Risk**

Aki has built a successful executive career across the advertising, marketing and digital media sectors and is currently UK General Manager of subscription-based sports news website, The Athletic. Prior to joining The Athletic in early 2020, she was Chief Operating Officer of Telegraph Media Group, responsible for delivery of the strategy to transform the business from a traditional publisher model into a successful, sustainable subscription-based business. Aki was UK Managing Director of Omnicom Group Agency, OMD from 2015 until 2017 and prior to this held executive roles within MediaCom over a period of nine years.

# Corporate governance report

## Governance structure



STV has established various committees and groups which focus on specific aspects of the Group's ESG practices including the Diversity and Inclusion Steering Committee, the Sustainability Group and the Data Champions each of which brings together colleagues from various areas of the business to support the Management Board with execution of their responsibilities day-to-day.

## Principles statement

STV and its Board of Directors are fully committed to upholding the highest standards of corporate governance as these are crucial to overall business integrity and performance. During the financial year ended 31 December 2021, the Company was subject to the provisions of the UK Corporate Governance Code 2018 (the 'Code'), available at [www.frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code](http://www.frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code) and the Board's view is that it has complied with all relevant provisions of the Code.

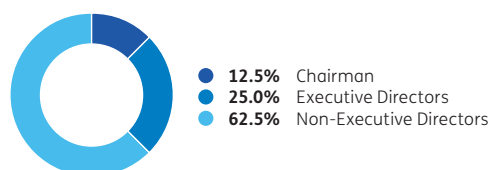
The Board has a critical role to play in shaping business performance while creating and delivering long term, sustainable returns for shareholders. This requires it to determine business strategy and the Company's appetite for risk, to monitor management's performance in delivering against that strategy and ensure the risk management frameworks and internal controls in place are appropriate and operating effectively. The Board must ensure that the funding and talent available to the business will support it in the longer term and must remain aware of the Company's obligations to its shareholders and other stakeholders, responding to their needs with transparent reporting and active engagement.

## Board of Directors

The membership of the Board throughout the year and up to the date of signing the financial statements, unless otherwise stated, was as follows:

<b>Chairman</b>	Paul Reynolds (appointed a Non-Executive Director on 1 February 2021 and appointed Chairman on 29 April 2021) Baroness Margaret Ford OBE (retired 29 April 2021)
<b>Chief Executive Officer</b>	Simon Pitts
<b>Chief Financial Officer</b>	Lindsay Dixon
<b>Non-Executive Directors</b>	Simon Miller (Senior Independent Director) Anne Marie Cannon Ian Steele David Bergg Aki Mandhar (appointed 1 February 2021)

## Board of Directors



### Board appointment, balance and independence

The Board has considered the independence of the Non-Executive Directors and regards all of the current Directors to be of independent character and judgement.

The Non-Executive Directors' mix of skills and wide-ranging business experience is a major contributing factor towards the proper functioning of the Board and its Committees, ensuring that matters are debated and that no individual or group dominates the Board's decision-making processes. Non-Executive Directors have a particular responsibility for ensuring that the business strategies proposed are fully discussed and critically reviewed and their collective experience and broad range of skills gained from across a variety of sectors means they can constructively challenge management in relation to the development of strategy and performance against the goals set by the Board.

The Non-Executive Directors do not participate in any share option plan or pension scheme of the Company.

All Directors have access to the advice and services of the Company Secretary and, at the Company's expense, the Company's legal advisors. The Company Secretary is an employee of the Company and attends all meetings of the Board and its Committees. She is responsible for making sure that all Board procedures are observed and for advising the Board on corporate governance matters. She also has responsibility for ensuring the flow of information within the Board, its committees and between senior management and the Non-Executive Directors.

### Board responsibilities

The roles of Chairman and Chief Executive are separate with a clear division of responsibility that is set out in writing and approved by the Board. The Board delegates responsibility for the day to day running of the business through the Chief Executive to executive management, while the Board provides the constructive challenge to management that is necessary to create accountability and drive performance. This results in an environment that creates and preserves value for shareholders.

The Chairman is responsible for the leadership of the Board, setting the highest standards of governance, ensuring its effectiveness (including the timely dissemination to Directors of clear and accurate information), as well as setting the agenda. He provides a conduit for communication to and from shareholders and facilitates the contribution of the Non-Executive Directors while ensuring constructive relations between the Executive and Non-Executive Directors.

The Board has responsibility for making all key strategic, management and commercial decisions that are necessary for the conduct of the Company's business as a whole, including the approval of corporate strategy, annual budgets, interim and full year financial statements and reports, capital allocation (covering dividends, significant capital projects, and acquisitions and disposals) and key accounting policies. The Chief Executive and his management team are responsible for developing the appropriate business strategy and once approved by the Board, for ensuring that the strategy is implemented effectively in accordance with the approved operating plan and within a sound system of internal controls to achieve the agreed objectives. He creates a framework of strategy, values, organisation and objectives to ensure the successful delivery of results and delegates decision making and responsibilities accordingly. Compliance with policies and achievement against objectives is monitored by the Board through monthly performance reporting and budget updates, as well as updates on strategic progress across all business areas.

S.172 of the Companies Act 2006 states that it is the duty of all Directors to promote the success of the Company for the benefit of its members as a whole, and pages 34 and 35 of the Strategic Report set out how the Directors have engaged with colleagues, customers, suppliers and other stakeholders and how they have had regard to their duties in doing so.

The Senior Independent Director is available to shareholders should they request a meeting or have concerns that they have been unable to resolve through normal channels, or when such channels would be inappropriate. He provides a communication conduit between the Chairman and the Non-Executive Directors and is responsible for leading the Non-Executive Directors' discussion on the Chairman's performance in the annual performance review. The Senior Independent Director is also STV's Employee Director and in this capacity, he attends meetings of the employee forum, which meets quarterly and comprises representatives from every team and location, and makes site visits to the Company's offices to meet and talk to a wider group of colleagues. Simon Miller also meets on a bi-monthly basis with the HR & Communications Director to discuss employee engagement activities and plans, including the employee opinion survey.

The Board is accountable to shareholders for the efficient and effective management of the Company's operations and for the adherence to corporate governance standards in accordance with the strategy. Furthermore, the Board is held to account in regard to the maximisation of shareholder value over the long term, within a framework of sound business ethics and while taking into account all stakeholder groups.

Each Director is able to devote the time necessary to discharge their respective responsibilities effectively.

## Corporate governance report

	Board	Audit & Risk Committee	Remuneration Committee	Nomination Committee
<b>Number of meetings held in 2021:</b>	<b>8</b>	<b>3</b>	<b>4</b>	<b>2</b>
<b>Attendance:</b>				
Paul Reynolds <sup>1</sup> (appointed 1 February 2021)	7	2*	2*	2
Simon Pitts	8	3*	3*	-
Lindsay Dixon	8	3*	-	-
Simon Miller	8	3	-	2
Anne Marie Cannon	8	3	4	-
Ian Steele	8	3	4	2
David Bergg	8	3	4	-
Aki Mandhar <sup>1</sup> (appointed 1 February 2021)	7	2	-	-
Baroness Margaret Ford OBE (retired 29 April 2021)	3	1*	-	1

\* Attended at the invitation of the respective Chairman.

<sup>1</sup> Has attended all meetings since appointment.

The Board meets regularly, usually at least eight times a year, with additional meetings taking place as and when required. With the continuing restrictions on travel and gatherings throughout the majority of the year, the Board decided that meetings should continue to be held by audio-video conference and accordingly all meetings, bar the October meeting which took place in London, were held virtually. The October meeting held in person was in line with the Government guidelines at the time and provided a key opportunity for the Directors appointed during the year to meet their Board colleagues for the first time.

When a Director is unable to attend or dial in to a Board or Committee meeting, he or she receives the papers for consideration at that meeting and has the opportunity to discuss any issues or make any comments in advance and, if necessary, follow up with the Chairman of the relevant meeting.

The Board has adopted a schedule of matters reserved for its decision which can be found on the Company's website at [www.stvplc.tv](http://www.stvplc.tv). This document was reviewed, updated and approved by the Board in June 2021, with the changes made to take into account current practice, whilst maintaining compliance with the UK Corporate Governance Code 2018. The updates made to the Policy focused on providing more detail in various sections including Strategy & Management, Internal Control & Risk Management and Corporate Governance & Policies.

The principal matters set down in the Policy are approval of:

- financial statements and shareholder circulars; dividend policy; significant changes in accounting policies or practices;
- Board and committee appointments and terms of reference; terms and conditions of Non-Executive and Executive Directors;
- The Company's long term objectives and commercial strategy; annual operating and capital expenditure budgets and the 3 Year Plan;
- Material contracts and significant variations in terms of the Company's borrowing facilities;
- Corporate activity, which is subject to the City Code on Takeovers and Mergers or of a material nature;
- Major changes to the Company's pension schemes, share schemes and treasury policy;
- Risk management policy and strategy, including the risk appetite statement and internal control policies; and
- Corporate governance arrangements including the approval of the Company's Sustainability Policy and its Diversity & Inclusion Policy.

Rather than having a stand-alone Board Strategy Day during 2021, it was agreed that each of the Divisional Managing Directors would present to Directors on the overall strategy for their area of the business, their proposed three year plan and the risks and opportunities facing their division. This would allow the Non Executives, particularly those new to the Board, to build on their knowledge of STV's business while providing them with the chance to ask any questions of the divisional heads. The Group Commercial Director joined both the Broadcast and Digital sessions given the importance of advertising revenues in those areas.

The November and December Board meetings were extended in length to accommodate these strategy discussions in addition to the regular agenda; the Broadcast discussion was held in November with the Digital and Studios discussions in December.

### Board focus during 2021

The Board executed its responsibilities across the full suite of core activities with the main focus set out below:

#### Operational and financial performance, including monitoring

- operational and financial updates for each business area at each Board meeting, including major project summaries and Legal and Compliance reporting
- monthly finance reports, including details of performance against budget/latest forecast, review of cash flow and assessment of balance sheet and net debt
- approval of the Annual Report & Accounts, including assessment of the going concern basis of preparation and approval of the Viability Statement
- approval of budget and three year plan
- approval and declaration of interim and full year dividends
- monitoring of share trading and liquidity



### Strategy

- discussion on growth plans for each business, including strategy presentations from each of the Divisional Managing Directors
- discussion on the continuing Covid-19 measures in place across the business and related risk management activities
- consideration of investment opportunities and approval of divestment of the external lottery management company
- approval of the Company's strategy
- discussion on various regulatory issues
- approval of the Group's Sustainability Strategy, STV Zero, and related long-term targets, supported by regular reporting on progress
- regular reporting and discussion on diversity and inclusion, including assessment of progress towards targets

### Governance and risk

- approval of the 2022 AGM Resolutions
- approval of revised suite of governance documents, including terms of reference for all three Board Committees, Schedule of Matters Reserved for the Board, and specific policies relating to the external auditors
- approval of revised MAR compliant STV Share Dealing Code, and updated Modern Slavery Statement
- discussion on the Board's annual performance evaluation
- discussion on viewing and competitive trends
- discussion on defined benefit pensions, led by the Company's pension advisors, focused on triennial valuation, journey plan and future priorities and regulatory changes as relevant to the Company
- approval of the Group's risk appetite and discussion on risk management processes

### Investor relations

- review of institutional feedback following meetings between the Company's broker and shareholders after both the full and half year results
- regular reporting from brokers on markets, trading and activity in STV shares
- review of the draft analysts' results presentations, when reviewing the Company's full and half-year financial results

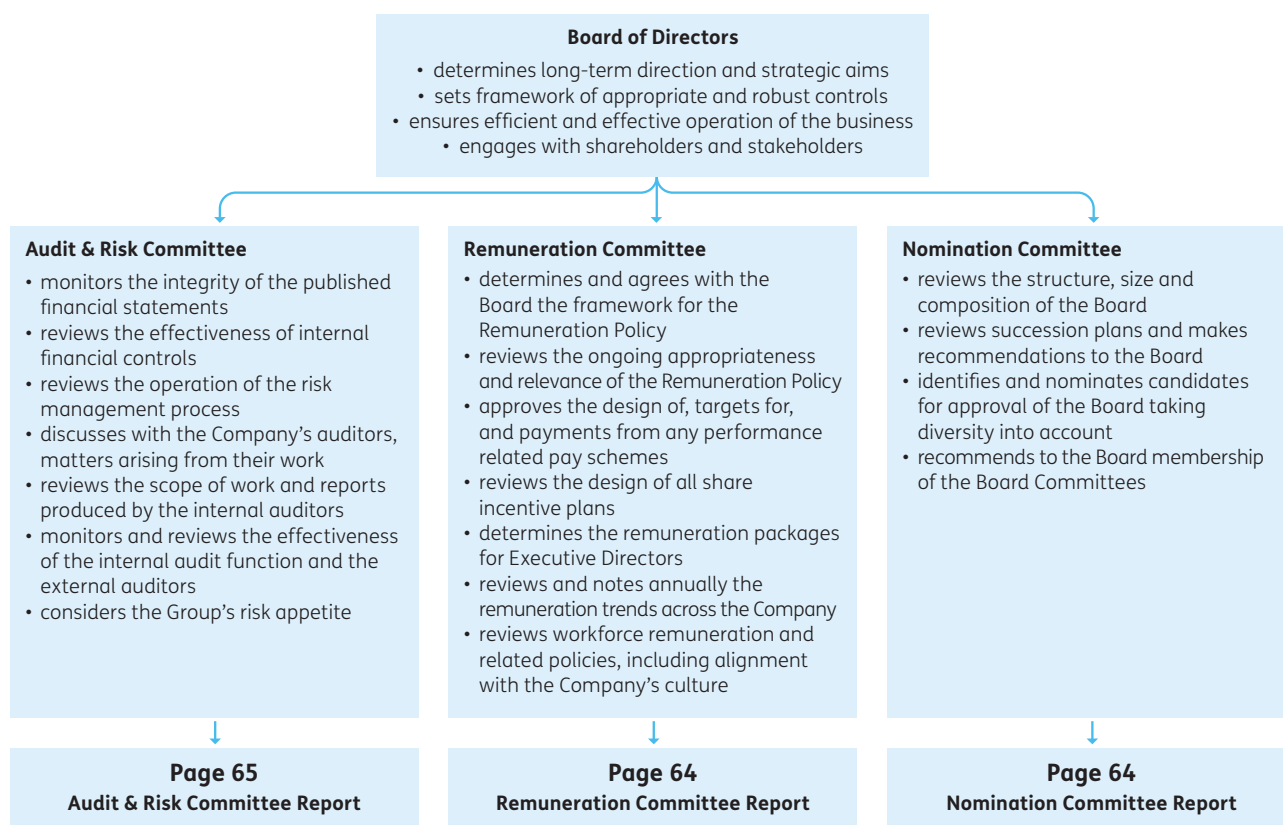
### Corporate Social Responsibility

- involvement in the STV Children's Appeal 2021
- involvement in COP26

### Board committees

The Board is supported by the Audit & Risk, Remuneration and Nomination Committees.

## Leadership



## Corporate governance report

Each Committee has formal, approved Terms of Reference, which are available from the Company's website, [www.stvplc.tv](http://www.stvplc.tv). As part of the Board's ongoing commitment to governance, the Terms of Reference for all Board Committees were reviewed and updated during the year, to reflect best practice and include additional detail in certain areas. In respect of the Remuneration Committee, the Terms of Reference were also updated to reflect the Remuneration Policy, as approved at the 2021 Annual General Meeting.

### Report from the Remuneration Committee

The members of the Committee during the year were:

Anne Marie Cannon (Chair)

Ian Steele

David Bergg

Simon Miller (appointed 4 March 2021)

The activities of the Remuneration Committee are described within the Directors' Remuneration Report which can be found on pages 79 to 87. The written terms of reference of the Remuneration Committee set out various considerations that must be made when determining the Company's Remuneration Policy and further details can be found in that section of the Annual Report.

### Report from the Nomination Committee

The members of the Committee during the year were:

Baroness Margaret Ford OBE (Chairman, retired 29 April 2021)

Paul Reynolds (Chairman, appointed 29 April 2021)

Simon Miller

Ian Steele

The committee met twice during the year. At its meeting in March 2021, members agreed that Mr Miller become a member of both the Audit & Risk and the Remuneration Committees, and Ms Mandhar would join the Audit & Risk Committee. It was also agreed that the Chairman attend Audit & Risk and Remuneration Committee meetings.

At the February 2022 meeting it was noted that no issues had been raised through the 2021 performance evaluation and the Committee agreed that all Non-Executive Directors were spending sufficient time to fulfil their duties and should therefore be put forward for re-election at the 2022 AGM.

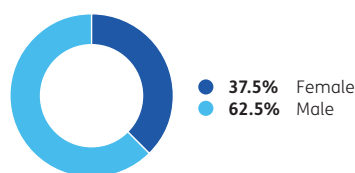
Diversity is essential and STV is committed to building an inclusive culture that ensures equality of opportunity for all. Activities in this area are focused on our Open Access Charter which captures the commitments that have been identified to improve diversity and inclusion for employees, and also extends to our audiences and partners. While the Committee reviewed diversity during 2021, the topic is now formally scheduled triannually as a standing Board agenda item. STV has also confirmed a renewed commitment to using its privileged position as an employer, public service broadcaster and producer to address the longstanding and systemic issue of racism and improve the representation of Black, Asian and Minority Ethnic people both on and off screen. The Board has met the target of the 2016 Parker Report.

One of the Committee's most important responsibilities is to ensure that succession is being appropriately considered and any challenges or risks addressed. Accordingly, STV's HR & Communications Director attended the December meeting to discuss talent management and succession planning for the Board, the Management Board and their direct reports.

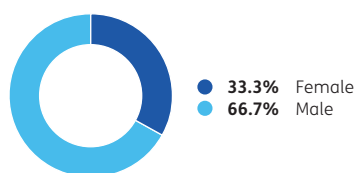
She advised that the succession review had been undertaken (i) to assess organisational resilience and succession strength to senior roles and other key operational roles across the business; (ii) where successors were identified, to assess their development needs; and (iii) to review progress towards achievement of targets to improve representation, specifically to achieve gender balance across senior roles.

The plan was discussed and it was agreed that the paper dealt with succession in the majority of the business well with appropriate plans in place and further consideration would be given to succession at senior management level. A bespoke development programme was being put in place for several individuals which would be reviewed by the Committee in due course and tailored remuneration arrangements around bonus payments were also operating for these people.

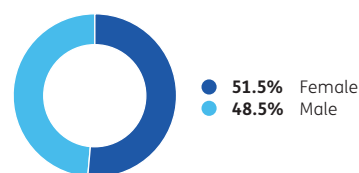
### Board



### Management Board



### Staff



## Report from the Audit & Risk Committee

The members of the Committee, all of whom were independent, during the year were:

Ian Steele (Chair)  
 Anne Marie Cannon  
 David Bergg  
 Simon Miller (appointed 4 March 2021)  
 Aki Mandhar (appointed 4 March 2021)

The Audit & Risk Committee is chaired by Ian Steele who has recent and relevant financial experience. The Committee members have, through their other business activities, significant experience in financial and risk management matters. They have been selected with the aim of providing the wide range of financial and commercial expertise necessary to fulfil the Committee's responsibilities.

At the invitation of the Committee, meetings are attended by the Chairman, Chief Executive, Chief Financial Officer and senior members of the Group Finance function, as required. Representatives from both the external and internal auditors also participate in each meeting and the Committee meets separately with each of senior management and the external and internal auditors at least once during the year. These separate meetings with the internal and external auditors provide the Committee with the opportunity for any issues to be raised by, or with, the auditors.

The Committee met three times during 2021 and once since the year end with the Chair providing a full verbal report on the Committee's activities at each subsequent Board meeting. The Board receives a copy of the minutes of each meeting and the papers considered by the Committee are available to any Director who is not a member, should they wish to receive them.

The Committee is authorised by the Board to investigate any activity within its terms of reference and to seek any information it requires from any employee, with employees directed to co-operate with any request made by the Committee. No such requests were made in 2021.

The Audit & Risk Committee expanded certain areas of its written terms of reference following review during the year, to align that document with the activities of the Committee. Specifically, in the Financial Reporting section, the responsibility of the Committee to provide review and challenge in the following areas was drawn out:

- (i) the findings of the external auditor;
- (ii) the appropriateness of adoption of the going concern basis of accounting;
- (iii) the appropriateness of the modelling/testing/assumptions underpinning the viability statement; and
- (iv) compliance with reporting standards and governance.

The Internal Controls and Risk Management Systems section was also extended and now clarifies that the duties the Committee carries out in relation to internal control and risk management systems are done so on behalf of the Board, which retains overall responsibility for this area. This section now also specifically obliges the Committee to report to the Board that it has assessed the systems/processes through which the Group's principal risks/related mitigating controls are reviewed, updated, managed and/or mitigated and requires the Committee, when monitoring the Group's financial controls, reporting and risk management, to consider the work undertaken by both the external and internal auditor.

The section on External Audit has been expanded to include reference to a policy concerning the employment of former employees of the external auditor which was formally adopted in 2021.

The Committee's effectiveness is reviewed annually as part of the Board evaluation process.

The work of the Audit & Risk Committee focuses on the four areas of (i) financial reporting; (ii) internal control and risk management; (iii) internal audit; and (iv) external audit.

### (i) Financial reporting

The Committee's principal responsibility in this area is to review and challenge the judgements and estimates taken by management in applying the critical accounting policies that underpin the interim and annual financial statements. Based on the work of the Committee, a recommendation is also made to the Board in relation to application of the going concern principle, and approval of the financial statements taken as a whole. The Committee has a particular focus on:

- critical accounting policies and practices (including any changes during the period);
- decisions requiring significant judgements, areas of significant estimate, or where there has been discussion with the external auditor;
- the existence of any errors, adjusted or unadjusted, arising from the audit;
- the clarity and compliance of disclosures with accounting standards and relevant reporting requirements;
- assessment of the going concern basis of preparation and review of the process and financial modelling underpinning the Viability Statement; and
- the processes surrounding compilation of the Annual Report and Accounts, from the perspective of presenting a fair, balanced and understandable assessment of the Group's position and prospects.

Formal reports were received from the Chief Financial Officer and the external auditor during the year, summarising the main discussion points relevant to the interim report (in September 2021) and the Annual Report (in March 2022). In the prior year, the significant risks from a financial reporting perspective identified by the Committee were recoverability of the debtor due from the Scottish Children's Lottery (by STV ELM Ltd), and the valuation of the Group's defined benefit pension schemes. These items continued to be the significant risks given focus by the Committee in 2021. Following the agreement in principle and then the subsequent sale of STV ELM over the period from February to August 2021, the focus of the Committee has been on the accounting for, and disclosure of, the disposal of that business. This report of the Committee will be the last one in which the disposal of the STV ELM is considered, with the risk of recoverability of the debtor now dealt with as part of the disposal. Based on enquiries of management and the external auditors, the Committee is comfortable with the accounting for the disposal of the STV ELM, and with the narrative disclosure included in the financial statements.

## Corporate governance report

The valuation of pension liabilities can be materially affected by the assumptions used and the Committee challenged management on the key assumptions underpinning the valuation, specifically the discount rate, the RPI and CPI inflation rates, and the mortality assumptions. The triennial valuation as at 31 December 2020 was completed during the year and so focus was given to alignment of the accounting assumptions with those agreed with the trustees as part of that funding valuation process. In prior years, the mortality assumption underpinning the IAS19 valuation used, in part, a medically underwritten study undertaken previously. In the current year, the mortality assumption underpinning the IAS19 valuation has been aligned to the current mortality base tables used by the scheme actuary, with the impact of increasing the accounting deficit on the schemes. The Committee questioned and challenged both management and the external auditors on this point, and the basis of the other assumptions used in the valuation, and was satisfied with their basis and the wider pension disclosures.

Although not considered significant risks, the Committee also received reporting from management on the accounting for deferred production stock, impairment of investments and taxation. The Committee reviews the work in these areas given the judgement involved by management in the underlying assumptions. Having reviewed them, the Committee was content with management's treatment across all areas.

### (ii) Internal control and risk management

Overall responsibility for the Group's risk management and internal control frameworks rests with the Board. The Committee's role regarding risk management has been delegated by the Board and is to review the effectiveness of the Group's risk and internal control frameworks. This work is supported by reporting from Internal Audit on the results of the programme of internal audits completed, the overall assessment of the internal control environment and any reporting, either verbal or written, from senior management covering any investigations into known or suspected fraudulent activities.

The Committee tendered the Internal Audit service provision during the year with KPMG appointed in August 2021. During the period where no internal auditor was in post (the incumbent, Deloitte LLP, having stepped down at the end of 2020 to enable their participation in the upcoming external audit tender), the Committee received formal reporting, as well as verbal updates, from the Chief Financial Officer on key aspects of the risk control framework. These included updates made to the risk register, the tender of insurance broker services, a full update on GDPR compliance activities and cyber training, the revised Gift & Hospitality Policy and progress of the external audit tender.

The Audit & Risk Committee also receives reporting on the process through which the Group financial statements are prepared, to ensure completeness, balance of content, and compliance with various reporting regulations. The purpose of these processes is to ensure that the internal and external financial statements are presented in accordance with the relevant reporting standards and the disclosure requirements for listed companies, as well as to ensure that the financial statements give a true and fair view and are free from material misstatement.

The Company has in place a Whistleblowing Policy through which staff can, in confidence, raise concerns about possible improprieties either in the conduct of others in the business or in the way the business is run. Concerns can relate to actual or potential breaches of law or Company policy, including those relating to accounting, risk issues, internal controls, auditing issues and related matters. All matters raised are investigated and reported to the Audit & Risk Committee. No matters were raised during 2021.

### (iii) Internal audit

The primary focus of the internal audit programme is to provide assurance over key revenue streams and operating costs, as well as over the mitigating controls implemented to manage the Group's principal risks. The internal auditor's work is designed to provide insights into the internal control environment and assess the operating efficiency of key processes and controls, as well as providing broader feedback on the effectiveness of the enterprise risk management systems in place across the Group.

As indicated in last year's annual report, and noted above, a tender for internal audit services was undertaken in Q2 2021, as part of a programme of good governance. The focus of the tender was to identify a firm with the capabilities to provide a quality internal audit service and be able to advise and work with the Company and the Committee on readiness activities for corporate governance reform.

The identification of participants to the internal audit tender process was carefully managed to ensure sufficient quality and choice of candidate across both this process and the pre-qualification process for the external audit tender that took place across November and December 2021. The Invitation To Tender was issued to four firms with KPMG being appointed in August.

At the November Committee meeting KPMG presented their internal audit plan for Q4 2021 and the financial year 2022, which included a risk map they had developed to ensure key risk areas were targeted. Furthermore, the plan included a maturity assessment of the Group's Enterprise Risk Management activities, as well as an initial assessment of key financial processes and related internal controls (incorporating general IT computer controls). The plan had been devised through understanding STV's strategy and objectives, its risk profile, and has considered input from management and the Committee as well as specific requests extending to readiness activities for adoption of the many recommendations anticipated from the BEIS white paper on corporate governance reform. The plan was discussed at length by the Committee and thereafter approved.

KPMG's first internal audit looked at all risk management processes across STV and using their Global Risk Maturity framework, assessed how effective and embedded our approach to risk management was across seven key pillars: Risk Governance, Risk Strategy & Appetite, Risk Culture, Risk Assessment and Measurement, Risk Management and Monitoring, Risk Reporting and Insights, and Use of Data and Technology.

KPMG found that risk management was regularly discussed throughout STV, and mitigating controls implemented and monitored across the organisation, with the key components of ERM in place and operating effectively. The report provided a small number of recommendations that would support business growth and reduce reliance on the Management Board, which the management team were supportive of and had committed to implementing.

Their second audit was an Internal Financial Controls risk and readiness assessment to identify potential in-scope processes as they relate to current proposals for the intended reform of internal controls, namely the adoption of a UK-equivalent of Sarbanes-Oxley. The Committee received reporting in March 2022 on the scoping and risk assessment aspects of the internal audit, which had been completed, and noted the next stage of the process was to undertake detailed walkthroughs and testing to identify potential gaps, or areas where there are opportunities to enhance existing controls.

Other internal audits KPMG propose to carry out during 2022 are in relation to cyber maturity, ESG/sustainability and general IT controls. The work on cyber will be supported by an exercise currently being conducted by the Group's new insurance broker, Marsh, which is looking to map the causes and impact of the most significant potential losses due to cyber incident against the Group's insurance programme, in order to identify the responsiveness of the insurance policies currently in place.

A full report on each internal audit undertaken is shared with the Committee and discussed in detail. Focus tends to be given to high priority findings, recurring items and management responses to address these areas, although the full reports of findings and recommendations are shared. These reports and discussions are designed to give the Committee a detailed insight into the work of Internal Audit, the outcomes, and therefore the strength and operating effectiveness of the Group's risk management activities and internal controls. In turn, this work provides a critical component of the broader assurance sought by the Committee when reporting to the Board its determination of the assessment of the effectiveness of the Group's risk and control frameworks. These reports also allow the Committee to review and assess the effectiveness of the Internal Audit function.

Based on the work of the Committee and reports received from management and Internal Audit, it recommended to the Board that the Group's risk management and internal financial controls were operating effectively.

#### (iv) External audit

The Audit & Risk Committee and the Board place great emphasis on the quality and objectivity of the Company's auditor PwC LLP in their reporting. PwC was appointed auditor on 20 June 2013 with mandatory rotation of audit firm required from 1 January 2023. The audit partner who has been on the engagement for the past five years will cease as partner, concurrent with the change in audit firm as required. To that end, and to enable an orderly transition, a tender process was initiated in Q4 2021 with completion of a pre-qualification process. This pre-qualification process was designed by the Committee to identify a short-list of candidates following a series of discussions and meetings covering the following criteria: (i) independence of the audit firm; (ii) credentials of the firm, proposed audit partner and senior manager, with specific focus on public listed companies and sector experience; and (iii) indicative fee range. The Committee Chair, Chief Financial Officer and Group Statutory Reporting & Tax Compliance Manager held meetings with each firm and unanimously agreed to take three forward to the main tender process, expected to take place over Q2 2022.

The audit partner and senior manager attend all Audit & Risk Committee meetings to ensure full communication of matters relating to the audit. The auditors have confirmed to the Committee that in relation to their services to the Company they comply with UK regulatory and professional requirements, including Ethical Standards issued by the Auditing Practices Board and that their independence and objectivity is not compromised.

#### Auditor effectiveness

The Audit & Risk Committee is responsible for assessing the effectiveness of the external audit process, and feedback is sought from its members, the Chief Financial Officer as well as STV's finance team and the wider management team to the extent they have been involved in the process. This feedback covers various aspects of the external audit process, including the audit team; how the audit is both planned and executed; the role of management; and communication. Comments are considered by the Audit & Risk Committee and relayed to the auditors and to management. Following completion of this assessment for the 2021 year end, the Audit & Risk Committee concluded that the external audit process operated effectively and efficiently.

#### Independence policy and non-audit services

The Audit & Risk Committee is responsible for approving, in advance, any non-audit work undertaken by the external auditor, in line with the formal policy in place. Under that policy the Chief Financial Officer must obtain the approval of either the Chairman of the Audit & Risk Committee or another Committee member if the preference is to use the auditor and must provide an explanation as to why the auditor is the most suitable supplier of services. A case by case decision is therefore necessary and the auditor cannot be engaged for non-audit work without reference to the Audit & Risk Committee. The Audit & Risk Committee keeps this under review. PwC also has an internal process whereby pre-engagement approval of all non-audit services is required to be given by the Audit Partner.

During 2021 a policy dealing with the recruitment of staff from the external auditor was approved by the Board, representing a further strengthening of independence.

There will always be projects for which the external auditor is best placed to perform the work to the extent that its skills and experience along with its knowledge of the Company makes it the most appropriate provider. While it is important that the independent role of external auditors in reporting to shareholders is not compromised, it is equally important that the Company is not deprived of expertise when and where it is needed.

The auditor is required each year to confirm in writing to the Committee that it has complied with the independence rules of its profession and regulations governing independence, having taken into consideration matters such as the individual independence of members of the engagement team and the firm as a whole and the nature of any non-audit work undertaken. Before PwC takes on any engagement for other services from the Company, careful consideration is given as to whether the project could conflict with its role as auditor or impair its independence or infringe audit rules. This includes consideration of the safeguards that are in place to mitigate the risks to independence.

During the year under review, the non-audit work carried out by PwC consisted of the interim review and covenant reporting for the purpose of compliance with the Group's bank facility agreement. The fees for these were 14% of the audit fee, and the Audit & Risk Committee agreed that PwC was the most suitable supplier.

## Corporate governance report

### Committee activities

The principal activities undertaken by the Board Committees during 2021 included:

Month	Committee	Activity
February	Audit & Risk	<ul style="list-style-type: none"> <li>Review of Year End Results</li> <li>Review of External Audit report on Year End Results</li> <li>Review of Prelim Announcement</li> <li>Review of Annual Report</li> <li>Review of Independence of Auditors</li> <li>Review of internal controls/risk management</li> <li>Committee Performance Evaluation</li> <li>Review of Internal Audit reports</li> </ul>
February	Remuneration	<ul style="list-style-type: none"> <li>Remuneration Policy update</li> <li>Approval of Remuneration Report</li> <li>Approval for all employee share award</li> <li>Committee Performance Evaluation</li> <li>Consideration of vesting targets for LTIP</li> </ul>
March	Nomination	<ul style="list-style-type: none"> <li>Committee Performance Evaluation</li> <li>Agreed all Non-Executive Directors be put forward for re-election at the AGM</li> </ul>
March	Remuneration	<ul style="list-style-type: none"> <li>Approval of Remuneration Report and Policy</li> </ul>
March	Remuneration	<ul style="list-style-type: none"> <li>2021 Incentive Target setting</li> </ul>
August	Audit & Risk	<ul style="list-style-type: none"> <li>Review of Half Year Results</li> <li>Review of External Audit report on Half Year Results</li> <li>Risk management update</li> <li>Review tender process for Internal Audit</li> </ul>
December	Nomination	<ul style="list-style-type: none"> <li>Succession and talent management</li> </ul>
November	Audit & Risk	<ul style="list-style-type: none"> <li>Revised Gift &amp; Hospitality Policy approved</li> <li>Review of external audit plan for 2021</li> <li>Approval of Internal Audit Plan for Q4 2021 and FY 2022</li> </ul>
December	Remuneration	<ul style="list-style-type: none"> <li>Remuneration update</li> </ul>

### Performance evaluation

The effective functioning of the Board is key to the success of the Company and STV recognises that performance evaluation is valuable in contributing to the effectiveness of the Board, both as a collective unit and for each individual Board member. The evaluation has been designed to encourage Directors to optimise their contribution to the success of STV and add value beyond their statutory requirements by building on existing strengths, agreeing on the challenges ahead and preparing for the future. It also provides an opportunity for the Non-Executive Directors – through their exposure on other company boards – to draw on their experience and to suggest areas of best practice. The 2021 evaluation was an internal exercise led by the Chairman; in accordance with the Code, an externally facilitated evaluation will be carried out every three years with the next one proposed for 2022.

The evaluation is conducted using a detailed questionnaire which canvasses the opinions of the Directors on a wide range of matters including Board composition, Board meetings and processes, Board performance, the performance of individual Directors as well as the Board's communication both with external stakeholders and the Company's senior management. Separate questionnaires are prepared for each of the three Board Committees with responses sought from committee members. The 2021 evaluation questionnaire was expanded to include questions on diversity and inclusion and sustainability.

All Directors completed the questionnaire and returned it to the Company Secretary who collated and anonymised the results before providing a detailed report to the Chairman. The report covered comments and suggestions made, together with the rating allocated to each question by Directors. The Senior Independent Director engaged with each Director individually to evaluate the Chairman's performance. The Chairman reported the results of the evaluations at the Board meeting held on 3 March 2022.

There were many positive comments that resulted from this exercise: Directors agreed the Board had responded well to all issues which had arisen during the year and noted there was good discussion at meetings with debate encouraged and a clarity and rigour around decision-making. There were several presentations made to the Board during the year from various members of the Management team and the Non-Executive Directors in particular, appreciated being able to question senior management on aspects of their area of the business, providing them with a more detailed understanding of the Group. The Executives were praised for their efforts in keeping the Board informed of significant developments in operational and project developments between meetings.

The performance of the Board, its Committees, the Chairman and each of the Directors continued to be effective and all Directors demonstrated commitment to their roles. All Non-Executive Directors were considered to be independent with there being no factors likely to impair this, and all exercised judgement and voiced their respective opinions.

Measured against the principal duties expected of it and building upon the progress of previous years, the Board continues to operate effectively and to meet in full its obligations to support management, monitor performance in the widest sense and maintain its strategic oversight. Accordingly, the process concluded that the Board provides the effective leadership and control required for a listed Company.

In terms of specific points made, while it was agreed there was a good mix of skills, experience and knowledge on the Board already, which had been further strengthened with the addition of both Aki Mandhar and Paul Reynolds, it was suggested that ESG and further strengthening STV's media experience could prove useful. This would be considered in light of the retirements of Anne Marie Cannon and Ian Steele over the next year or so and a process for appointing their replacements would be put in place.

There were many presentations made to the Board last year, both from STV colleagues and external advisors, which constituted ongoing training, however Directors were asked to consider whether there was any additional training they felt they would benefit from. Finally, Directors felt that STV had made good progress with its diversity and inclusion plans and that tracking progress in this area would be useful.

### Training and development

All Directors are given a comprehensive introduction to the Company's business and their development and training is an ongoing process. Throughout their period in office the Directors are regularly updated at Board meetings on the Company's business, the competitive environment in which the Company operates and any other significant changes affecting the Company and the market sector of which it is a part. In addition, the Board regularly receives presentations from senior managers within the Company and from Company advisors to ensure that Directors' knowledge, skills and familiarity with the Company's businesses are maintained. Directors are also provided with, and encouraged to take up, opportunities to meet major shareholders. These activities are supplemented with separate conversations between individual Non-Executive Directors and members of the management team to pick up on specific points as they arise.

Paul Reynolds and Aki Mandhar joined the STV Board in February 2021 and both undertook a general induction programme to make introductions across the Company and with external stakeholders as appropriate. As this was her first Non-Executive Directorship, Ms Mandhar completed a training course facilitated by the Institute of Directors.

Board training and development is considered as part of the annual performance evaluation exercise and no issues were raised during the 2021 process.

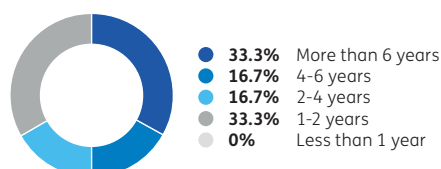
### Re-election

All Directors are subject to election by shareholders at the first Annual General Meeting following their appointment and annual re-election at each subsequent AGM. Copies of the Non-Executive Directors' terms and conditions of appointment are available for inspection at the Company's registered office.

The Nomination Committee confirmed to the Board that the contributions made by the Directors offering themselves for re-election at the AGM in April 2022 continue to be effective and that the Company should support their re-election.

The biographies and experience of all Board members can be found on pages 58 and 59, enabling shareholders to make an informed decision regarding Directors' re-elections. Following the formal evaluation, the Chairman confirms that each Director continues to contribute effectively and is important to the Company's long-term sustainable success.

### Tenure of Non-Executive Directors and Chairman

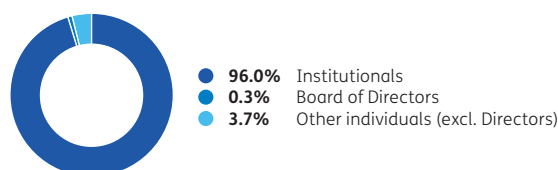


### Relations with shareholders

STV believes that open and regular dialogue with investors is the basis of a trusted relationship. Its corporate website ([www.stvplc.tv](http://www.stvplc.tv)) has information for institutional and private shareholders alike and shareholders seeking information may contact the Company directly throughout the year. In addition, STV has an electronic communication facility to allow shareholders to receive information more quickly and in a manner convenient for them.

The Board recognises the importance of having continual engagement with its shareholders and fully supports the principles of the Code that encourage open dialogue between companies and their shareholders. The Board welcomes and encourages the participation of all shareholders at the Company's Annual General Meeting, at which the Chief Executive provides a detailed presentation on the activities and performance of the Group over the preceding year. All Directors attend the AGM so shareholders have the opportunity to meet with them to discuss particular areas of focus and ask any questions.

### Shareholders by type



## Corporate governance report

### **Institutional shareholders**

STV undertakes a comprehensive programme of meetings and events for institutional investors, research analysts and the financial press throughout the year and the Board is kept fully informed of feedback given to the Chief Executive and Chief Financial Officer over the course of those meetings. The Board regularly receives updates on movements in the share register, analysts' consensus forecasts and market sentiment.

The Chairman, the Senior Independent Director and other Non-Executive Directors are available to meet with shareholders to discuss governance and strategy and develop a balanced understanding of their issues and concerns. While various meetings have taken place with shareholders during the year, these were conducted online due to Covid-19 restrictions being in place, but it is hoped that face to face meetings can re-commence soon, once it is appropriate and safe to do so. Discussions at these meetings are conveyed to all Directors in order that each can develop an understanding of major shareholders' views on the Company.

### **Other matters**

The powers of the Directors (including in relation to the issue or buy back of shares) are exercisable in accordance with the Companies Act 2006 and the Company's Articles of Association. Any amendments to the Company's Articles of Association require a special resolution in accordance with the Companies Act 2006.



# Modern slavery and human trafficking statement

## Introduction

STV is fully committed to business integrity, holds strong ethical values and displays a high degree of professionalism in all its activities and considers it crucial to conduct itself honestly, transparently and responsibly while complying with all relevant legislation, including the Modern Slavery Act 2015. It is accountable to its stakeholders not only for ensuring that governance processes are in place, but that these are operating effectively.

STV recognises that it has a responsibility to take a robust approach to slavery and human trafficking and is committed to implementing and enforcing effective systems and controls to ensure that any form of slavery is not taking place in its business or supply chains. STV is committed to creating and ensuring a non-discriminatory and respectful working environment for all its staff and to improving its practices to combat slavery and human trafficking as these are recognised to be real yet hidden issues in society. STV will not enter into business with any organisation which knowingly supports or is found to be involved in slavery or compulsory labour.

STV employs around 500 people in the UK across offices in Glasgow, Edinburgh, Aberdeen, Dundee, Inverness and London and as well as these employees, at any given time there will be freelancers and short term contractors engaged to support production activity principally undertaken by STV Studios but also by other areas of the business.

There is one central purchase ledger for the Group's suppliers which is operated and maintained by a dedicated purchase ledger and treasury team. New suppliers are approved by the respective business area with the aim of engaging only with reputable companies. Of our total suppliers, 97% (by number) are based in either the UK or the USA, two of the lower risk jurisdictions and none of our suppliers are operating in countries identified as being of the highest risk by the Global Slavery 2018 index.

STV's biggest supplier is ITV plc, which accounts for c.40% of the Group's cost base, with staff costs (of a UK-based workforce) constituting a further 22%. The Group operates stringent equal opportunities policies for all employees and considers itself to be transparent and fair in all dealings with colleagues. STV reviews ITV's annual Modern Slavery statement to seek assurance that the appropriate safeguards and policies are in place, and there is regular dialogue between members of the senior management teams at both organisations, through the ITV/STV Council and other forums, at which specific issues in this area would be expected to be raised.

STV's supply chains include the following:

**Broadcast:** Ad-serving technology; IT support; transmission; and technology operations.

Within Broadcast, many of the suppliers are large companies, such as Vidispine and BT, which publish Modern Slavery statements and STV regularly reviews the annual Modern Slavery statement for the division's biggest supplier, ITV.

**Digital:** technology development; third party content providers; and ad-serving technology.

The vast majority of companies that Digital works with are international brands including Amazon, FreeWheel and YoSpace, all of which publish Modern Slavery statements, as do third party content providers Sony and EntertainmentOne. There are a few smaller distribution houses that Digital has contact with, and our intention is to introduce the topic of modern slavery into negotiations with future partners to seek assurances that they have appropriate policies and practices in place to ensure a robust approach in this area.

**Studios:** clothing, equipment, props, set construction materials, vehicles, cleaning, security, construction etc.

There are many suppliers which Studios engages with and several are smaller companies. As these may be considered higher risk for modern slavery and labour exploitation, STV is looking to improve its understanding of the extent of the risks in this area.

## Relevant policies

The following policies are designed to ensure there are no instances of slavery or human trafficking across the Company's operations and sets out the steps to be taken to prevent these occurring. These policies are available to all staff on STV's intranet. Where STV has either direct control of, or a majority stake in, a production company, they are required to adopt STV's policies and procedures.

- **Whistleblowing policy:** all employees are encouraged to report any concerns they may have about the conduct of others in the business or the way in which the business is run. This includes any circumstances that may give rise to an enhanced risk of slavery or human trafficking. The Company's whistleblowing policy is designed to make it easy for employees to raise their concerns without fear of victimisation or detriment.
- **Business Ethics policy:** this policy sets out STV's charter for ethical conduct, promoting a culture of ethical behaviour throughout the organisation and protecting the integrity of the business.
- **Equality, Diversity and Inclusion policy:** the purpose of this policy is to provide the framework which enables fair treatment in the workplace for all employees.
- **Respect & Dignity at Work policy:** this policy applies to all employees, fixed term employees, temporary contractors, contractors and freelancers within STV and covers bullying and harassment in the workplace and in any other work-related setting outside the workplace, e.g. business trips and work-related social events.
- **Disciplinary policy/code of conduct:** this code makes clear to employees the actions and behaviour expected of them when representing the organisation. The Company strives to maintain the highest standards of employee conduct and ethical behaviour when operating and managing its supply chain.
- **Producers' Handbook:** as an affiliate of ITV1, STV has adopted ITV's policy and this detailed and comprehensive handbook sets out editorial and compliance standards, taking into account Ofcom's Broadcasting Code.

Supplier on-boarding policies are currently being reviewed as work continues to ensure that STV's supply chain is sustainable by 2030 and this review will also consider modern slavery. Training will be rolled out across the business in 2022.

## Modern slavery and human trafficking statement

### Due diligence processes

Effective systems and controls are implemented and enforced to ensure to every extent possible, that human trafficking and slavery do not take place within the business or across any of its supply chains. Due to the nature of its business, STV is not exposed to significant risk and has assessed itself to have a low risk of modern slavery in its operations and supply chains. However, STV is not complacent and will continue to reflect on and enhance its controls and to monitor and review its supply chains.

STV would not enter into business with any organisation, in the UK or abroad, which knowingly supports or is found to be involved in slavery, servitude, or forced or compulsory behaviour. Through undertaking due diligence in its activities, STV seeks to ensure that it does not inadvertently support modern slavery.

STV's recruitment and people management processes are designed to ensure that all prospective employees are legally entitled to work in the UK and to safeguard employees from any abuse or coercion. When engaging talent, only reputable employment agencies are used and pre-employment checks are made, including requests for 'right to work' documents where appropriate.

STV's approach to eliminating slavery is interlinked with its sustainability strategy and a review is underway with initial supporting activities including:

- the development of environmental sustainability criteria for all suppliers;
- undertaking a review of sourcing and procurement processes to ensure that sustainability and ethical criteria can be incorporated into supply chains in the long term; and
- performing a supplier database cleanse to remove old companies and focus on those suppliers who are actively engaged with STV at present.

### Risk assessment and management

The Company regularly reviews its policies and operating processes to ensure these provide:

- protection against discrimination;
- a fair working environment; and
- fair trading conditions that do not violate human rights.

With the introduction of IR35, a full review of STV's contracting processes was carried out with training delivered to managers who had authority to recruit as well as the purchase ledger team, to ensure that everyone was engaged under the appropriate contract and with the appropriate status.

There is a rigorous process to identify, monitor and manage the principal risks that have been identified through the business and its supply chains. Each of the three business divisions has its own risk register and is responsible for risks in its area, supported by various Group functions including Compliance and Human Resources. The Group risk register is made up from the highest rated risks in these three registers together with the highest rated risks in both the central and cyber risk registers and all are reviewed regularly with reporting to the Audit & Risk Committee and the Board.

### Measuring our performance

Each year STV issues its gender pay report that demonstrates the progress being made towards its targets in this area and is a demonstration of the Group's approach to fairness of remuneration across the employee base. On an ongoing basis throughout the year, the Group's Head of HR and CFO meet to review and discuss new appointments with a specific line of sight to equality of salary bandings compared to existing roles and equality of treatment across permanent and fixed term contract employees. Separately, and at least annually, the salary bands for each role within STV are reviewed to ensure that they reflect market movements and that people are paid fairly.

There are regular employee engagement surveys, which have been carried out more frequently since the pandemic started, and employees are encouraged to raise any issues or concerns either with their line manager, a member of the Management Board or Human Resources.

### Training

Ongoing training is delivered to staff to ensure that responsibility to achieve compliance with the Company's policies is understood and fulfilled. During 2019, staff with responsibility for procurement undertook training designed to raise awareness of human trafficking and slavery risks and during 2020 and 2021, diversity and inclusion training took place. In early 2021, STV appointed Femi Otitaju as its Diversity and Inclusion advisor who is helping to shape, accelerate and support the delivery of STV's wide-reaching inclusion strategy. Her role touches on all areas of STV's business, providing training, guidance and new insight to STV's people, its Diversity and Inclusion Steering Committee and network of peer groups, which are empowered to effect positive change across the business. All of the Non-Executive Directors were offered a one to one meeting with the Diversity and Inclusion advisor, an opportunity which several took up.

As part of STV's work to achieve a sustainable supply chain by 2030, during 2022 awareness training will be given to those colleagues with authority to procure goods and services on behalf of STV.

# Remuneration report

## Annual Statement

I am pleased to introduce the Directors' Remuneration Report for 2021.

During 2021, we operated under the Remuneration Policy approved by shareholders at the 2021 AGM. The Remuneration Committee remains satisfied that the current executive remuneration framework is aligned with delivery of the Company's ambitious growth plan and targets and the creation of long-term shareholder value. We will continue to closely monitor developments in shareholder guidance to ensure that our approach meets shareholders' expectations.

### Overview of 2021 performance

An excellent financial performance and highly effective execution of the growth plan has been achieved in 2021 as a result of the Executive Directors' relentless focus on our targets; underpinned by tight fiscal discipline in an unpredictable trading environment.

Despite the challenges and uncertainties that defined 2021, a strong recovery of the advertising revenue market saw the Group's financial performance propelled beyond pre-pandemic levels of revenue and profit, driven by continued audience share growth on STV and STV Player and the success of the diversification strategy introduced in 2018. In 2021, STV recorded the highest total revenue, advertising revenue and adjusted operating profit, and the lowest net debt for over a decade. Advertising revenue was over 11% higher than pre-pandemic levels as audience growth continued. In the regional advertising market, the positive impact of the Company's investment strategy to stimulate regional advertising through the STV Growth Fund continued to drive growth with revenue 17% ahead of 2019 levels. Overall, advertising revenues in 2021 were the Group's highest ever at £112.6m.

Diversification of the Group's earnings profile is the key aim of the strategic growth plan. The growth of the high margin digital business continued as STV Player streams were up 63% year on year and VoD revenues were over 50% ahead of pre-pandemic levels achieved in 2019.

The growth rate of STV Studios accelerated during 2021 and the business achieved a record financial performance. Sixteen new commissions were secured, with the division delivering 12 returnable series, providing a stable base to support future growth. The strengthening of the creative pipeline through a low-risk, targeted acquisition strategy also led to the addition of a ninth label joining the business, progressing our strategy to invest in growing companies who share our values, ambitions and enthusiasm for original new formats.

Overall, 36% of the Group's earnings were generated by the Digital and Studios businesses. This is up from 34% in 2020 and only 18% when the diversification strategy was introduced.

The divestment of the STV ELM (external lottery management company) was completed in August, in line with the agreement in principle that had been reached earlier in the year. The sale of this non-core business has enabled increased strategic focus on the key growth activities that will deliver the strategy and growth plan in the future.

Finally, consistent with the strong sense of purpose and responsibility that arises from the Company's role as a public service broadcaster, delivering a positive social impact is a primary objective and is embedded in the personal performance objectives of the Executive Directors and cascaded to managers across the business. Following the Board's approval at the close of 2020 of STV Zero, the Company's environmental sustainability strategy to become a net zero carbon business by 2030, encouraging progress has been made across a range of targets to cut STV's level of emissions. The Board has been presented with regular progress updates on delivery of the Company's ESG targets throughout 2021, including the diversity and inclusion strategy, STV Zero, and the ongoing work of the STV Children's Appeal. Further details of this progress are set out on pages 50 to 56.

### Incentive outcomes for 2021

Following the suspension of the annual bonus plan in 2020, one of a series of measures implemented in response to the challenges and financial uncertainties presented by the impact of Covid-19, the plan was re-instated in 2021.

The plan was based on a balanced set of financial targets (operating profit and cash generation), as well as personal objectives linked to strategic delivery. Reflective of the excellent financial performance in the year, both financial targets within the bonus plan were exceeded.

Adjusted operating profit of £25.2m, in excess of pre-pandemic levels, represents the highest level ever delivered by the Group. Strong operating cash conversion resulted in cash generated by operations of £34.8m, positioning the Group in a small net cash position at the end of the year, providing financial flexibility to invest in future growth.

Both Executive Directors also performed exceptionally against their personal objectives, achieving significant progress towards fulfilment of the strategic objectives to deliver profitable growth as set out in our growth plan. This included the launch of the next 3-year growth strategy, including a £30m investment plan and the re-instatement of a cash dividend; acceleration of the Company's Digital and Studios strategies; progress across all areas of the Company's ESG priorities including the launch of the Company's sustainability strategy and a clear plan to become a net zero carbon business by 2030; the agreement of a new deficit funding recovery plan for the Company's defined benefit pension schemes; and the divestment of the external lottery management company, clearing the way for the Executive Directors to focus exclusively on delivery of the strategy and growth plan. Full details of performance against personal objectives are set out on pages 81 and 82.

This strong overall performance resulted in an outcome of 96.25% and 97.5% of the maximum payment of the annual bonus for the Chief Executive and Chief Financial Officer respectively in 2021.

In line with the Remuneration Policy, 20% of bonus awards will be deferred into shares, which will vest after three years. Further detail on the bonus targets and outcomes is set out on pages 81 to 83.

The 2019 Long Term Incentive Plan (LTIP) award vested by reference to performance over the three-year period to 31 December 2021. This award was based on EPS growth, non-broadcast earnings and total shareholder return (TSR) performance.

# Remuneration report

Annual Statement continued

The performance period of this LTIP coincided with the implementation of the first phase of the strategic growth plan introduced in 2018. Despite the impact of the pandemic, this growth plan has improved the underlying profitability of the business, delivering annualised growth in EPS of 7.5% over this period to the end of 2021. This strong growth in EPS coupled with the stretching targets set resulted in a vesting outcome of 71.9% of this element of the LTIP, weighted at 50%.

With 36% of the Group's earnings derived from non-broadcast activities in 2021, the key strategic target to diversify the earnings base of the business has been successfully progressed. Non-broadcast earnings in 2021 amounted to £9.2m, resulting in vesting of 47.5% of this element of the LTIP which was weighted at 30%. The threshold target for TSR was not met. Therefore, overall, this award vested at 50.2% of the maximum.

The Committee believes these incentive outcomes appropriately reflect the performance delivered for our shareholders over the respective periods.

## Approval of Remuneration Policy

The current Remuneration Policy was approved by shareholders at the 2021 AGM. I would like to thank shareholders for their engagement and support in the development and approval of the Policy.

With around three quarters of votes cast in favour, shareholders approved the Directors' Remuneration Policy by a clear majority. The Committee noted that one shareholder with a significant holding voted against the resolution. While this shareholder was supportive of the other remuneration-related resolutions and is broadly supportive of the Company's overall approach to executive remuneration, they have expressed reservations regarding one specific element of the Policy. Having further considered the matter and given the support of the majority of shareholders, the Company does not propose to take any further action at this time. The Committee remains dedicated to ongoing engagement with shareholders on the issue of executive remuneration and will continue to engage as appropriate going forward.

## Implementation of Policy for 2022

The Committee is not proposing any material changes to the application of the Policy for 2022. Executive Directors will receive an increase to base salary levels of 3%, in line with the increase awarded to all employees, effective from 1 January 2022. Base salary levels for Executive Directors have not increased since January 2020 as no increases were applied in 2021 as the Company responded to the financial challenges presented by the pandemic. In addition, a voluntary salary reduction of 25% was in force for 5 months of 2020.

The Chief Executive will receive a pension contribution of 20% of base salary, which will reduce to 7% of salary, in line with the wider workforce, at the end of 2022. The CFO will receive a pension contribution of 7% of salary. Executive Directors will also continue to participate in the annual bonus and LTIP on a similar basis as for 2021, in line with the Remuneration Policy.

The performance measures applying to both incentive schemes relate to continued delivery of the growth plan and are aligned with shareholders' interests. The annual bonus will continue to be based on a combination of operating profit, cash flow and personal objectives, with ambitious performance targets for each. Personal objectives will relate to key success factors in progressing and delivering growth, including advancing the Company's ESG activities. Further details of the objectives are set out on page 79.

The performance measures for the 2022 LTIP of EPS, non-broadcast earnings and relative TSR, are also unchanged, relating as these do to delivery of the strategy and the creation of shareholder value. The Board recognises that delivery of the long-term growth plan, covering the period from 2022 to the end of 2024, will be challenging and delivery of the plan targets will require a sustained level of high performance from the Executive Directors and senior team.

In this context, the Committee has set stretching targets for all metrics. The target range for annualised growth in EPS has been set at 4% to 10%, requiring double digit growth in EPS, a level above that targeted pre-pandemic, to achieve full vesting. This is a narrower range than the 2021 LTIP where the EPS range was broadened in response to the uncertainty caused by the Covid-19 pandemic on trading and the market outlook when targets were set. Whilst market uncertainty continues to prevail, given the strength of the financial performance delivered in 2021 and the continued strategic progress that has been achieved, the proposed EPS range is deemed more appropriate for the 2022 LTIP.

The target range for non-broadcast earnings has been increased to £15m to £19.5m. At full vesting this would represent more than double the earnings derived from these activities in 2021, reflecting the commitment to continue the successful diversification strategy.

## Company-wide remuneration

The Committee has oversight of remuneration and related policies across the organisation and gives due consideration to these when determining pay for Executive Directors.

Wellbeing and employee engagement have been given heightened priority during 2021 to ensure all colleagues are supported as they have responded to the unprecedented disruption the pandemic has caused in their personal and professional lives. Recognising the exceptional effort and contribution from colleagues, we granted a one-off all-employee share award in March 2021, linked to the achievement of 2021 profit targets. The award, with a face value on grant of £1,000, vests in full in March this year. Although no across the board salary increase was applied in 2021, unlike many companies over that period who enforced absolute salary restraint, the Company awarded salary progression to over 15% of colleagues during the year in recognition of role progression or promotion to support recognition, enhance engagement and aid retention.

## In conclusion

The Annual Report on Remuneration, including this Annual Statement, will be subject to an advisory vote at our 2022 AGM. I look forward to your support and would be happy to answer any questions you may have on our executive remuneration arrangements.

**Anne Marie Cannon**  
Chair of the Remuneration Committee  
9 March 2022

## Summary of the Directors' Remuneration Policy

The Directors' Remuneration Policy ('the Policy'), determined by the Company's Remuneration Committee ('the Committee'), was approved by shareholders at the 2021 Annual General Meeting and is available in full on the Company's website: [www.stvplc.tv](http://www.stvplc.tv) or from the Company Secretary. When developing the Policy, the Committee confirmed the key principles it believes should underpin the remuneration framework. These are:

- Closely align rewards with the delivery of Company strategy;
- Ensure a significant proportion of the awards are based on long-term success criteria;
- Reflect changes in best practice and governance;
- Simplify and streamline the framework for clarity and effectiveness; and
- Ensure market competitiveness.

The section below provides a summary of the key elements of our executive remuneration framework.

### Base salary – the Committee sets salaries as a retainer for the Executive Directors to recognise status and responsibility to deliver the strategy

- Set taking into consideration several factors including the scope and responsibilities of the role, the skills, experience and performance of the individual, and other external and internal reference points.
- Normally reviewed on an annual basis.
- In general, any salary increase for Executive Directors will be in line with other employees in the Group.

### Benefits – to provide competitive levels of employment benefits consistent with the role

- Executives are entitled to receive a taxable cash allowance in lieu of benefits in kind, including car and private medical insurance, currently £25,000 p.a. for the Chief Executive and £18,000 p.a. for the Chief Financial Officer.
- Executive Directors are eligible to participate in the Company's all employee share plans on the same terms as all employees.

### Pension – to provide competitive levels of retirement benefit

- The Group operates a number of different pension arrangements. Executive Directors have the option to receive a taxable cash allowance in lieu of pension benefits.
- The maximum pension contribution or taxable cash allowance in lieu of pension is set in line with arrangements for colleagues across the business.
- The Chief Executive receives a pension allowance of 20% of base salary, which will be reduced at the end of 2022 to a level in line with arrangements for colleagues across the business.

### Annual bonus – aligns reward to the delivery of annual financial and strategic performance measures; deferral creates long-term alignment with shareholders

- Maximum annual opportunity of 150% of salary for the Chief Executive and 125% of salary for the Chief Financial Officer.
- Payment is determined by reference to performance assessed over one financial year based on a range of financial and strategic measures.
- The Committee has discretion to adjust the formulaic outcome if it considers that this is inconsistent with overall Group performance, taking into account any factors it considers appropriate.
- A proportion of any bonus (20%) is deferred, and normally vests over three years.
- Recovery provisions apply.

### Long Term Incentive Plan – aligns reward to the delivery of long-term financial performance delivered for shareholders

- Maximum award in respect of a financial year is normally 100% of salary.
- Vesting is determined by reference to performance assessed over a period of at least three years, based on performance measures that the Committee consider to be aligned to the delivery of strategy and creation of long-term shareholder value.
- The Committee has discretion to adjust the formulaic outcome if it considers that this is inconsistent with overall Group performance, taking into account any factors it considers appropriate.
- A post-vesting holding period of two years applies.
- Recovery provisions apply, including expanded malus and clawback provisions implemented through the 2021 policy review.

### Shareholding requirement – to strengthen long term alignment with shareholders

- Executive Directors are required to hold shares equivalent to 150% of their annual salary.
- On leaving the Board, Executive Directors are required to maintain their in-employment shareholding guideline (or their actual shareholding if lower) for a period of two years.

## Remuneration report

Summary of the Directors' Remuneration Policy continued

The Committee considers that the current Policy and its implementation appropriately address the following factors, as set out in the 2018 UK Corporate Governance Code.

<b>Clarity</b>	The Committee is committed to providing open and transparent disclosures with regards to executive remuneration arrangements. In formulating the Policy, the Committee Chair wrote to major shareholders outlining the proposed changes and rationale for these. At each year's AGM, shareholders have the opportunity to ask any questions they may have on matters relating to executive remuneration.
<b>Simplicity</b>	Our executive remuneration arrangements, which consist of fixed remuneration, an annual bonus and LTIP, are simple in nature, aligned to UK market practice, and well-understood by participants.
<b>Risk</b>	The Committee considers that the structure of incentive arrangements does not encourage inappropriate risk-taking. Annual bonus deferral, the LTIP holding period and in-employment and post-employment shareholding guidelines ensure that Executive Directors are exposed to the long-term performance of the Company and are therefore incentivised to deliver our strategic ambitions within the Company's risk appetite. Recovery provisions also apply for both the annual bonus and LTIP.
<b>Predictability</b>	For each component of pay, the Policy outlines the maximum opportunity levels for Executive Directors. Actual incentive outcomes vary dependent on the level of performance achieved against specific measures.
<b>Proportionality</b>	Our remuneration framework does not reward poor performance. Payment of the annual bonus and LTIP is subject to the achievement of stretching performance targets, which are determined by the Committee annually to take account of business expectations and strategic priorities at the time.
<b>Alignment to culture</b>	The metrics used to measure performance under both the annual bonus and LTIP are closely aligned to the delivery of the Company's strategy and growth plan and targets.

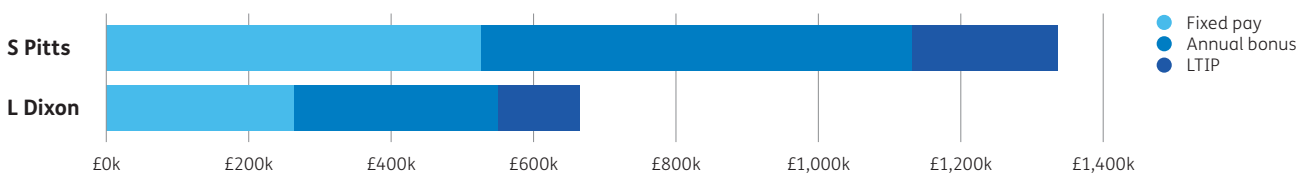
## Remuneration at a glance

### Performance highlights

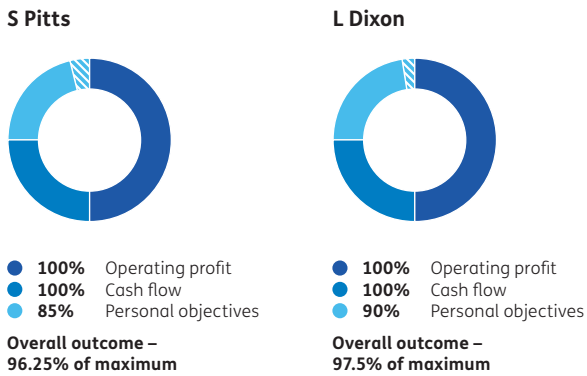
Strategic momentum with 36% of earnings from non-broadcast activities	Exceptional financial performance with record adjusted operating profit and the business strongly cash generative	Audience share growth and record advertising revenues on STV and STV Player	STV Studios delivers strongest revenue performance and highest profit ever	Creation of shareholder value with the return to a cash dividend	ESG priorities supporting the growth plan
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### Summary of remuneration outcome for 2021

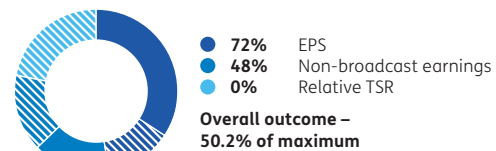
#### Single total figure of remuneration



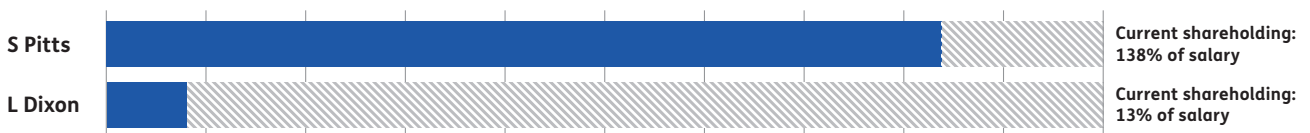
#### Incentive outcomes – Annual bonus



#### Incentive outcomes – Long-term incentive



### Shareholding requirements



#### Shareholding guideline: 150% of salary

Simon Pitts and Lindsay Dixon both have a right to receive shares in respect of the deferred portion of previous annual bonuses and, as stated in the table on page 84, hold unvested LTIP awards. As a result, Simon Pitts will meet the shareholding requirement in 2022 and Lindsay Dixon is on track to meet this in the near future.

# Remuneration report

Remuneration at a glance continued

## Summary of how our Policy will be implemented in 2022

Pay element	Approach	Implementation in 2022	
		Simon Pitts, Chief Executive	Lindsay Dixon, Chief Financial Officer
Fixed pay	Base salary	£431,797 Increase of 3% in line with all colleagues rate	£242,426 Increase of 3% in line with all colleagues rate
	Pension	20% of salary*	7% of salary
	Benefits allowance	£25,000	£18,000
Pay linked to performance	Annual bonus	Maximum opportunity – 150% of salary Subject to operating profit, cash flow and personal targets	Maximum opportunity – 125% of salary
	LTIP	Incentive linked to long-term priorities.	Maximum opportunity – 100% of salary Subject to EPS, non-broadcast operating profit and relative TSR targets
Shareholding requirements	To align the interests of executives with shareholders.	150% of salary, to be maintained for two years post-cessation of employment	

\* Will reduce to 7% at the end of 2022 in line with arrangements for colleagues across the business.

## How we measure performance and link to strategy

Performance measure	Bonus	LTIP	Rationale and link to strategy
Operating profit	✓		Measures profitability of our operating activity
Cash flow	✓		Measures operational gearing
EPS		✓	Measures earnings growth driven by continued operational excellence
Non-broadcast operating profit		✓	Aligns to strategic objective to diversify earnings
Personal objectives	✓		Focuses executives on the delivery of strategic goals linked to key business priorities, including growth and ESG targets
Relative TSR		✓	Measures the delivery of long-term sustainable value growth for shareholders



## Annual Report on Remuneration

This section of the report sets out how the Policy will be implemented in 2022 and how it was implemented during 2021. Some sections of this report, where indicated, have been audited.

### Statement of implementation for 2022

#### Executive Directors

##### Salaries

For 2022, the Executive Directors' salaries will be increased by 3%, in line with the increase applied to all colleagues. Salaries for 2022 are therefore as follows:

Executive Director	2022 salary £000	2021 salary £000	% increase
S Pitts	432	419	3
L Dixon	242	235	3

##### Benefits and pension

In line with the Policy, the Executive Directors are entitled to receive a taxable cash allowance in lieu of benefits-in-kind. For 2022, the value of this taxable allowance will remain unchanged at £25,000 and £18,000 for the Chief Executive and Chief Financial Officer, respectively.

Pension contributions will operate in line with the Policy. For 2022, contribution levels will be 20% of salary and 7% of salary for the Chief Executive and Chief Financial Officer, respectively. The pension contribution for the Chief Executive will be reduced to 7% of salary at the end of 2022, in line with the wider workforce.

##### Annual bonus

The annual bonus will operate in line with the Policy. The maximum bonus opportunity is 150% of salary for the Chief Executive and 125% of salary for the Chief Financial Officer.

For 2022, the bonus will be based on stretching targets set for the performance measures in the table below.

Performance measure	Weighting (% of max)
Operating profit*	50%
Cash flow**	25%
Personal objectives	25%

\* Adjusted operating profit

\*\* Cash generated by operations

Personal objectives for 2022 will relate to key success factors in progressing and delivering the strategy and growth plan, including:

- Progression of the diversification strategy by continuing to build the scale and reputation of STV Studios and increasing the reach of STV Player through improved content, marketing and user experience;
- Maintaining STV's leading position in the Scottish advertising market;
- Achieving significant progress towards securing new 10-year PSB licences on favourable terms for STV;
- Growing the Company's positive social impact through the delivery of our ESG priorities, including delivery of our 2022 STV Zero objectives and the acceleration of the diversity and inclusion strategy to achieve targets set for 2023.

The Committee believes that the annual bonus performance targets are commercially sensitive, and that it would be detrimental to the interests of the Company and its shareholders to disclose them fully at this time. It is the Committee's intention to disclose the targets, and performance against them, in the next Annual Report on Remuneration if the Committee is satisfied that the targets are no longer sensitive.

In line with the Policy, 20% of any bonus received will be deferred in shares for a period of three years.

##### Long-term Incentive Plan

In 2022, the Executive Directors will receive awards under the LTIP at the level of 100% of salary. Awards will vest after three years and will be subject to a two-year holding period post-vesting. The performance targets for the award are as follows:

Performance measure	Calibration of targets	Weighting	Threshold vesting (25% of maximum)*	Maximum vesting (100% of maximum)*
EPS**	Annualised growth in adjusted EPS from FY21 to FY24	50%	4%	10%
Non-broadcast operating profit	Adjusted operating profit for non-broadcast activities in FY24	30%	£15.0m	£19.5m
Relative TSR	Ranked position of the Company's total shareholder return ('TSR') against the constituents of the FTSE Small Cap Index (using 3 month averaging)	20%	Median	Upper quartile

\* There is no vesting for performance below threshold, and straight-line vesting between threshold and maximum.

\*\* Consistent with the approach taken in previous years, measurement of EPS for the purposes of assessing performance against this metric will assume a constant rate of UK corporation tax to enable a like for like measurement across the performance period.

# Remuneration report

Annual Report on Remuneration continued

Performance targets have been set in the context of the Group's long-term business strategy. The Board recognises that delivery of this long-term strategy, covering the period from 2022 to the end of 2024, will be challenging and delivery of the plan targets will require a sustained level of high performance from the Executive Directors and senior team.

The target range for annualised growth in EPS has been set at 4% to 10%, requiring double digit growth in EPS, a level above that targeted pre-pandemic, to achieve full vesting. This is a narrower range than the 2021 LTIP where the EPS range was broadened in response to the uncertainty caused by the Covid-19 pandemic on trading and the market outlook when targets were set. Whilst market uncertainty continues to prevail, given the strength of the financial performance delivered in 2021 and the continued strategic progress that has been achieved, a narrower range is deemed appropriate for the 2022 LTIP. The target range for non-broadcast earnings has been increased to £15m to £19.5m, reflecting the commitment to continue the successful diversification strategy.

The Committee considers these targets to be stretching, particularly considering the ongoing uncertainty of the external climate, whilst at the same time feasible in the context of the Group's strategy and growth plan.

## Non-Executive Directors

The fees paid to the Non-Executive Directors are a matter for the Chairman and Chief Executive, and in the case of the Chairman's fee is decided by the Senior Independent Director and Chief Executive.

In early 2022 a review of the current fee structure was undertaken. This was done to ensure fees remain competitive and in view of the statutory retirement provisions for Non-Executive Directors, which will require the composite of the Board to change significantly over the next three years.

As a result, a number of fee increases were proposed with effect from January 2022. The Board believes the revised fee structure, which is now aligned with the lower quartile of FTSE companies, will ensure the Company can continue to attract Non-Executive Directors of the calibre required and that fees reflect the time commitment of the roles.

- The basis fee has been increased from £39,900 per annum to £44,000 per annum, an increase of 10%; and
- The additional fee paid for chairing the Audit & Risk and Remuneration Committees has increased from £5,250 per annum to £7,500 per annum.

The Chairman decided that no increase should be applied to his fee, and this will remain at the 2021 level. The fee paid to the Senior Independent Director will also remain unchanged.

Non-Executive Director	2022 fees	2021 fees
Chairman fee	£150,000	£150,000
Basic Non-Executive Director fee	£44,000	£39,900
Additional fees: Senior Independent Director	£13,000	£13,000
Additional fees: Chair of the Audit & Risk and Remuneration Committees	£7,500	£5,250

## Single total figure of remuneration

### Executive Directors (audited)

The table below sets out the single total figure of remuneration for the Executive Directors for the 2021 and 2020 financial years.

Executive Director		Salary £000	Taxable benefits £000	Pension £000	Total fixed £000	Annual bonus £000	Long-term incentives £000	Total variable £000	Total £000
S Pitts	2021	419	25	84	528	605	201	809	1,334
	2020	376	16	75	467	-	-	-	467
L Dixon	2021	235	18	12	265	287	112	402	664
	2020	211	16	12	239	-	-	-	239

### Notes to the single figure table

Salary – In 2020, in light of the COVID-19 pandemic, the Executive Directors volunteered a 25% cut in salary, which was applicable for a five-month period from 1 April to 31 August 2020. This is reflected in the table above.

Taxable Benefits – Includes a taxable cash allowance in lieu of benefits-in-kind, including car and private medical insurance. Prior to the 2020 Policy review, the benefit allowance had remained unchanged for ten years. Following the review, the annual benefit allowance for the Chief Executive and Chief Financial Officer was increased to £25,000 and £18,000 respectively.

Pension – Simon Pitts receives a taxable cash allowance in lieu of pension and life assurance. For 2021, this was set at 20% of salary. Lindsay Dixon is a member of the Company's defined contribution scheme. The scheme has an employer contribution of 7% of salary up to the pension cap £170,400.

Annual Bonus – This includes the value of bonus earned in respect of the relevant financial year. 20% of the annual bonus will be deferred for three years and paid in shares.

Long-term Incentives – The 2019 LTIP award granted is due to vest in May 2022 based on performance over the three-year period to 31 December 2021. Performance targets have been met in part, resulting in a vesting outcome of 50.2% of maximum. For the purposes of the single figure table, the award has been valued based on the average share price during the three-month period to 31 December

2021 of 352 pence. The 2019 LTIP awards were originally granted based on a share price on 363 pence. Therefore, of the vested amount, none relates to share price appreciation over the performance period.

### Annual bonus (audited)

The maximum annual bonus opportunity for 2021 was 150% of salary and 125% of salary for the Chief Executive and Chief Financial Officer respectively. The bonus was based predominantly on financial performance (50% Operating Profit and 25% Cash Flow), with the remaining 25% based on stretching personal targets linked to strategic delivery. The performance targets for the 2021 bonus were set by the Committee at the start of the year, and by reference to the annual budget, which itself is set in the context of the Board's long-term strategy and growth plan. The target ranges are set to be appropriately stretching by requiring significant outperformance of expectations for maximum pay-out, whilst at the same time being considered feasible in the context of the budget and strategic plan.

The outstanding financial performance achieved in 2021, with levels of growth and profitability exceeding pre-pandemic levels and the business in a net cash position providing increased financial flexibility to accelerate investment in future growth, has resulted in bonus payments at maximum levels against the financial performance metrics. Payment for achievement of personal objectives is close to maximum levels as tangible progress against key strategic targets was delivered by both Executive Directors.

The table below sets out the targets and performance achieved against these for the year ended 31 December 2021. For the 2021 bonus, 20% will be deferred for three years and paid in shares for both executives.

Performance condition	Weighting	Performance targets			Actual performance		Outcomes			
		Threshold (10% of max)	Target (50% of max)	Maximum (100%)	(£m)	(% of max)		S Pitts	L Dixon	
						S Pitts	L Dixon			
Operating profit*	50%	£18.6m	£20.7m	£22.7m	£25.2m	100%	£315k	£147k		
Cash flow**	25%	£20.2m	£22.5m	£24.7m	£34.8m	100%	£157k	£74k		
Personal objectives	25%	See below					85%	90%	£133k	£66k
Total	100%						96.25%	97.5%	£605k	£287k

\* Adjusted operating profit.

\*\* Cash generated by operations.

A full assessment of performance against personal objectives is set out below for both Simon Pitts and Lindsay Dixon.

### Simon Pitts, Chief Executive

<b>Strategy and growth plan</b> Agree and launch new three-year strategic plan to deliver next phase of growth and value to shareholders	<ul style="list-style-type: none"> <li>Refreshed three-year plan approved in February 2021 and new targets for delivery by end of 2023 announced in March 2021 to positive investor reaction.</li> <li>£30m investment plan targeted at driving growth in Digital and Studios agreed and implemented.</li> <li>Delivery of shareholder value with review of dividend policy and cash dividend re-instated.</li> </ul>
<b>ESG</b> Maximise STV's social impact by embedding ESG priorities into the way STV is run	<ul style="list-style-type: none"> <li>Successful launch of STV Zero, STV's sustainability strategy to become a net zero carbon business by 2030.</li> <li>Achievement of all 2021 sustainability targets (carbon neutral by end of 2021; all programming produced by STV and STV Studio's registered with Project albert; 100% of electrical energy procured directly sourced from renewable sources; launch of STV Green Fund; audience engagement with on-air campaign and commission of mini-series) and Board approval of new interim milestone targets for delivery in 2022 and beyond.</li> <li>Diversity and inclusion strategy embedded across the business and continued progress to deliver 2023 targets.</li> <li>On-screen diversity targets for STV News at Six and Scotland Tonight achieved and off-screen, 31% of new appointments were candidates from under-represented groups.</li> </ul>
<b>STV Studios</b> Build on Studios momentum and reputation by focusing on more ambitious, valuable projects	<ul style="list-style-type: none"> <li>Strongest financial performance ever delivered by STV Studios.</li> <li>16 new commissions secured including new returnable series commissions across drama, entertainment and factual.</li> <li>Successful acquisition strategy advanced with a ninth label added to strengthen the creative pipeline, and commissioning success for Primal Media and Two Cities Television.</li> </ul>
<b>Profitable digital growth</b> Continue to grow STV Player and deliver successful consumer and commercial launch of STV Player UK-wide	<ul style="list-style-type: none"> <li>Revenue: VoD advertising revenue up 38% and ad impressions up 43% year on year.</li> <li>Monthly active users: Year on year increase of over 50%.</li> <li>Content strategy: Total of 31 new content deals and 1,900 hours of third-party content added during 2021, including 900 hours of drama content. Player-only viewing up over 100% year on year, accounting for 42% of all streams.</li> <li>Successful launch of STV Player UK-wide with key revenue target achieved.</li> </ul>
<b>Broadcast</b> Maximise the value of the Broadcast business and make progress towards securing renewal of STV's PSB licences on favourable terms	<ul style="list-style-type: none"> <li>Strong recovery in the advertising market delivered highest ever advertising revenues and growth against pre-pandemic levels.</li> <li>STV's all-time share of 19.6% is highest since 2008.</li> <li>Strong outperformance against the Network of 1.9 share points.</li> <li>Secured STV's leading position in the Scottish advertising market with further growth delivered in regional advertising revenues, all supported by continued investment in the STV Growth Fund.</li> <li>Positive early-stage progress to secure renewal of PSB licences.</li> </ul>

# Remuneration report

Annual Report on Remuneration continued

Based on the above assessment of performance, the Committee determined for the personal element an award of 85% of maximum for Simon Pitts.

Lindsay Dixon, Chief Financial Officer

<b>Support delivery of the three-year plan</b>	<ul style="list-style-type: none"> <li>Capital allocation strategy to enable delivery of strategic investment plan agreed with Board and communicated to the market to positive investor response.</li> <li>Dividend policy agreed with Board and return to cash dividend delivered in 2021.</li> </ul>
<b>Deliver budgeted cost savings</b>	<ul style="list-style-type: none"> <li>Budgeted costs savings delivered across all areas of the business providing financial flexibility to mitigate impact of Covid-19.</li> </ul>
<b>Deliver the 2020 defined benefit pension scheme triennial valuation</b>	<ul style="list-style-type: none"> <li>Triennial valuation completed well within statutory timeframe.</li> <li>Renewed contingent cash mechanism proposed to and accepted by scheme trustees.</li> <li>Review of administration costs of both schemes and delivery of saving.</li> </ul>
<b>Complete divestment of the external lottery management company</b>	<ul style="list-style-type: none"> <li>Completion of divestment in August 2021.</li> <li>Successful management of all stakeholders throughout the sale process.</li> <li>Long-term advertising contract secured as part of transaction.</li> </ul>

Based on the above assessment of performance, the Committee determined for the personal element an award of 90% of maximum for Lindsay Dixon.

## Consideration of formulaic outcomes

The Committee considered the formulaic outcomes of the annual bonus assessment in the context of the current external environment, wider Company and individual performance, the shareholder experience, and the treatment of employees throughout the rest of the Group. The following factors were taken into account:

- Ahead of expectations, STV has returned to pre-pandemic levels of growth and profitability, driven by strong viewing performance on STV and STV Player and the success of the diversification strategy;
- The Committee considered colleagues across the business and the wider stakeholder context. This year STV did not benefit from the Coronavirus Job Retention Scheme, with voluntary repayment of all monies received in May 2021 (in advance of returning to payment of cash dividends);
- Management have made strong progress against the strategic growth plan, with continued profitable digital growth and the most successful year to date for STV Studios, both of which progressed the diversification strategy with 36% of earnings generated by non-broadcast activities.

In view of the Group's excellent financial performance and strategic progress, the Committee concluded that the formulaic outcomes of the annual bonus assessment were justified, and no discretion was applied.

## Long-term Incentive Plan (audited)

The table below sets out the performance achieved for the 2019 LTIP award, which was subject to performance over the three-year period from 1 January 2019 to 31 December 2021.

Performance condition	Weighting	Threshold vesting (25% of maximum)	Maximum vesting (100% of maximum)	Actual outcome	Percentage vesting (% of maximum)
EPS	50%	5%	9%	7.5%	71.9%
Non-broadcast operating profit	30%	£8.0m	£12.0m	£9.2m	47.5%
Relative TSR	20%	Median	Upper quartile	Below median	0%
	<b>100%</b>			<b>Overall vesting</b>	<b>50.2%</b>

Simon Pitts and Lindsay Dixon hold LTIP awards which vest based on the outcome of the performance conditions above. The Remuneration Committee considered the formulaic outcome to be appropriate, and therefore these awards will vest at 50.2% of maximum in May 2022. Shares vesting will be subject to an additional two-year holding period.

**Scheme interests awarded in the 2021 financial year (audited)**

The table below shows awards made to the Executive Directors during 2021 under the LTIP.

Executive Director	Award type	Date of grant	Basis of award	Number of shares awarded*	Face value of award	Threshold vesting	Performance period
S Pitts	LTIP	24/03/21	100% of salary	127,036	£419k	25% of maximum	01/01/21-31/12/23
L Dixon	LTIP	24/03/21	100% of salary	71,323	£235k	25% of maximum	01/01/21-31/12/23

\* Calculated using the closing share price of 330 pence on the date prior to the date of award.

These awards will vest after three years, subject to the performance targets set out in the table below. An additional two-year holding period will apply to any shares vesting.

Performance measure	Calibration of targets	Weighting	Threshold vesting (25% of maximum)*	Maximum vesting (100% of maximum)*
EPS	Annualised growth in adjusted EPS from FY20 to FY23	50%	4%	13%
Non-broadcast operating profit	Operating profit for non-broadcast activities in FY23	30%	£9.5m	£16.5m
Relative TSR	Ranked position of the Company's total shareholder return ('TSR') against the constituents of the FTSE Small Cap index (using 3 month averaging)	20%	Median	Upper quartile

\* There is no vesting for performance below threshold, and straight-line vesting between threshold and maximum.

**Payments for loss of office (audited)**

No payments for loss of office were made during the year, or the prior year.

**Payments to past Directors (audited)**

No payments were made to past Directors during the year or the prior year.

**External appointments**

Neither of the Executive Directors held any external appointments during the year.

**Non-Executive Directors (audited)**

The table below sets out the single total figure of remuneration for each Non-Executive Director.

Non-Executive Directors do not participate in any of the Company's incentive arrangements, nor do they receive any benefits.

Non-Executive Director	Financial year	Basic fees £	Additional fees £	Total fees £
Baroness Ford*	2021	43,700	-	43,700
	2020	117,350	-	117,350
P Reynolds**	2021	137,500	-	137,500
S Miller	2021	40,100	13,400	53,500
	2020	35,900	12,000	47,900
A M Cannon	2021	40,100	5,200	45,300
	2020	35,900	4,560	40,550
I Steele	2021	40,100	5,200	45,300
	2020	35,900	4,650	40,550
D Bergg	2021	40,100	-	40,100
	2020	35,900	-	35,900
A Mandhar***	2021	36,700	-	36,700

\* Stepped down on 29 April 2021.

\*\* Appointed as Non-Executive Director and Chair Elect on 1 February 2021. Assumed position of Chair on 29 April 2021.

\*\*\* Appointed as Non-Executive Director on 1 February 2021.

# Remuneration report

Annual Report on Remuneration continued

## Statement of Directors' shareholding and share interests at 31 December 2021 (audited)

Under the Policy, Executive Directors are required to build up a shareholding equal to 150% of salary. Executive Directors will also, on leaving the Board, be required to maintain this in-employment shareholding guideline (or their actual shareholding if lower) for a period of two years.

The shareholding requirement for Non-Executive Directors is set at the level of 20,000 shares for the Chairman and 5,000 shares for other Non-Executive Directors.

Director	Number of beneficially owned shares at 31/12/21*	Number of unvested deferred awards**	Number of SAYE options subject to conditions	Number of unvested LTIP awards at 31/12/21	Current shareholding (% salary/base fee)	Shareholding requirements	Requirement met at 31/12/21
S Pitts	164,689	-	-	387,354	138%	150% of salary	n/a****
L Dixon	8,785	-	-	217,474	13%	150% of salary	n/a****
Baroness Ford***	31,202			n/a		20,000 shares	Y
P Reynolds	0			n/a		20,000 shares	N*****
S Miller	7,577			n/a		5,000 shares	Y
A M Cannon	11,167			n/a		5,000 shares	Y
I Steele	9,698			n/a		5,000 shares	Y
D Bergg	12,489			n/a		5,000 shares	Y
A Mandhar	0			n/a		5,000 shares	N

\* Beneficial interests include shares held directly or indirectly by connected persons.

\*\* Simon Pitts and Lindsay Dixon also have a right to receive a certain number of shares in respect of the deferred portion of previous annual bonuses. For Simon Pitts this relates to the deferred portion of his 2018 and 2019 annual bonus, and for Lindsay Dixon for the deferred portion of her 2019 annual bonus.

\*\*\* Data shown as at date of stepping down from the Board.

\*\*\*\* At 138% of base salary, the shareholding requirement is on track to be met by Simon Pitts in the near future. Lindsay Dixon's shareholding is also expected to continue to build as she receives shares through participation in the annual bonus and LTIP. The Committee is confident that both executives retain a strong interest in the Group.

\*\*\*\*\* At the date of preparation of the Directors' Remuneration Report, Paul Reynolds holds 25,000 shares following the purchase of shares in January and February 2022.

The following table provides further detail on the share awards held by the Executive Directors.

Executive	Award	Granted	Held at 31/12/20	Granted in year	Released in year	Lapsed in year	Held at 31/12/21	Vesting dates
S Pitts	Buy-out – deferred shares	25/01/18	30,372	-	30,372	-	-	24,196 in March 2019 75,228 in March 2020 30,372 in March 2021
	2018 LTIP	11/12/18	123,839	-	-	123,839	-	11/12/21*
	2019 LTIP	29/05/19	113,223	-	-	-	113,223	29/05/22*
	2020 LTIP	16/12/20	147,095	-	-	-	147,095	16/12/23*
	2021 LTIP	24/03/21	-	127,036	-	-	127,036	24/03/24*
L Dixon	2019 LTIP	29/05/19	63,567	-	-	-	63,567	29/05/22*
	2020 LTIP	16/12/20	82,584	-	-	-	82,584	16/12/23*
	2021 LTIP	24/03/21	-	71,323	-	-	71,323	24/03/24*

\* Subject to an additional two-year holding period following vesting.

## Dilution

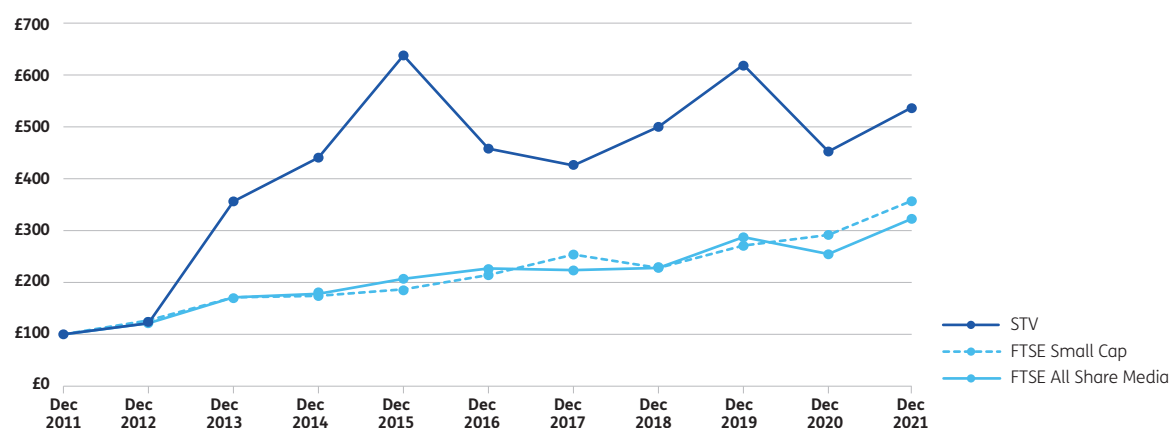
The following table sets out the current level of dilution against the limits in the bonus and long-term incentive plan and sets out the commitments to issue shares made during the financial year reported:

Maximum	Current dilution	Additional dilution during the year in question
10% dilution in ten years	7.07	0.99
5% dilution in ten years	1.35	1.06

### Performance graph and table

The graph below shows the Company's performance, measured by total shareholder return ('TSR'), compared with the performance of the FTSE Small Cap and FTSE All Share Media indices. The FTSE Small Cap index is used as a performance measure under the LTIP, and the FTSE All Share Media index provides a comparison of performance against companies in the media sector.

The chart illustrates the performance of a hypothetical investment of £100 in ordinary shares of STV Group plc over the ten-year period 1 January 2012 to 31 December 2021, compared to a similar investment in the FTSE Small Cap or FTSE All Share Media indices. TSR data is based on Returns Index data, calculated on a daily share price growth plus re-invested dividends (as measured at the ex-dividend rates).



### Single figure of total remuneration

The information in the table below shows the total remuneration for the Chief Executive over the same period.

Year	Chief Executive	Single figure of total remuneration (£000)	Bonus pay-out (as % maximum opportunity)	Long-term incentive vesting (as % maximum opportunity)
2021	S Pitts	1,334	96	50
2020	S Pitts	467	-	-
2019	S Pitts	1,050	87	18
2018	S Pitts	1,712*	72	-
2017	R Woodward	697	32	14
2016	R Woodward	807	29	-
2015	R Woodward	2,269	49	100
2014	R Woodward	661	46	-
2013	R Woodward	601	54	-
2012	R Woodward	696	31	100

\* Simon Pitts' single figure for 2018 includes an amount of £857,000 in respect of his buy-out package paid to compensate for forfeited remuneration from his previous employer. His single figure excluding this amount would have been £855,000.

# Remuneration report

Annual Report on Remuneration continued

## Percentage change in remuneration

The table below shows the percentage change in the salary/fees, benefits and annual bonus of all Directors of the Company compared to all employees from 2019 to 2020, and from 2020 to 2021.

	Salary/fees**		Taxable benefits*		Annual bonus*	
	2021	2020	2021	2020	2021	2020
All employees	0%	2%	n/a*	n/a*	n/a*	n/a*
<b>Executive Directors</b>						
S Pitts	11%**	(9)%	62%	0%	n/a***	(100)%
L Dixon	11%**	(9)%	16%	0%	n/a***	(100)%
<b>Non-Executive Directors</b>						
Baroness Ford****	n/a	(9)%	n/a	n/a	n/a	n/a
P Reynolds*****	n/a	n/a	n/a	n/a	n/a	n/a
S Miller	12%	(9)%	n/a	n/a	n/a	n/a
A M Cannon	12%	(9)%	n/a	n/a	n/a	n/a
I Steele	12%	(9)%	n/a	n/a	n/a	n/a
D Bergg	12%	(9)%	n/a	n/a	n/a	n/a
A Mandhar*****	n/a	n/a	n/a	n/a	n/a	n/a

\* These benefits are not available to all employees.

\*\* All Executive and Non-Executive Directors volunteered a 25% cut in base salary/fees from 1 April to 31 August 2020, in response to Covid-19, and so the increase in salary/fees in 2021 reflects reinstatement to full pay and is not a real increase.

\*\*\* Following suspension of the annual bonus plan in 2020, it was re-instated in 2021 with an outcome of 96.25% and 97.5% of the maximum for the Chief Executive and Chief Financial Officer respectively.

\*\*\*\* Stepped down on 29 April 2021.

\*\*\*\*\* Appointed on 1 February 2021.

## Chief Executive pay ratio

The table below discloses the ratio of the Chief Executive's pay for 2021, using the single total figure of remuneration (as disclosed on page 80), to the comparable earnings of employees at the 25th, 50th and 75th percentiles.

Year	Method	25th percentile (P25) pay ratio	Median (P50) pay ratio	75th percentile (P75) pay ratio
2021	Option B	54:1	39:1	32:1
2020	Option B	20:1	14:1	11:1
2019	Option B	41:1	30:1	22:1

The ratios were calculated using Option B in the disclosure regulations, with the employees at the 25th, 50th and 75th percentiles determined based on the Group's gender pay data. Total remuneration for 2021 for these employees was then calculated using a valuation methodology consistent with that used for the Chief Executive in the single figure table on page 85. Whilst the gender pay gap legislation and CEO pay ratio legislation employ different calculations, the Committee considers that the three identified employees are reasonably representative of the respective percentiles. The calculation is undertaken on a full-time equivalent basis.

The salary and total remuneration received during 2021 by employees at the 25th, 50th and 75th percentiles and used in the above analysis is as follows:

	25th percentile (P25)	Median (P50)	75th percentile (P75)
2021 salary £	23,895	31,777	40,290
2021 total remuneration £	24,552	34,001	41,312

A significant proportion of the Chief Executive's total remuneration is delivered in variable remuneration, the value of which is linked to stretching performance targets and, in the case of LTIP awards, share price performance. As a result, the pay ratio is driven largely by the outcome of these awards hence the significant fluctuations on a year-to-year basis.

In comparison to last year, the pay ratio has increased. This is a direct result of the strong financial performance achieved in 2021 resulting in annual bonus payments close to maximum and the 2019 LTIP vesting at 50.2% due largely to the success of the diversification strategy implemented in 2018. In contrast, the Chief Executive's total remuneration for 2020 did not include any annual bonus or LTIP vesting and also included a voluntary 25% reduction in salary for a period of 5 months, as one of the measures taken to mitigate the impact of the pandemic on the business.

The Committee considers the median pay ratio to be consistent with the pay, reward and progression policies for STV's employees, the majority of whom receive fixed remuneration only. Only colleagues in the Commercial team or in senior management roles are eligible to participate in a bonus plan.



### Company-wide remuneration

The Committee has oversight of remuneration and related policies across the organisation and gives them due consideration when determining pay for Executive Directors. All roles across the Company are graded with reference to a compensation and benefits survey of companies in the UK media and technology sectors undertaken by Willis Towers Watson. The Company's policy is to ensure pay and benefits provided are positioned fairly; are market competitive in the context of the relevant talent market; and reflect market data and other relevant benchmarks for each role. Pay ratios are also considered as one of several reference points when making decisions on remuneration.

The Company continues to develop its approach to employee engagement on executive remuneration, building on the various mechanisms in place to gather feedback from colleagues, including engagement with trade union representatives which includes a collective bargaining agreement that covers pay determination for certain members of staff. Relevant feedback is considered by the Board, via the Senior Independent Director in his role as Employee Director, and through regular updates to the Board on the organisation, people and culture.

### Relative importance of spend on pay

The table below sets out the relative importance of spend on pay in the 2021 and 2020 financial years. These were the most significant outgoings for the Company in the last financial year.

Significant distributions	2021	2020	% change
Overall spend on pay	£25.0m	£20.6m	21
Dividend or share buy back	£4.4m	£1.3m	238

### Consideration by the Directors of matters relating to Directors' remuneration

#### Members of the Committee

During the year, the Committee comprised of the following Non-Executive Directors: Anne Marie Cannon (Chair); Ian Steele; and David Bergg. The Committee met four times during the year.

The Committee is responsible for recommending to the Board the Remuneration Policy for Executive Directors. The Committee also has oversight of remuneration and related policies for the wider workforce as this pertains to determining the remuneration of the Executive Directors. The Committee has formal terms of reference which describe its full remit and can be downloaded from the Company's website, [www.stvplc.tv](http://www.stvplc.tv).

#### Advisors to the Committee

The Committee seeks independent advice to assist in its consideration of executive remuneration. This includes updating the Committee on compensation trends and governance matters and advising the Committee in connection with the design and operations of the Company's incentive arrangements.

During the year, the Committee received advice from Deloitte LLP. Deloitte LLP is a founding member of the Remuneration Consultants' Group and has signed up to their Code of Conduct on executive remuneration consulting. The total fees paid to Deloitte LLP for the provision of independent advice to the Committee in 2021 were £21,250, charged on a time and materials basis. Deloitte LLP provided no other services to the Company during the year. The Committee reviewed the nature of the other services provided and was satisfied that no conflict of interest existed in the provision of these services. The Committee is satisfied that the advice received by Deloitte LLP in its role as Remuneration Committee advisors is objective and independent.

In the course of its deliberations during the period under review, the Committee sought the assistance of the Chairman on matters relating to the Directors' performance and remuneration. The Chairman, Chief Executive and the HR & Communications Director attended Committee meetings by invitation.

### Statement of voting at general meeting

The table below shows the voting outcomes on the most recent Remuneration Report (2021 AGM) and Remuneration Policy (2021 AGM).

	Votes for	%	Votes against	%	Total votes cast	Votes withheld*
2020 Remuneration Report (2021 AGM)	32,843,803	98.08	641,796	1.92	33,485,599	4,063
Remuneration Policy (2021 AGM)	25,095,568	74.94	8,390,031	25.06	33,485,599	4,063

\* A vote withheld is not a vote in law and counts neither for nor against a resolution.

As shown in the table above, with 74.9% of votes cast in favour, shareholders approved the Directors' Remuneration Policy by a clear majority. The voting outcome was primarily a result of one shareholder with a significant holding voting against the resolution. While this shareholder was supportive of the other remuneration-related resolutions and is broadly supportive of the Company's overall approach to executive remuneration, they have expressed reservations regarding one specific element of the Policy.

Having further considered the matter, given the support of the majority of shareholders, the Company does not propose to take any further action at this time. The Committee remains dedicated to ongoing engagement with shareholders on the issue of executive remuneration and will continue to engage as appropriate going forward.

**Anne Marie Cannon**  
Chair of the Remuneration Committee  
9 March 2022

## Directors' report

**The Directors present their report for the year ended 31 December 2021. The Directors' report comprises pages 88 to 90 and the sections of the annual report incorporated by reference, as set out below:**

Directors during 2021 financial year – See page **60**

Risk management – See pages **36 to 39**

Streamlined Energy and Carbon Reporting (SECR) – See pages **48 and 49**

TCFD report – See pages **45 to 48**

Corporate governance report – See pages **60 to 70**

Employee diversity and inclusion – See pages **51 and 52**

Employee involvement and engagement – See page **55**

Principal risks and uncertainties – See pages **40 to 43**

Disability reporting – See page **51**

Post balance sheet events – See page **125**

This Annual Report has been prepared for, and only for, the members of the Company, as a body, and for no other persons. The Company, its Directors, employees, agents and advisers, do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come, and any such responsibility or liability is expressly disclaimed.

### Management Report

The Directors' Report, together with the Strategic Report, set out on pages 4 to 56, form part of the Management Report for the purposes of DTR 4.1.5R.

### Company number

STV Group plc is registered in Scotland under company number SC203873.

### Dividends

A final cash dividend of 7.3p per share has been declared for 2021 which, subject to approval at the AGM in April, will be paid on 27 May 2022, to shareholders on the register at 19 April 2022. The interim dividend for 2021 was 3.7p per share. The proposed total dividend for 2021 is therefore 11.0p per share.

### Share capital and substantial shareholders

On 9 March 2022 there were 46,722,499 ordinary shares of 50p each in issue, each with one vote attached. There were no shares held in treasury. The rights and obligations to the Company's shares are set out in its Articles of Association. Details of Directors' interests in shares can be found on page 84.

As at 9 March 2022, the following information had been received, in accordance with DTR5, from holders of notifiable interests in STV's issued share capital:

Shareholders	Shares held	%
Slater Investments	8,539,501	18.27
Aberforth Partners	5,005,036	10.71
M&G Investments	3,476,295	7.44
AXA Investment Mgrs (London)	3,136,872	6.71
Columbia Threadneedle Investments	2,551,138	5.46
Chelverton Asset Mgt	2,222,821	4.76
Schroder Investment Mgt	2,087,121	4.47
Tellworth Investments	1,982,650	4.24
Octopus Investments	1,892,737	4.05
Canaccord Genuity Wealth Mgt	1,511,524	3.24
Janus Henderson Investors	1,427,420	3.06
Royal London Asset Mgt	1,417,872	3.03

### Annual General Meeting (AGM)

Details of the 2022 AGM, together with the resolutions being put to shareholders, can be found in the separate Notice of AGM document.

### Directors

The Directors of the Company and their profiles are detailed on pages 58 and 59. All of these Directors served throughout the year under review, unless otherwise stated. Paul Reynolds and Aki Mandhar were appointed as Non-Executive Directors on 1 February 2021.

In accordance with the Code, at the 2022 AGM each Director will stand for re-election.

### Directors' indemnities

Directors and officers of the Company and its subsidiaries have the benefit of a Directors' and Officers' liability insurance policy. The Company's Articles of Association also provide that every Director and other officer of the Company is to be indemnified from the assets of the Company against any liability he or she incurs in defending any proceedings brought against them in connection with the execution of their powers, duties and responsibilities as Directors (provided that judgement is not given against them).

Directors have a statutory duty to avoid situations where they have or can have, any interest that conflicts or possibly may conflict with the interests of the Company. A Director will not be in breach of that duty if the relevant matter has been authorised in accordance with the Articles of Association by the other Directors. The Directors confirm that there have been no such conflicts during the year ended 31 December 2021.

### Donations

The Group made no political donations or any contributions to any political party during the year (2020: £nil).

### Voting rights and restrictions on transfer of shares

None of the ordinary shares carry any special rights with regard to control of the Company. There are no restrictions on transfers of shares other than certain restrictions which may from time to time be imposed by laws or regulations. These include those relating to insider dealing and pursuant to the Company's share dealing code, whereby the Directors and designated employees require approval to deal in the Company's shares.

The Company is not aware of any arrangements between shareholders that may result in restrictions on the transfer of securities or voting rights. Further details of the rights, restrictions and obligations attaching to the share capital of the Company, including voting rights, are contained in the Company's Articles of Association. The Articles may only be amended by special resolution at a general meeting of shareholders. Copies are available by writing to the Company Secretary and are also open to inspection at Companies House.

The STV Group plc Employee Benefit Trust, which is used to acquire and hold shares in the Company for the benefit of employees, waives its right to vote and to receive cash dividends on those shares it holds that are unallocated.

### Change of control

All of the Company's employee share plans contain provisions relating to a change of control. On a change of control, options and awards granted to employees under the Company's share plans may vest and become exercisable, subject to the satisfaction of any applicable performance conditions at that time. Certain of the Company's credit facilities and banking arrangements contain change of control clauses under which lenders may cancel their commitments and declare all outstanding amounts immediately due and payable.

The Channel 3 broadcasting licences require STV, as the licence holder, to notify Ofcom on a change of control. Ofcom would thereafter be required to determine that any proposed new licence holder was a fit and proper person to hold the licence. There are no other significant agreements that would take effect, alter or terminate upon a change of control following a takeover bid.

### Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the parent company financial statements in accordance with UK-adopted international accounting standards.

Under company law, 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 the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and parent company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Directors' report

### Directors' confirmations

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 and parent company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 58 and 59 confirm that, to the best of their knowledge:

- the Group and parent company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities and financial position of the Group and parent company, and of the profit of the Group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and parent company's auditors are unaware; and
- they have taken all the 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 Group's and parent company's auditors are aware of that information.

By order of the Board



**Paul Reynolds**  
Chairman  
9 March 2022

# Independent auditors' report to the members of STV Group plc

## Report on the audit of the financial statements

### Opinion

In our opinion, STV Group plc's Group financial statements and Parent company financial statements (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 2021 and of the Group's profit and the Group's and Parent company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the 'Annual Report'), which comprise: the Consolidated and parent company balance sheets as at 31 December 2021; the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated and parent company statements of changes in equity, and Consolidated and parent company statements of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit & Risk Committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in the Corporate governance report and the Notes to the financial statements, we have provided no non-audit services to the parent company or its controlled undertakings in the period under audit.

### Our audit approach

#### Context

The context for our audit was that the Group financial performance had recovered significantly from the impact of the Covid-19 pandemic in 2020, which combined with the Group's strategy of growing the non-broadcast businesses of Digital and STV Studios, resulted in the Group's highest revenues and earnings since 2010. As at the year end, the Group was in a small net cash position, although they continue to have a very significant retirement benefit obligation relative to the size of the Group. This was also the year in which the Group launched their STV Zero sustainability strategy and is the first year in which the Group is required to comply with the requirements of the Task Force on Climate-related Financial Disclosures (TCFD).

#### Overview

##### Audit scope

- Taken together, the components where we performed our audit work accounted for 100% of Group consolidated revenue and 99% of Group consolidated profit before tax.

##### Key audit matters

- Retirement benefit obligations (Group and Parent)
- Deferred programme production stock (DPS) (Group)

##### Materiality

- Overall Group materiality: £1,045,000 based on 5% of profit before tax and exceptional items.
- Overall Parent company materiality: £2,696,000 based on 1% of total assets.
- Performance materiality: £783,000 (Group) and £2,022,000 (Parent company).

##### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

##### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, 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. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The impact of Covid-19, which was a Key audit matter last year, is no longer included because it is no longer considered to be a significant area of uncertainty which could affect the Group or Parent company. Otherwise, the Key audit matters below are consistent with last year.

## Independent auditors' report to the members of STV Group plc

Key audit matter	How our audit addressed the key audit matter
<p><b>Retirement benefit obligations (Group and Parent)</b> (Refer to page 105 (Significant accounting policies) and note 23 (Retirement benefit schemes))</p> <p>The Group has a net pension deficit at 31 December 2021 of £79.4m (2020: £70.3m) and the Parent company a net pension deficit of £35.9m (2020: £36.2m).</p> <p>The gross defined benefit scheme obligations of the Group and Parent company are £519.4m (2020: £507.5m) and £202.0m (2020: £202.4m) respectively.</p> <p>These balances are significant in the context of the Consolidated and parent company balance sheets and are dependent on certain key assumptions, including the discount rate, inflation rates and mortality assumptions adopted by the Directors in the actuarial valuations.</p> <p>Given the judgements involved and the fact that small changes to these assumptions can have a material impact on the overall valuation of the obligation, this was an area of significant risk in our audit.</p> <p>Although not an area of significant risk in our audit, given the material value of the related pension scheme assets at a Group level of £440.0m (2020: £437.2m) and Parent company level of £166.1m (2020: £166.2m), we did undertake substantial procedures with regards to the existence and valuation of these assets.</p>	<p>In assessing whether the key assumptions of discount rate, inflation rates and mortality were within our acceptable ranges, we undertook the following work;</p> <ul style="list-style-type: none"> <li>• We assessed the competence and objectivity of our own and Management's Actuarial experts (who had determined the key assumptions and calculated the value of the benefit scheme obligations).</li> <li>• Together with our experts, we discussed the methodology and assumptions used in calculating the obligation with Management's experts and challenged the approaches they had taken to ensure they were appropriate.</li> <li>• Our work included understanding and assessing the proposed assumptions at 31 December 2021, testing of internal consistency and reasonableness of 2021 data, and assessing the appropriateness of the method used to calculate the 31 December 2021 defined benefit obligation, including the roll forward from the latest triennial valuation for each scheme.</li> <li>• We considered the methods by which the assumptions were derived and how the assumptions sit within our acceptable ranges at the year end, and year-on-year. This allowed us to challenge if there was any indication of management bias in the setting of assumptions.</li> </ul> <p>We did not identify any issues in this regard. All of the discount rate, inflation and mortality actuarial assumptions fell within our acceptable ranges based on the nature of the schemes and scheme experience.</p> <p>In respect of the related pension scheme assets, we obtained 3rd party confirmation for existence of assets with the exception of annuity policies which are matched with a pension liability. In respect of valuation, where possible, we independently repriced the asset, and for the remainder obtained other corroborating evidence.</p> <p>As a result of our audit work, there were no matters arising which would indicate that the gross and net defined benefit scheme obligations were materially misstated, and the associated disclosures contain the required information.</p>
<p><b>Deferred programme production stock ('DPS') (Group)</b> (Refer to page 104 (Significant accounting policies) and note 15 (Inventories))</p> <p>DPS of £11.3m (2020: £10.3m) relates to costs incurred in the production of programming which is deferred on the Consolidated balance sheet at the point of initial sale and charged to the income statement in line with the associated forecast future revenue.</p> <p>In prior periods, we considered this to be an area of significant audit risk. Due to the reducing balance, we concluded in 2020 that the audit risk was normal, which is consistent with our audit risk assessment for 2021.</p> <p>However, it remains an area of audit focus because the support for the carrying value and the charge to the income statement are based on judgements made by management in respect of related future revenues.</p>	<p>We obtained the sales forecast and related net present value calculations performed by management to support the carrying value of DPS and undertook the following work:</p> <ul style="list-style-type: none"> <li>• We verified that they were mathematically accurate and the method of calculation was appropriate and consistent with prior years.</li> <li>• We challenged management's forecast for each significant production by comparison with the actual sales history and prior forecasting accuracy.</li> <li>• Where relevant we obtained and reviewed new contracts which had been signed in 2021 and supported future forecasts.</li> <li>• We also performed sensitivities on the key assumptions underpinning the net present value of DPS, being future sales, discount rates and the time period over which sales could be achieved. We did this by reference to independently determined benchmarks.</li> </ul> <p>There were no matters arising from the audit work performed, and we did not identify any indicators that the carrying value of DPS was not recoverable.</p>

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Parent company, the accounting processes and controls, and the industry in which they operate.

All transactions and balances within the scope of the Group audit are in the UK, recorded on a single accounting system and managed by a central accounting team. Accordingly, all of the audit work in respect of the Group, Parent company and subsidiary statutory audits is carried out by a single audit team.

As part of our planning procedures, utilising our knowledge of the Group gained in previous audits, we reviewed management's Sustainability strategy, assessment of the risks of Climate Change and Governance with regards to the potential impacts of Climate Change. We formed our own view in concluding that climate risk is not considered to result in a significant audit risk in the context of the Group and Parent company audits for the current year.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Parent company
<b>Overall materiality</b>	£1,045,000.	£2,696,000.
<b>How we determined it</b>	5% of profit before tax and exceptional items	1% of total assets
<b>Rationale for benchmark applied</b>	We have applied this benchmark because we consider the measure of profit before tax and exceptionals is the measure most commonly used by the shareholders to measure the performance of the Group.	We considered the most appropriate benchmark for the Parent company to be total assets as it is a holding company.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £68,667-£1,000,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £783,000 for the Group financial statements and £2,022,000 for the Parent company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit & Risk Committee that we would report to them misstatements identified during our audit above £57,170 (Group audit) and £134,800 (Parent company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

## Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Parent company's ability to continue to adopt the going concern basis of accounting included:

- Checking management's base case and downside models for mathematical accuracy;
- Validating the appropriateness of key assumptions inherent in the cash flow models and agreeing the opening cash/net debt position;
- Confirming that downside scenarios were sufficiently severe but plausible in the context of the STV business and plans;
- Confirming the availability of facilities included in management's going concern model; and
- Considering compliance with the terms and covenants applicable to the lending facilities in both the base case and downside cases.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Parent company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Independent auditors' report to the members of STV Group plc

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

### Directors' Remuneration

In our opinion, the part of the Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

### Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Parent company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Parent company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Parent company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Parent company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit & Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the Parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.



## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the Group's and the 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 the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### Auditors' responsibilities for the audit of the financial statements

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 an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Listing Rules, UK tax legislation and compliance with industry regulation (OFCOM), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates and posting inappropriate journal entries to manipulate revenue or divisional profit allocations. Audit procedures performed by the engagement team included:

- Discussions with management, reading reports from internal audit and consideration of any known or suspected instances of non-compliance with laws and regulations and fraud or matters reported on the Group's whistleblowing helpline;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Reviewing Board minutes;
- Challenging assumptions and judgements made by management in areas involving significant accounting estimates; and
- Identifying and testing journal entries, in particular any journal entries posted by senior management and/or with unusual account combinations or that resulted in a reallocation of profits between divisions.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

# Independent auditors' report to the members of STV Group plc

## Other required reporting

### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- 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
- certain disclosures of directors' remuneration specified by law are not made; or
- the Parent company financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### Appointment

Following the recommendation of the Audit & Risk Committee, we were appointed by the directors on 4 March 2004 to audit the financial statements for the year ended 31 December 2004 and subsequent financial periods. The period of total uninterrupted engagement is 18 years, covering the years ended 31 December 2004 to 31 December 2021.

### Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.



**Michael Timar (Senior Statutory Auditor)**  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Glasgow  
9 March 2022

# Consolidated income statement

Year ended 31 December 2021

	Note	2021			2020		
		Before exceptional items £m	Exceptional items (note 7) £m	Results for the year £m	Before exceptional items £m	Exceptional items (note 7) £m	Results for the year £m
Revenue	4	144.5	–	144.5	107.1	–	107.1
Net operating expenses	5	(121.2)	(1.7)	(122.9)	(88.9)	(0.5)	(89.4)
<b>Operating profit</b>		<b>23.3</b>	<b>(1.7)</b>	<b>21.6</b>	18.2	(0.5)	17.7
Finance costs							
– borrowings		(1.2)	–	(1.2)	(1.2)	–	(1.2)
– defined benefit pension schemes		(0.8)	–	(0.8)	(1.2)	–	(1.2)
– lease interest		(0.3)	–	(0.3)	(0.3)	–	(0.3)
Provision for impairment losses – ELM debtor		–	0.3	0.3	–	(8.2)	(8.2)
Total finance costs		(2.3)	0.3	(2.0)	(2.7)	(8.2)	(10.9)
Share of loss of an associate		(0.1)	–	(0.1)	(0.1)	–	(0.1)
Gain on sale of non-current asset		–	0.6	0.6	–	–	–
<b>Profit before tax</b>		<b>20.9</b>	<b>(0.8)</b>	<b>20.1</b>	15.4	(8.7)	6.7
Tax (charge)/credit	8	(1.0)	0.3	(0.7)	(0.6)	1.6	1.0
<b>Profit for the year</b>		<b>19.9</b>	<b>(0.5)</b>	<b>19.4</b>	14.8	(7.1)	7.7
<b>Attributable to:</b>							
Equity holders of the Company		19.9	(0.5)	19.4	14.7	(7.1)	7.6
Non-controlling interests		–	–	–	0.1	–	0.1
		19.9	(0.5)	19.4	14.8	(7.1)	7.7
<b>Earnings per share</b>	9						
Basic		43.8p		42.7p	35.2p		18.2p
Diluted		42.1p		41.0p	33.8p		17.5p

The above consolidated income statement should be read in conjunction with the accompanying notes.

# Consolidated statement of comprehensive income

Year ended 31 December 2021

	Note	2021 £m	2020 £m
<b>Profit for the year</b>		<b>19.4</b>	7.7
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Remeasurement of defined benefit pension schemes	23	(17.2)	(15.3)
Deferred tax credit	20	8.5	3.2
Revaluation (loss)/gain on listed investments to market value	14	(2.3)	5.9
<b>Other comprehensive expense – net of tax</b>		<b>(11.0)</b>	(6.2)
<b>Total comprehensive income for the year</b>		<b>8.4</b>	1.5
<b>Attributable to:</b>			
Owners of the parent		8.4	1.4
Non-controlling interests		–	0.1
		8.4	1.5

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

## Consolidated and parent company balance sheets

At 31 December 2021

	Note	Group		Company	
		2021 £m	2020 £m	2021 £m	2020 £m
<b>Non-current assets</b>					
Intangible assets	11	1.6	2.3	–	–
Property, plant and equipment	12	9.8	9.9	–	–
Right-of-use assets	13	19.9	10.4	–	–
Investments	14	1.9	6.7	122.1	52.9
Deferred tax asset	20	26.5	19.9	9.0	6.9
Trade and other receivables	16	0.4	0.9	–	217.0
		<b>60.1</b>	50.1	<b>131.1</b>	276.8
<b>Current assets</b>					
Inventories	15	17.7	15.4	–	–
Trade and other receivables	16	30.1	25.6	138.2	117.2
Cash and cash equivalents		14.7	5.2	0.3	–
		<b>62.5</b>	46.2	<b>138.5</b>	117.2
<b>Total assets</b>		<b>122.6</b>	96.3	<b>269.6</b>	394.0
<b>Equity</b>					
Ordinary shares	21	23.3	23.3	23.3	23.3
Share premium	21	115.1	115.1	115.1	115.1
Capital redemption reserve		0.2	0.2	0.2	0.2
Merger reserve		173.4	173.4	–	–
Other reserve		1.4	1.0	1.1	1.0
Accumulated (losses)/profit		(339.2)	(342.8)	92.6	102.9
<b>Shareholders' equity</b>		<b>(25.8)</b>	(29.8)	<b>232.3</b>	242.5
Non-controlling interests		(0.1)	(0.1)	–	–
<b>Total equity</b>		<b>(25.9)</b>	(29.9)	<b>232.3</b>	242.5
<b>Non-current liabilities</b>					
Borrowings	18	14.4	22.7	–	–
Lease liabilities	19	19.7	9.1	–	–
Retirement benefit obligations	23	79.4	70.3	35.9	36.2
		<b>113.5</b>	102.1	<b>35.9</b>	36.2
<b>Current liabilities</b>					
Trade and other payables	17	33.8	22.4	1.4	115.3
Lease liabilities	19	1.2	1.7	–	–
		<b>35.0</b>	24.1	<b>1.4</b>	115.3
<b>Total liabilities</b>		<b>148.5</b>	126.2	<b>37.3</b>	151.5
<b>Total equity and liabilities</b>		<b>122.6</b>	96.3	<b>269.6</b>	394.0

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent company income statement or statement of comprehensive income. The loss for the parent company for the year was £3.5m (2020: profit of £16.2m).

The consolidated financial statements on pages 97 to 126 were approved by the Board on 9 March 2022 and were signed on its behalf by:

**Simon Pitts**  
Chief Executive Officer

**Lindsay Dixon**  
Chief Financial Officer

# Consolidated and parent company statements of changes in equity

Year ended 31 December 2021

	Share capital £m	Share premium £m	Capital redemption reserve £m	Merger reserve £m	Other reserve £m	Accumulated (losses)/profit £m	Attributable to owners of the parent £m	Non- controlling interest £m	Total equity £m
<b>Group</b>									
<b>At 1 January 2021</b>	23.3	115.1	0.2	173.4	1.0	(342.8)	(29.8)	(0.1)	(29.9)
Profit for the year	-	-	-	-	-	19.4	19.4	-	19.4
Other comprehensive expense	-	-	-	-	-	(11.0)	(11.0)	-	(11.0)
<b>Total comprehensive income for the year</b>	-	-	-	-	-	8.4	8.4	-	8.4
Net share based compensation	-	-	-	-	0.4	(0.4)	-	-	-
Dividends paid (note 10)	-	-	-	-	-	(4.4)	(4.4)	-	(4.4)
<b>At 31 December 2021</b>	<b>23.3</b>	<b>115.1</b>	<b>0.2</b>	<b>173.4</b>	<b>1.4</b>	<b>(339.2)</b>	<b>(25.8)</b>	<b>(0.1)</b>	<b>(25.9)</b>
<b>At 1 January 2020</b>	19.6	102.0	0.2	173.4	0.9	(343.2)	(47.1)	(0.2)	(47.3)
Profit for the year	-	-	-	-	-	7.6	7.6	0.1	7.7
Other comprehensive expense	-	-	-	-	-	(6.2)	(6.2)	-	(6.2)
<b>Total comprehensive income for the year</b>	-	-	-	-	-	1.4	1.4	0.1	1.5
Issue of ordinary shares	3.5	12.0	-	-	-	-	15.5	-	15.5
Share based compensation	-	-	-	-	0.2	-	0.2	-	0.2
Shares acquired by EBT	-	-	-	-	(0.1)	0.3	0.2	-	0.2
Dividends paid in shares	0.2	1.1	-	-	-	(1.3)	-	-	-
<b>At 31 December 2020</b>	<b>23.3</b>	<b>115.1</b>	<b>0.2</b>	<b>173.4</b>	<b>1.0</b>	<b>(342.8)</b>	<b>(29.8)</b>	<b>(0.1)</b>	<b>(29.9)</b>
<b>Company</b>									
<b>At 1 January 2021</b>	23.3	115.1	0.2	-	1.0	102.9	242.5		
Loss for the year	-	-	-	-	-	(3.5)	(3.5)		
Other comprehensive expense	-	-	-	-	-	(2.4)	(2.4)		
<b>Total comprehensive expense for the year</b>	-	-	-	-	-	(5.9)	(5.9)		
Net share based compensation	-	-	-	-	0.1	-	0.1		
Dividends paid (note 10)	-	-	-	-	-	(4.4)	(4.4)		
<b>At 31 December 2021</b>	<b>23.3</b>	<b>115.1</b>	<b>0.2</b>	<b>-</b>	<b>1.1</b>	<b>92.6</b>	<b>232.3</b>		
<b>At 1 January 2020</b>	19.6	102.0	0.2	-	0.9	88.0	210.7		
Profit for the year	-	-	-	-	-	16.2	16.2		
Other comprehensive expense	-	-	-	-	-	(0.3)	(0.3)		
<b>Total comprehensive income for the year</b>	-	-	-	-	-	15.9	15.9		
Issue of ordinary shares	3.5	12.0	-	-	-	-	15.5		
Share based compensation	-	-	-	-	0.2	-	0.2		
Shares acquired by EBT	-	-	-	-	(0.1)	0.3	0.2		
Dividends paid in shares	0.2	1.1	-	-	-	(1.3)	-		
<b>At 31 December 2020</b>	<b>23.3</b>	<b>115.1</b>	<b>0.2</b>	<b>-</b>	<b>1.0</b>	<b>102.9</b>	<b>242.5</b>		

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# Consolidated and parent company statements of cash flows

Year ended 31 December 2021

	Note	Group		Company	
		2021 £m	2020 £m	2021 £m	2020 £m
<b>Operating activities</b>					
Cash generated by/(used in) operations	22	34.8	22.4	8.0	(8.6)
Interest and fees paid in relation to banking facilities paid		(1.4)	(1.9)	–	–
Corporation tax paid		(1.2)	(0.4)	(1.2)	–
Pension deficit funding – recovery plan payment		(9.3)	(9.1)	(3.9)	(3.7)
Contingent cash payment to pension schemes		(0.3)	(1.4)	(0.1)	(0.6)
<b>Net cash generated by/(used in) operating activities</b>		<b>22.6</b>	<b>9.6</b>	<b>2.8</b>	<b>(12.9)</b>
<b>Investing activities</b>					
Proceeds from sale of investments		4.7	–	4.7	–
Proceeds from disposal of subsidiary		0.6	–	0.6	–
Purchase of investment in associate		(0.6)	(1.1)	–	(1.1)
Loan notes provided to associate		(0.4)	–	–	–
Production finance provided to associate		(0.6)	–	–	–
Purchase of intangible assets		(0.4)	(0.7)	–	–
Purchase of property, plant and equipment		(2.5)	(1.4)	–	–
<b>Net cash generated by/(used in) investing activities</b>		<b>0.8</b>	<b>(3.2)</b>	<b>5.3</b>	<b>(1.1)</b>
<b>Financing activities</b>					
Payment of obligations under leases		(1.5)	(1.9)	–	–
Issue of ordinary shares		–	15.5	–	15.5
Borrowings drawn		3.1	19.0	–	–
Borrowings repaid		(11.1)	(40.0)	–	–
Dividends paid		(4.4)	–	(4.4)	–
<b>Net cash (used in)/generated by financing activities</b>		<b>(13.9)</b>	<b>(7.4)</b>	<b>(4.4)</b>	<b>15.5</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>9.5</b>	<b>(1.0)</b>	<b>3.7</b>	<b>1.5</b>
Cash and cash equivalents at beginning of year		5.2	6.2	(3.4)	(4.9)
<b>Cash and cash equivalents at end of year</b>		<b>14.7</b>	<b>5.2</b>	<b>0.3</b>	<b>(3.4)</b>

# Notes to the financial statements

For the year ended 31 December 2021

## 1. General information

The consolidated financial statements of STV Group plc (the 'Company') and its subsidiaries (together the 'Group') for the year ended 31 December 2021 were approved and authorised for issue in accordance with a resolution of the Directors on 9 March 2022. The comparative information is presented for the year ended 31 December 2020.

STV Group plc is a public limited company incorporated in Scotland and is listed on the London Stock Exchange.

The principal activities of the Group are the production and broadcasting of television programmes, provision of internet services and the sale of advertising airtime and space in these media. Up to its sale on 20 August 2021, the Group also operated a non-core external lottery management company.

## 2. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

### Basis of preparation

The financial statements are prepared in accordance with IFRS as adopted by the UK Endorsement Board. This change in basis of preparation is required by UK company law for the purposes of financial reporting as a result of the UK's exit from the EU on 31 January 2020 and the cessation of the transition period on 31 December 2020. This change does not constitute a change in accounting policy but rather a change in framework which is required to ground the use of IFRS in company law. There is no impact on recognition, measurement or disclosure between the two frameworks in the period reported.

These financial statements are presented in Sterling, which is the currency of the primary economic environment in which the Group and Company operates and rounded to the nearest 0.1 million pounds (£m) except where otherwise indicated. They have been prepared under the historical cost convention and where other bases are applied these are identified in the relevant accounting policy below.

### Basis of consolidation

The Group financial statements incorporate the financial statements of STV Group plc and all its subsidiaries up to 31 December each year, using consistent accounting policies.

Subsidiaries are entities over which the Company has control. Control is achieved when the Company has the power over the subsidiary, is exposed, or has rights to, variable returns from its involvement with the subsidiary, and has the ability to use its power to affect its returns. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Subsidiary undertakings acquired during the year are recorded using the acquisition method of accounting and their results are included from the date of acquisition.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

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.

Non-controlling interests represent the portion of profit or loss and net assets/(liabilities) in subsidiaries that are not held by the Group and are presented within equity in the consolidated balance sheet, separately from the Company shareholders' equity.

### Adoption of new and revised standards

In the current year, the Group has adopted the following new amendments with no material impact:

- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform – Phase 2 – effective date 1 January 2021
- Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021 – effective date 1 April 2021

Standards and amendments to standards that have been issued but are not effective for 2021 and have not been early adopted are:

- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 – effective date 1 January 2022
- IFRS 17 Insurance Contracts – effective date 1 January 2023
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 – effective date 1 January 2023

The above standards and amendments issued but not yet effective will be adopted in accordance with their effective dates.

### Going concern

At 31 December 2021, the Group was in a small cash position with a gross cash balance of £14.7m. The Group is in a net current asset position and generates cash from operations that enables the Group to meet its liabilities as they fall due, and other obligations.

In March 2021, the Group refinanced its bank facilities, agreeing a new £60m revolving credit facility, with £20m accordion, for a minimum tenor of 3 years (two one-year extension options are available, with the first being exercised in February 2022). The covenant package is in line with the Group's previous facility, namely net debt to EBITDA (leverage) must be less than 3 times, and interest cover must be greater than 4 times. At 31 December 2021, the Group's leverage was nil (2020: 0.7 times) and interest cover was 49.4 times (2020: 28.3 times), both comfortably within covenant limits.

As part of the going concern review, the Group considers forecasts of the advertising market, from which the Group generates the majority of its cash inflows, as well as its prospects in the programme production market, to determine the impact on liquidity. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current available funding and financial covenants.

# Notes to the financial statements

For the year ended 31 December 2021

## 2. Significant accounting policies continued

The Directors performed a full review of principal risks and uncertainties during the year and as part of its process to review and approve the three-year plan covering the period to 31 December 2024. A severe but plausible downside scenario was identified that reflected crystallisation of a number of risks, including a downturn in advertising markets and a hiatus in programme production activity. Under this downside scenario, the Group generated sufficient cash to enable it to continue in operation, pay its obligations as they fall due and remain within its covenant levels.

After completion of these activities and making enquiries of management, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for at least 12 months from the date of this report. Accordingly, the Group continues to adopt the going concern basis in preparing its consolidated financial statements.

### Revenue recognition

Under IFRS 15, the performance obligations promised in contracts with customers are identified and revenue recognition is based on an assessment of when control of the good or service promised in the contract is transferred to the customer. Revenue is recognised when the performance obligation in the contract is satisfied which is either at a 'point in time' or 'over time' depending on when or as control of the good or service is transferred to the customer.

Key classes of revenue are recognised on the following bases:

#### i) Advertising and sponsorship revenues

Revenues are stated net of advertising agency commissions.

Television advertising revenue and online advertising revenue are recognised at the point of transmission of the advertisement. Revenue from sponsorship of the Group's programmes is recognised on a straight-line basis over the period of the transmission schedule for each sponsorship campaign.

#### ii) Programme production revenues

Revenue from third party commissions is recognised on delivery of the finished programme to the commissioning broadcaster as at that point the performance obligations are delivered and control passes to the broadcaster for the period of their licence.

Revenues from the licensing of programmes to overseas broadcasters or in the UK secondary market (usually digital channels) is recognised on the licence commencement date. An element of the original cost of production is deferred and recognised against the future revenue stream expected to be generated in the secondary and overseas sales markets. The amount to be deferred varies by programme based on future overseas and secondary sales potential and involves significant estimate (see note 3).

#### iii) Lottery service revenues

Up to the date of disposal in August 2021, revenue was recognised for lottery operating costs recharged to the Scottish Children's Lottery at the point when the lottery draw to which the service related had taken place.

### Dividend income

Dividend income is recognised when the right to receive payment is established.

### Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is deducted from the related expense. When the grant relates to an asset, it is deducted from the asset's carrying value.

### Taxation

Taxation expense comprises current and deferred tax. Tax is recognised in the income statement, except to the extent it relates to items recognised in other comprehensive income or directly in equity, in which case the related tax is also recognised in other comprehensive income or directly in equity.

Current tax is the amount of tax payable or recoverable in respect of the taxable profit or loss for the year, using tax rates that are in force during the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other financial years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the reversal of the temporary difference can be controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.



**Exceptional items**

Exceptional items are items that are unusual because of their size, nature or incidence and which the Directors consider should be disclosed separately to enable a full understanding of the Group's results. They are presented on the face of the Income Statement, in the column headed 'Exceptional items', so as to present a transparent view of the trading of the Group both excluding and including these items.

Exceptional items may include but are not restricted to: profits or losses arising on disposal or closure of a business; the cost of significant business restructuring; significant impairments of intangible or tangible assets; significant gains or losses on sale of investments, intangible or tangible assets; adjustments to the fair value of acquisition-related items; other items deemed exceptional due to their significance, size or nature; and the related exceptional taxation.

**Foreign currency translation**

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Currency translation differences are recognised in the consolidated income statement.

**Business combinations**

Business combinations are accounted for using the acquisition method of accounting. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred, and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the income statement as incurred.

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the income statement as a bargain purchase gain (or loss if the liabilities assumed exceed the identifiable assets).

Goodwill in respect of an acquired business is recognised as an intangible asset. Goodwill is carried at cost less any recognised impairment losses and is tested at least annually or where there are indicators of impairment.

**Intangible assets**

Intangible assets, other than goodwill, are held at cost less accumulated amortisation and any provision for impairment. Included within intangible assets are assets in the course of construction which comprise primarily web development projects including directly attributable costs to bring the assets into use and may include capitalised borrowing costs. Amortisation is provided at the following rates per annum to write off the costs of intangible assets, less residual value, on a straight line basis from the date they are brought into use:

Web development	between 10% and 25%
-----------------	---------------------

**Property, plant and equipment**

The Group's policy is to state property, plant and equipment at cost less accumulated depreciation and any recognised impairment loss. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided to write off the cost of the assets, less estimated residual values, in equal annual instalments as follows:

Leasehold improvements	between 5% and 10%
Plant, technical equipment and other	between 10% and 20%

Residual values and useful economic lives are reviewed annually. Depreciation is charged on all additions to, or disposals of, depreciating assets in the year of purchase or disposal, from the date of addition or to the date of disposal.

Any impairment in value is charged to the income statement.

**Leases**

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

**Lease liability**

The lease liability is initially measured as the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or the Group's incremental borrowing rate where not readily available.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of purchase options, if the Group is reasonably certain to exercise those options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option

# Notes to the financial statements

For the year ended 31 December 2021

## 2. Significant accounting policies continued

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the Group's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost element is charged to the income statement over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

### Right-of-use assets

Right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset. If the lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

### Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ('CGU's') fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

### Inventories

Inventories are stated at the lower of cost or net realisable value. Cost comprises direct materials, and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less estimated costs of completion and the estimated selling costs.

- **Programme production work in progress**

Programme production work in progress for programmes being made for third parties is recorded at cost less any provision for impairment. When the programme production has been completed, and at the point of delivery to the commissioner, the inventory value is charged to the income statement to match the cost of production with the revenue recognised. Certain costs incurred in the development of creative ideas and the programme slate are recognised as inventory and amortised to the income statement over a period of up to 4 years. This period is deemed to be the average life of a creative concept from initiation to commissioning.

- **Deferred programme production**

Deferred programme production stock represents original costs of production that are deferred and recognised against future revenue streams expected to be generated in the secondary sales markets, or from advertising revenue generated on the STV Player. This is to ensure that revenue and costs are matched as closely as possible. The amount to be deferred varies by programme based on future secondary sales potential. The estimate of future sales and deferred programme production stock is referred to in the critical accounting judgements and estimates section (note 3).

- **Recorded programmes**

Recorded programmes are programmes which the Group purchases for transmission on its broadcast and VoD platforms. They are valued at direct cost including labour and overheads less appropriate provisions and are charged to the income statement after the first transmission or sale.

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are recorded at amortised cost with the exception of equity investments which are recognised at fair value through other comprehensive income (FVOCI) and derivative financial instruments which are recognised at fair value through profit and loss (FVPL). Financial liabilities are measured at amortised cost.

#### i) Trade receivables

Trade receivables do not carry any interest and are stated at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

A provision is established for trade receivables if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of trade.

**ii) Investments**

Investments are classified as fair value through other comprehensive income (FVOCI) with subsequent gains or losses arising from changes in fair value are recognised in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit and loss following the derecognition of the investment.

Equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured by other means are held at cost unless the Group is deemed to hold significant influence. Investments, whereby the Group is deemed to hold significant influence, are initially recognised at cost and adjusted thereafter for the post-acquisition change in the net assets of the investment. A share of the profit or loss, based on equity holding, is recognised in the income statement for the period.

**iii) Classification of financial liabilities and equity**

Financial liabilities and equity instruments are classified according to the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

**iv) Bank borrowings**

Interest-bearing bank loans and overdrafts are initially recorded at fair value being the proceeds received, net of direct issue costs. They are subsequently measured at amortised cost. Finance costs, including premiums payable on settlement or redemption and direct issue costs, are accounted for using an effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

**v) Trade payables**

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**vi) Equity instruments**

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

**vii) Derivative financial instruments and hedge accounting**

From time-to-time the Group uses derivative financial instruments to hedge its exposure to fluctuations in interest rates.

The Group does not qualify for hedge accounting under IFRS 9 therefore any gains or losses arising from the movement in fair value are taken to the income statement.

The fair value of the interest rate swap contracts is calculated every six months on a discounted cash flow basis using market forward rates.

**Pensions**

For defined benefit pension schemes, the annual service cost is calculated using the projected unit credit method and is recognised over the future service lives of participating employees, in accordance with the advice of qualified actuaries. Current service cost and administration expenses are recognised in operating costs and net interest on the net pension liability is recognised in finance costs.

The finance cost recognised in the consolidated income statement reflects the net interest on the net pension liability. This represents the change in the net pension liability resulting from the passage of time, and is determined by applying the discount rate to the opening net liability, taking into account employer contributions paid into the scheme, and hence reducing the net liability during the year.

Past service costs resulting from enhanced benefits are recognised immediately in the consolidated income statement. Actuarial gains and losses, which represent the difference between interest on scheme assets, experience on the defined benefit obligation and the effect of changes in actuarial assumptions, are recognised in full in the consolidated statement of comprehensive income in the year in which they occur.

The retirement benefit obligation recognised in the consolidated balance sheet comprises the net total for each scheme of the present value of the benefit obligation, using a discount rate based on yields at the balance sheet date on appropriate high-quality corporate bonds that have maturity dates approximating the terms of the Group's obligations and are denominated in sterling, minus the fair value of the scheme assets at the balance sheet date.

Payments to defined contribution schemes are charged to the income statement as an expense as they fall due.

**Share-based payments**

The Group issues equity-settled share-based payments to certain employees. A fair value for the equity-settled share awards is measured at the date of grant. The Group measures the fair value of each award using an appropriate option pricing model.

The fair value of each award is recognised as an expense over the vesting period on a straight-line basis, after allowing for an estimate of the share awards that will eventually vest. The level of vesting is reviewed at each reporting period and the charge is adjusted, where appropriate, to reflect actual and estimated levels of vesting.

**Dividend distribution**

Final dividends are recorded in the financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the period in which they are approved and paid.

# Notes to the financial statements

For the year ended 31 December 2021

## 3. Critical accounting judgements and estimates

The preparation of the consolidated and Company financial statements, in conformity with IFRS, requires management to make judgements that affect the application of accounting policies and the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Management bases these judgements and estimates on a combination of past experience, professional expert advice and other evidence that is relevant to each individual circumstance. Actual results may differ from these judgements and the resulting estimates and are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised. Significant judgements in the current year and on a recurring basis are presented to the Audit & Risk Committee.

### Judgements

In the course of preparing the financial statements, no judgements have been made in applying the Group's accounting policies that have had a significant affect on the amounts recognised in the consolidated Group or parent company financial statements, other than those involving estimation below.

### Estimates

The Directors consider the following to be the key estimates applicable to the financial statements, which have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year or in the long term:

#### Group

##### Inventory

Deferred programme production stock forms part of inventory and is stated in the financial statements at the lower of cost or net realisable value. The key assumption is estimating the likely future revenues for which associated programme costs are expensed in line with. A detailed forecast of future secondary sales is prepared by management based on historic experience and expected future trends. £1.5m was expensed through the income statement in the year (2020: £1.1m). Additional information is disclosed in note 15.

##### Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate and mortality rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Regarding mortality, the base tables used are updated every three years (to coincide with triennial valuations) or more frequently when there is evidence of a change in experience. The CMI tables relating to future improvements in mortality are updated when new information is available, usually annually.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information, along with details of sensitivities, is disclosed in note 23.

#### Company

##### Carrying value of parent company investments

The Company's policy is to carry out annual reviews of the carrying value of investments. In determining the recoverable amount, key assumptions are made regarding future performance, growth rates and discount rate. Based on operating results for the subsidiary undertakings and forecast cash flows, the Directors consider that the investments' recoverable amount is greater than its carrying value and consequently no impairment is considered necessary. Additional information is disclosed in note 14.

#### 4. Business segments

Information reported to the Group's Chief Executive for the purposes of resource allocation and assessment of segment performance is by product. The Group's operating segments are Broadcast, Digital and Studios. The trade of STV ELM is included within 'Other' up to the date of disposal in August 2021.

	Broadcast		Digital		Studios		Other		Total	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Sales	108.8	94.8	17.8	13.7	27.0	9.1	1.0	3.5	154.6	121.1
Inter-segment sales	(9.7)	(13.6)	–	–	(0.4)	(0.4)	–	–	(10.1)	(14.0)
<b>Segment revenue</b>	<b>99.1</b>	<b>81.2</b>	<b>17.8</b>	<b>13.7</b>	<b>26.6</b>	<b>8.7</b>	<b>1.0</b>	<b>3.5</b>	<b>144.5</b>	<b>107.1</b>
<b>Segment result</b>										
Adjusted operating profit	21.8	15.5	7.9	6.5	1.3	(0.3)	–	–	31.0	21.7
Unallocated corporate expenses									(5.8)	(3.5)
<b>Adjusted operating profit</b>									<b>25.2</b>	<b>18.2</b>
Exceptional items (note 7)									(0.8)	(8.7)
HETV tax credits (note 27)									(1.9)	–
Finance costs									(2.3)	(2.7)
Share of loss in associate									(0.1)	(0.1)
Profit before tax									20.1	6.7
Tax (charge)/credit									(0.7)	1.0
<b>Profit for the year</b>									<b>19.4</b>	<b>7.7</b>

Adjusted operating profit above is the statutory operating profit before exceptional items and includes High-End Television (HETV) tax credits receivable (refer to note 27 for further information on HETV tax credits). The HETV tax credits relate solely to the Studios operating segment. £1.9m was receivable in the current year (2020: nil) resulting in a statutory operating loss of £0.6m in Studios (2020: loss of £0.3m). There were no adjusting items disclosed within Broadcast or Digital operating profit.

Revenue includes £1.1m from sources outside the UK (2020: £1.0m). Operating profit includes £0.7m arising outside the UK (2020: £0.6m).

	Broadcast		Digital		Studios		Other		Total	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
<b>Segment assets and liabilities</b>										
Assets	29.6	33.0	1.9	2.8	33.0	21.7	–	0.4	64.5	57.9
Liabilities	(22.3)	(18.6)	–	(0.5)	(7.7)	(4.8)	–	–	(30.0)	(23.9)
<b>Segment total</b>	<b>7.3</b>	<b>14.4</b>	<b>1.9</b>	<b>2.3</b>	<b>25.3</b>	<b>16.9</b>	<b>–</b>	<b>0.4</b>	<b>34.5</b>	<b>34.0</b>
Unallocated corporate assets									58.1	38.4
Unallocated corporate liabilities									(118.5)	(102.3)
<b>Consolidated</b>									<b>(25.9)</b>	<b>(29.9)</b>

Segment assets consist primarily of property, plant and equipment, certain leased assets, inventories, trade and other receivables and cash and bank deposits. Amounts due from HMRC for HETV tax relief is disclosed within Studios. All other corporation tax balances are disclosed within Corporate.

Segment liabilities comprise operating liabilities including trade and other payables and provisions and certain lease liabilities. They exclude Group borrowings, retirement benefit obligations, tax liabilities and other non-current liabilities, including the remaining lease liabilities.

All the net assets in 2020 and 2021 were held in the UK and therefore operate in a single geographical segment.

	Broadcast		Digital		Studios		Other		Total	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
<b>Other segment information</b>										
Capital additions	2.0	1.0	0.4	0.6	–	–	0.5	0.7	2.9	2.3
Depreciation and amortisation	2.0	2.4	1.0	0.1	–	–	2.3	2.6	5.3	5.1

## Notes to the financial statements

For the year ended 31 December 2021

### 5. Net operating expenses

	2021 £m	2020 £m
Programming and production costs	62.6	36.9
Staff costs (note 6)	28.7	22.8
Other operational costs	24.6	24.1
Depreciation and amortisation	5.3	5.1
	<b>121.2</b>	88.9
Exceptional items (note 7)	1.7	0.5
	<b>122.9</b>	89.4

#### Services provided by the Group's auditors

During the year the Group obtained the following services from the Company's auditors:

	2021 £000	2020 £000
<b>Group</b>		
Fees payable to Company auditors for the audit of the parent company and consolidated financial statements	207	175
Fees payable to the Company's auditors and their associates for other services:		
– The audit of the Company's subsidiaries pursuant to legislation	38	25
– Audit-related assurance services	35	30
	<b>280</b>	230

Included in the audit fees payable is £5,000 (2020: £5,000) paid in respect of the parent company.

### 6. Staff

#### Group

	2021 £m	2020 £m
<b>Aggregate remuneration</b>		
Wages and salaries	25.0	19.2
IFRS 2 expense	0.5	0.5
Social security costs	2.4	2.3
Other pension costs	0.8	1.3
<b>Total aggregate remuneration</b>	<b>28.7</b>	23.3

The prior year comparative has been updated to include the expense incurred in regard to share based payments.

	2021 Number	2020 Number
<b>Average monthly number of employees (including Executive Directors)</b>		
Permanent	441	441
Contract	22	19
<b>Total average number of employees</b>	<b>463</b>	460

Contract staff numbers consist of employees on fixed-term contracts and does not include those on freelance contracts.

Details of Directors' remuneration is provided in the Remuneration Report on pages 73 to 87.

#### Company

The Company had no employees during the current or preceding year.

The only element of Director remuneration recognised in the Company Income statement in the year is the estimated charge associated with share-based payments of £0.2m (2020: £0.2m). No Director received any other remuneration from the Company during the year (2020: £nil). Emoluments of the Directors are paid by another Group company which makes no recharge to the parent company.

## 7. Exceptional items

In order to provide the users of the consolidated financial statements with a transparent view of significant and/or non-recurring items and their impact on the underlying trading of the Group, the Group presents items recognised in profit or loss for each year analysed between:

- i) Profit before exceptional items; and
- ii) The effect of exceptional items

The table below analyses the exceptional items in the current financial year and their impact on key financial statement lines in the consolidated income statement.

	2021			2020		
	Before exceptional items £m	Exceptional items £m	Results for the year £m	Before exceptional items £m	Exceptional items £m	Results for the year £m
<b>Operating profit (i)</b>	<b>23.3</b>	<b>(1.7)</b>	<b>21.6</b>	18.2	(0.5)	17.7
Finance costs (ii)	(2.3)	0.3	(2.0)	(2.7)	(8.2)	(10.9)
Share of loss of an associate	(0.1)	–	(0.1)	(0.1)	–	(0.1)
Gain on sale of non-current asset (iii)	–	0.6	0.6	–	–	–
Profit before tax	<b>20.9</b>	<b>(0.8)</b>	<b>20.1</b>	15.4	(8.7)	6.7
Tax (charge)/credit (iv)	(1.0)	0.3	(0.7)	(0.6)	1.6	1.0
<b>Profit for the year</b>	<b>19.9</b>	<b>(0.5)</b>	<b>19.4</b>	14.8	(7.1)	7.7
<b>Earnings per share</b>						
Basic	<b>43.8p</b>		<b>42.7p</b>	35.2p		18.2p
Diluted	<b>42.1p</b>		<b>41.0p</b>	33.8p		17.5p

### i) Operating profit

The exceptional item of £1.7m (2020: nil) relates to the repayment of furlough monies received in the prior year. During 2020, and principally over the second quarter, the Group applied for grants under the Government's Coronavirus Job Retention Scheme ('CJRS') totalling £1.6m (£0.1m was also received in Q1 2021). These monies were received at a time when the business was operating under the tightest of lockdown restrictions, with total advertising revenue down 38% year on year, no programme production activity possible, and visibility over key markets very limited. The amounts received under the CJRS were allocated against payroll within operating costs in 2020. Over the second half of 2020 and into 2021, the Group's trading improved significantly, despite further lockdown measures in Q1 2021, demonstrating the resilience of its Broadcast business and the successful execution of strategy in Digital in particular. In March 2021, the Board announced its intention to resume payment of a cash dividend to shareholders. Although there was no obligation on the Group to repay furlough grants, the Board decided that CJRS monies received would be repaid in full prior to re-commencing payment of a cash dividend. As the repayment of furlough grants does not relate to the current period of trading, nor was it required under any law or regulation, the Group has presented the cost as exceptional so as not to distort the underlying trading results of the business.

In 2020, the £0.5m exceptional charge related to the accrual of costs expected to be incurred in relation to the disposal of STV ELM Ltd.

### ii) Finance costs

An exceptional credit of £0.3m has been recognised relating to amounts recovered from the Scottish Children's Lottery (SCL) in excess of the expected credit loss provided for in the prior year.

In 2020, an exceptional cost of £8.8m was recognised, being full provision of amounts due from the SCL as at 31 December 2020. Partially offsetting this amount was an exceptional credit of £0.6m, being the VAT recoverable on amounts written off.

### iii) Gain on sale of non-current asset

An exceptional gain of £0.6m has been recognised in 2021, being net proceeds received on disposal of STV ELM Ltd.

### iv) Tax (charge)/credit

Tax adjustments are the tax effects of the exceptional items recognised in both years.

## Notes to the financial statements

For the year ended 31 December 2021

### 8. Tax charge/(credit)

	2021 £m	2020 £m
Corporation tax		
Current year charge	0.9	–
High-End Television tax credits	(1.9)	–
Adjustments in respect of prior years	(0.2)	(0.4)
	(1.2)	(0.4)
Deferred tax (note 20)	1.9	(0.6)
<b>Tax charge/(credit) for the year</b>	<b>0.7</b>	<b>(1.0)</b>

The charge/(credit) for the year can be reconciled to the profit per the income statement as follows:

	2021 £m	2020 £m
Profit before tax	20.1	6.7
Tax at the UK corporation tax rate of 19% (2020: 19%)	3.8	1.3
Tax effects of:		
Other expenses not deductible for tax purposes	0.4	0.1
High-End Television tax credits	(1.9)	–
Impact of changes in tax rates	(1.4)	(1.4)
Changes in estimates related to prior years	(0.2)	(1.0)
<b>Tax charge/(credit) for the year</b>	<b>0.7</b>	<b>(1.0)</b>

### 9. Earnings per share

The calculation of earnings per share is based on earnings after tax and the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held for use by the STV Employee Benefit Trust.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has one type of dilutive potential ordinary shares namely share options granted to employees.

The adjusted earnings per share figures that have also been calculated are based on earnings before adjusting items that are significant in nature and/or quantum and not expected to recur every year and are therefore considered to be distortive. The adjusting items recognised in the current and prior years are operating and non-operating exceptional items and the IAS 19 net financing cost, as well as the related tax effect. Adjusted earnings per share has been presented to provide shareholders with an additional measure of the Group's year on year performance.

	2021 pence	2020 pence
<b>Earnings per share</b>		
Basic earnings per share	42.7p	18.2p
Diluted earnings per share	41.0p	17.5p
Basic earnings per share (before exceptional items)	43.8p	35.2p
Diluted earnings per share (before exceptional items)	42.1p	33.8p
Adjusted basic earnings per share	45.6p	37.5p
Adjusted diluted earnings per share	43.8p	36.1p



The following reflects the earnings and share data used in the calculation of earnings per share:

	2021 £m	2020 £m
<b>Earnings</b>		
Profit for the year attributable to equity shareholders	19.4	7.6
Exceptional items (net of tax) (i)	0.5	7.1
Profit for the year (before exceptional items)	19.9	14.7
Excluding IAS 19 net financing cost (ii)	0.8	1.0
Adjusted profit	20.7	15.7
	2021 million	2020 million
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	45.5	41.7
Dilution due to share options	1.8	1.7
Weighted average number of ordinary shares for the purposes of diluted earnings per share	47.3	43.4

Details of the adjustments to earnings are as follows:

**i) Exceptional items (net of tax) £0.5m charge (2020: £7.1m charge)**

Exceptional charge of £0.8m (2020: £8.7m), net of related tax credit of £0.3m (2020: £1.2m). See note 7 for more details.

**ii) Adjustment for IAS 19 financing cost (net of tax) £0.8m (2020: £1.0m)**

An adjustment for the IAS 19 financing cost of £0.8m (2020: £1.2m), net of a related tax credit of nil (2020: £0.2m). The IAS 19 financing cost is adjusted as it is a non-cash item that relates to historical defined benefit pension schemes.

## 10. Dividends

	2021 per share	2020 per share	2021 £m	2020 £m
<b>Dividends on equity ordinary shares</b>				
Paid final dividend	6.0p	–	2.7	–
Paid interim dividend	3.7p	3.0p	1.7	1.3
<b>Dividends paid</b>	<b>9.7p</b>	3.0p	<b>4.4</b>	1.3

A final dividend of 7.3p per share (2020: 6.0p per share) has been proposed and is subject to approval by the Board of Directors. It is payable on 27 May 2022 to shareholders who are on the register at 19 April 2022. The ex-dividend date is 14 April 2022. This final dividend, amounting to £3.3m has not been recognised as a liability in these financial statements.

## 11. Intangible assets

	Web development £m
<b>Cost</b>	
At 1 January 2020	5.0
Additions	0.7
At 1 January 2021	5.7
Additions	0.4
<b>At 31 December 2021</b>	<b>6.1</b>
<b>Accumulated amortisations and impairment</b>	
At 1 January 2020	2.4
Amortisation	1.0
At 1 January 2021	3.4
Amortisation	1.1
<b>At 31 December 2021</b>	<b>4.5</b>
<b>Net book value at 31 December 2021</b>	<b>1.6</b>
Net book value at 31 December 2020	2.3

## Notes to the financial statements

For the year ended 31 December 2021

### 12. Property, plant and equipment

	Leasehold buildings £m	Plant, technical equipment and other £m	Assets under construction £m	Total £m
<b>Cost</b>				
At 1 January 2020	0.4	30.4	0.3	31.1
Additions	-	-	1.4	1.4
Transfers	-	0.4	(0.4)	-
At 1 January 2021	0.4	30.8	1.3	32.5
Additions	-	-	2.5	2.5
Transfers	-	3.0	(3.0)	-
<b>At 31 December 2021</b>	<b>0.4</b>	<b>33.8</b>	<b>0.8</b>	<b>35.0</b>
<b>Accumulated depreciation and impairment</b>				
At 1 January 2020	0.1	20.3	-	20.4
Charge for year	-	2.2	-	2.2
At 1 January 2021	0.1	22.5	-	22.6
Charge for year	0.1	2.5	-	2.6
<b>At 31 December 2021</b>	<b>0.2</b>	<b>25.0</b>	<b>-</b>	<b>25.2</b>
<b>Net book value at 31 December 2021</b>	<b>0.2</b>	<b>8.8</b>	<b>0.8</b>	<b>9.8</b>
Net book value at 31 December 2020	0.3	8.3	1.3	9.9

The Group did not have any capital commitments at 31 December 2021 (2020: nil).

### 13. Right-of-use assets

The balance sheet shows the following amounts relating to leases:

	Property £m	Vehicles £m	Total £m
<b>Cost</b>			
At 1 January 2020	13.8	0.3	14.1
Additions	0.2	-	0.2
Derecognition of assets	(0.1)	-	(0.1)
At 1 January 2021	13.9	0.3	14.2
Additions	11.0	0.1	11.1
Derecognition of assets	-	(0.1)	(0.1)
<b>At 31 December 2021</b>	<b>24.9</b>	<b>0.3</b>	<b>25.2</b>
<b>Depreciation</b>			
At 1 January 2020	1.8	0.1	1.9
Charge for the year	1.8	0.1	1.9
At 1 January 2021	3.6	0.2	3.8
Disposals	-	(0.1)	(0.1)
Charge for the year	1.5	0.1	1.6
<b>At 31 December 2021</b>	<b>5.1</b>	<b>0.2</b>	<b>5.3</b>
<b>Net book value at 31 December 2021</b>	<b>19.8</b>	<b>0.1</b>	<b>19.9</b>
Net book value at 31 December 2020	10.3	0.1	10.4

The addition in the current year relates to the lease extension of the Group Head office building at Pacific Quay, Glasgow.

## 14. Investments

	2021 £m	2020 £m
<b>Group</b>		
Listed	0.3	5.6
Associates	1.5	1.0
Other	0.1	0.1
	<b>1.9</b>	<b>6.7</b>

Listed investments remaining at the balance sheet date are shares held in Mirriad Advertising plc, measured at fair value through the Consolidated Statement of Comprehensive Income.

On 18 September 2019, the Group (along with all other shareholders) sold its investment in deltaDNA Ltd to Unity Software Inc for a net consideration of £2.5m. The net consideration comprised an element payable in cash (62.5%) and the balance in shares in Unity (37.5%). Consideration of £0.5m (£0.2m in shares and £0.3m in cash) was deferred for 2 years. The Group disposed of its full investment in Unity Software Inc during the year for net consideration of £4.4m and received £0.3m in cash that was previously held in escrow.

The movement in investments in associates during 2021 relates to acquisition of a 25% shareholding in the unscripted production company, Hello Mary, for consideration of £0.6m in September 2021. The investment was initially recognised at cost and has subsequently been updated to reflect the Group's share of post-acquisition losses (less than £0.1m) in accordance with the equity method of accounting. The Group acquired a 25% stake in Two Cities Television in 2020 for consideration of £1.1m with subsequent recognition of the Group's accumulated share of the loss of £0.2m. No dividends have been received from either company.

	2021 £m	2020 £m
<b>Company</b>		
Share in Group undertakings	121.8	47.3
Other investments		
Listed	0.3	5.6
	<b>122.1</b>	<b>52.9</b>

The movement in the share of Group undertakings relates to a capital contribution in the directly owned subsidiary, STV News Services Limited, as part of a wider exercise to clear down and repay intercompany balances. See note 16 for further detail.

### Impairment of investments in subsidiary undertakings

At the end of each reporting period the Company assesses whether there is any indication that its investments in subsidiary undertakings may be impaired. Where such indications exist, the recoverable amount of the associated investment is calculated by determining the higher of its fair value less cost of disposal and value in use and compared to the carrying value of the investment. Where the fair value less cost of disposal cannot be determined, the value in use is deemed to be the recoverable amount. The value in use is calculated based on the cash flow projections in the three year plan prepared by the Management Board in November 2021. This supported moderate growth in the Group through the period from 2022 to 2024 and a terminal value thereafter based on growth of 1.5% (2020: 3%). The resulting valuation provided significant headroom against the investment carrying value.

Further sensitivities were modelled to provide management with sufficient comfort that no impairment would be required, namely a +/- 1% change in discount rate and also an operating profit fall in 2022 of 10% followed by flat growth. Both scenarios still left the Group with significant headroom. The pre-tax discount rate applied was 7.3% (2020: 10.6%).

Based on the above the Directors consider that the investments' recoverable amount is greater than its carrying value and consequently no impairment is considered necessary.

## Notes to the financial statements

For the year ended 31 December 2021

### 14. Investments continued

#### Subsidiary undertakings

A full list of subsidiary undertakings as at 31 December 2021 is as follows:

Undertaking	Principal activity	Registered address
STV News Services Limited*	Investment holding undertaking	(1)
STV Television Limited	Investment holding undertaking	
STV Central Limited	Television broadcasting	
STV North Limited	Television broadcasting	
STV Studios Limited	Programme production	
STV Drama Productions Limited	Programme production	
STV Drama Productions 2 Limited	Programme production	
STV Drama Productions 3 Limited	Programme production	
STV Tod Productions Limited	Programme production	
Primal Media Limited (52%)	Programme production	(1)
Ginger Television Productions Limited	Dormant	(1)
SKA Ginger Productions Limited (50%)	Dormant	(1)
Altissimo Music Limited	Music rights	
stv.tv Limited	Dormant	
Solutions.tv Limited	Dormant	
Grampian Television Limited	Dormant	
STV Services Limited*	Group services undertaking	
Scottish News Network Limited	Dormant	
Rise & Shine (Television) Limited*	Dormant	
Peoples champion Limited	Dormant	
Scottish Media Group (Jersey) Limited	Dormant	(2)
The Ginger Media Group Limited	Dormant	(1)

\* directly held

The registered address for all companies (except where noted) is Pacific Quay, Glasgow, G51 1PQ.

(1) 9 Savoy Street, London, WC2E 7EG

(2) IFC, St Helier, Jersey, Channel Islands, JE1 1ST

The investments are stated in the balance sheet at cost less amounts written off for impairment in value. All of the above investments are 100% shareholdings except where stated.

### 15. Inventories

	Group	
	2021 £m	2020 £m
Deferred programme production	11.3	10.3
Programme production work in progress	5.9	4.4
Recorded programmes	0.5	0.7
	<b>17.7</b>	<b>15.4</b>

Deferred programme production stock represents costs of original production which are deferred and recognised against future revenue streams expected to be generated in the secondary sales market. This asset is classified as current, even though it will be realised into cash over several years, due to the homogeneous nature of the inventory which would result in an arbitrary split between the current and non-current categories, and to be consistent with normal industry practice. It is anticipated that £1.0m (2020: £0.9m) is likely to be realised within 12 months.

At 31 December 2021, the net present value (NPV) of the future sales, estimated over a maximum period of 15 years for drama and 10 years for other genres of programming, was £17.8m (2020: £21.0m), with the net book value of £11.3m (2020: £10.3m) representing 36% (2020: 39%) of the future sales gross of discounting. A discount rate of 7.3% (2020: 6.7%) was applied. Revenues in 2022 are expected to be £1.8m.

The sensitivities regarding the principal assumptions used to support the carrying value of the deferred programme production stock are set out below:

Assumption	Change in assumption	Impact on NPV
Discount rate	Increase/decrease by 0.25%	Decrease/increase by £0.3m
Rate of price inflation (RPI)	Increase/decrease by 0.25%	Increase/decrease by £0.2m
Sales	Increase/decrease by 10.0%	Increase/decrease by £2.1m

## 16. Trade and other receivables

	Group				Company			
	Current		Non-current		Current		Non-current	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Trade receivables	18.6	13.7	-	-	-	-	-	-
Amounts owed by Group undertakings	-	-	-	-	136.4	113.7	-	217.0
Prepayments	1.7	6.2	-	-	0.1	0.1	-	-
Contract assets	6.3	3.8	-	-	-	0.1	-	-
Other receivables	1.0	1.6	0.4	0.9	1.1	3.0	-	-
Income tax recoverable	2.5	0.3	-	-	0.6	0.3	-	-
	30.1	25.6	0.4	0.9	138.2	117.2	-	217.0

### Group

At 31 December, the ageing analysis of the trade receivables, net of any provisions for impairment, are as follows:

	2021 £m	2020 £m
Not past due	16.5	12.9
Up to 30 days overdue	1.4	0.6
Between 30 and 90 days overdue	0.4	0.2
Over 90 days overdue	0.3	-
	18.6	13.7

The Group engages in a number of contra deals whereby advertising is provided in exchange for goods and services instead of cash consideration. Balances 90 days overdue relates to the proportion of contra deals not yet utilised by the Group.

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance. At 31 December 2021, trade receivables with an initial carrying value of £0.1m (2020: £0.3m) were impaired and fully provided for. The movements in the provision were as follows:

	2021 £m	2020 £m
At 1 January	0.3	-
Charge for the year	-	0.3
Amounts utilised	(0.1)	-
Unused amounts reversed	(0.1)	-
	0.1	0.3

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. Except for those trade receivables that have been provided for, all trade receivables are expected to be recovered.

Contract assets (accrued income) primarily relate to the Group's right to consideration for work completed but not billed at the reporting date.

Deferred consideration of £nil (2020: £1.3m) is included in other receivables of the Group and the Company. The prior year amounts relate to the sale of the Group's investment in Unity Software Inc (note 14), which were held in escrow and have been received and sold in the current year.

### Company

Amounts owed by Group undertakings are considered to have low credit risk and the loss allowance recognised during the year was therefore limited to 12 months expected credit losses. The amounts were not material.

## Notes to the financial statements

For the year ended 31 December 2021

### 16. Trade and other receivables continued

The non-current amounts owed by Group undertakings in the prior year of £217.0m comprised a loan of £80.0m plus accrued interest in accordance with the terms specified in the loan contract. The full balance has been settled in the current year, and the loan terminated, with part of the balance being converted to an additional investment in the subsidiary and the remainder satisfied through the novation of intercompany debt due from another Group company. All remaining amounts owed by Group undertakings are unsecured, interest free and have no fixed date of repayment. These are trade related and disclosed within current receivables as they are repayable on demand.

### 17. Trade and other payables

	Group		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
<b>Current</b>				
Trade payables	4.2	5.0	–	–
Accrued expenses	21.4	9.9	0.1	0.1
Contract liabilities	2.4	2.2	–	–
Amounts owed to group undertakings (payable on demand)	–	–	1.3	111.8
Bank overdraft	–	–	–	3.4
Social security and other taxes	5.8	5.3	–	–
	<b>33.8</b>	22.4	<b>1.4</b>	115.3

The Directors consider that the carrying amount of trade and other payables approximates their fair value.

Contract liabilities (deferred income) primarily relate to the consideration received from customers in advance of transferring a good or service.

### 18. Borrowings

	Group	
	2021 £m	2020 £m
Bank loans	14.4	22.7

In March 2021, the Group refinanced its bank facilities, agreeing a new £60m revolving credit facility, with £20m accordion, for a minimum tenor of 3 years. Two one-year extension options are available. The first extension option was agreed in February 2022 on commercial terms in line with the existing facility. The covenant package is in line with the Group's previous facility, namely net debt to EBITDA must be less than 3 times, and interest cover must be greater than 4 times.

The effective interest rate was:

	2021 %	2020 %
Bank loans (floating)	1.8	1.8

### 19. Lease liabilities

	Group	
	2021 £m	2020 £m
Current	1.2	1.7
Non-current	19.7	9.1
	<b>20.9</b>	10.8

The increase in lease liabilities relates to the renegotiated lease for the Group Head office building at Pacific Quay, Glasgow.

The income statement shows the following amounts relating to leases:

	2021 £m	2020 £m
Interest expense (included in finance costs)	0.3	0.3

**Maturity analysis**

	Minimum payments		Present value of payments	
	2021 £m	2020 £m	2021 £m	2020 £m
Not later than 1 year	1.6	2.0	1.2	1.7
Later than 1 year but not later than 5 years	6.0	7.8	4.1	7.3
Later than 5 years	18.9	2.1	15.6	1.8
	26.5	11.9	20.9	10.8
Less: Future finance charges	(5.6)	(1.1)		
Present value of lease obligations	20.9	10.8		

**20. Deferred tax asset**

The analysis of the current deferred tax balances is as follows:

	Group		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Deferred tax asset to be recovered after more than one year	(26.5)	(19.9)	(9.0)	(6.9)

A deferred tax asset has been recognised in respect of certain temporary differences as it is probable that the Group will generate sufficient taxable profits in the future against which these temporary differences can be offset.

A deferred tax asset of £3.4m (2020: £2.0m) has not been recognised and relates to a combination of trading tax losses and non-trade debits.

The movement in deferred tax assets and liabilities during the year, taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Tax trading losses £m	Other temporary differences £m	Accelerated tax depreciation £m	Retirement benefit obligations £m	Total £m
<b>Group</b>					
At 1 January 2020	(3.8)	(0.5)	(0.9)	(10.9)	(16.1)
(Credit)/charge to income	(1.5)	(0.1)	0.1	0.9	(0.6)
Charge/(credit) to equity/OCI	-	0.1	-	(3.3)	(3.2)
At 1 January 2021	(5.3)	(0.5)	(0.8)	(13.3)	(19.9)
(Credit)/charge to income	(0.1)	-	-	2.0	1.9
Credit to equity/OCI	-	-	-	(8.5)	(8.5)
<b>At 31 December 2021</b>	<b>(5.4)</b>	<b>(0.5)</b>	<b>(0.8)</b>	<b>(19.8)</b>	<b>(26.5)</b>
<b>Company</b>					
At 1 January 2020	-	-	-	(5.5)	(5.5)
Charge to income	-	-	-	0.3	0.3
Credit to equity/OCI	-	-	-	(1.7)	(1.7)
At 1 January 2021	-	-	-	(6.9)	(6.9)
Charge to income	-	-	-	0.8	0.8
Credit to equity/OCI	-	-	-	(2.9)	(2.9)
<b>At 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9.0)</b>	<b>(9.0)</b>

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 25% rate was substantively enacted on 10 June 2021. The deferred tax assets at 31 December 2021 have been measured using the rates that apply in the periods when the underlying timing differences, on which deferred tax is recognised, are expected to unwind.

## Notes to the financial statements

For the year ended 31 December 2021

### 21. Ordinary shares and share premium

	Number of shares (thousands)	Ordinary shares £m	Share premium £m	Total £m
<b>Group and Company</b>				
At 1 January 2020	39,192	19.6	102.0	121.6
Issue of ordinary shares	7,051	3.5	12.0	15.5
Bonus issue of ordinary shares	480	0.2	1.1	1.3
<b>At 1 January and 31 December 2021</b>	<b>46,723</b>	<b>23.3</b>	<b>115.1</b>	<b>138.4</b>

The total authorised number of ordinary shares is 63 million shares (2020: 63 million shares) with a par value of £0.50 per share (2020: £0.50 per share). All issued shares are fully paid.

### 22. Notes to the consolidated and parent statement of cash flows

	Group		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Operating profit/(loss) for the year	21.6	17.7	(2.9)	(0.7)
Adjustments for:				
Depreciation and amortisation (note 5)	5.3	5.1	–	–
Share based payments	0.5	0.5	0.2	0.5
Increase in inventories	(2.3)	(2.2)	–	–
(Increase)/decrease in trade and other receivables (excluding STV ELM Ltd)	(2.3)	1.1	0.3	(0.1)
Increase/(decrease) in trade and other payables (excluding STV ELM Ltd)	11.2	1.1	0.1	(0.3)
Net decrease/(increase) in STV ELM Ltd working capital	0.8	(0.9)	–	–
Decrease/(increase) in intra Group balances	–	–	10.3	(8.0)
<b>Cash generated by/(used in) operations</b>	<b>34.8</b>	22.4	<b>8.0</b>	(8.6)

#### Non-cash investing and financing activities

Right-of-use assets of £11.1m (2020: £0.2m) were acquired during the year. Refer to note 13 for further detail.

#### Net debt reconciliation

	Long-term borrowings £m	Cash and cash equivalents £m	Net (debt)/cash £m	Lease liabilities £m	Net debt including lease liabilities £m
At 1 January 2020	(43.7)	6.2	(37.5)	(12.4)	(49.9)
Cash flows	21.0	(1.0)	20.0	1.7	21.7
Non-cash flows (i)	–	–	–	(0.1)	(0.1)
At 1 January 2021	(22.7)	5.2	(17.5)	(10.8)	(28.3)
Cash flows	8.8	9.5	18.3	1.5	19.8
Non-cash flows (i)	(0.5)	–	(0.5)	(11.6)	(12.1)
<b>At 31 December 2021</b>	<b>(14.4)</b>	<b>14.7</b>	<b>0.3</b>	<b>(20.9)</b>	<b>(20.6)</b>

(i) Non-cash movements relate to the amortisation of borrowing costs (for long-term borrowings) and the acquisition of right-of-use assets and corresponding lease liabilities.



## 23. Retirement benefit schemes

### Defined contribution schemes

The Group operates two money purchase schemes, the STV Pension Scheme and the Pearl & Dean Cinemas Pension Scheme. Total employer contributions expensed by the Group in the year was £0.8m (2020: £0.8m).

### Defined benefit schemes

The Group operates two defined benefit pension schemes, the benefits of which are related to service and final salary. The schemes are trustee administered and the schemes' assets are held independently from those of the Group. Pension costs are assessed in accordance with the advice of an independent professionally qualified actuary.

The schemes are the Scottish and Grampian Television Retirement Benefit Scheme and the Caledonian Publishing Pension Scheme. Both are closed schemes and accounted for under the projected unit method.

The net deficit of the schemes is recognised in the consolidated balance sheet, with the deficit of the Caledonian Publishing Pension Scheme recognised in the Company balance sheet, as STV Group plc is the sponsoring employer. In both the Group and Company balance sheets, the net deficits are presented within non-current liabilities, as follows:

	Group		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Defined benefit scheme obligations	(519.4)	(507.5)	(202.0)	(202.4)
Defined benefit scheme assets	440.0	437.2	166.1	166.2
<b>Net pension deficit</b>	<b>(79.4)</b>	<b>(70.3)</b>	<b>(35.9)</b>	<b>(36.2)</b>

A related, offsetting deferred tax asset for the Group of £19.8m (2020: £13.3m) and the Company of £9.0m (2020: £6.9m) is included within non-current assets. Therefore, the pension scheme deficit net of deferred tax for the Group was £59.6m at 31 December 2021 (2020: £57.0m) and the Company was £26.9m (2020: £29.3m).

### Assumptions used to estimate the scheme obligations

The significant actuarial assumptions used for accounting purposes reflect prevailing market conditions in the UK and are as follows:

	Group and Company	
	2021 %	2020 %
Rate of increase in salaries	nil	nil
Rate of increase of pensions in payment	3.55	3.00
Discount rate	1.90	1.25
Rate of price inflation (RPI)	3.55	3.00

Assumptions regarding future mortality experience are set based on advice, published statistics and experience in each scheme and are reflected in the table below (average life expectations of a pensioner retiring at age 65).

	Group		Company	
	2021 Years	2020 Years	2021 Years	2020 Years
<b>Retiring at balance sheet date:</b>				
Male	21.0	19.6	20.6	19.2
Female	23.2	21.9	22.8	21.6
<b>Retiring in 25 years:</b>				
Male	22.3	21.5	22.1	21.0
Female	24.6	23.5	24.3	23.7

## Notes to the financial statements

For the year ended 31 December 2021

### 23. Retirement benefit schemes continued

The sensitivities regarding the principal assumptions used to measure the defined benefit obligation are set out below:

Assumption	Change in assumption	Impact on scheme liabilities
<b>Group</b>		
Discount rate	Increase/decrease by 0.25%	Increase/decrease by 3%
Rate of price inflation (RPI)	Increase/decrease by 0.25%	Increase/decrease by 2%
Rate of mortality	Decrease by 1 year	Decrease by 5%
<b>Company</b>		
Discount rate	Increase/decrease by 0.25%	Increase/decrease by 3%
Rate of price inflation (RPI)	Increase/decrease by 0.25%	Increase/decrease by 1%
Rate of mortality	Decrease by 1 year	Decrease by 6%

These sensitivities have been calculated to show the movement in the defined benefit obligations in isolation, and assuming no other changes in market conditions at the balance sheet date.

#### Defined benefit scheme assets

The movement in the fair value of the defined benefit scheme's assets is analysed below:

	Group		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Fair value of scheme assets at 1 January	437.2	381.9	166.2	154.6
Interest income	5.4	7.5	2.0	3.0
Inclusion of insurance policy assets	–	20.6	–	–
Return on plan assets excluding interest income	12.7	38.2	3.9	14.2
Contributions from the employer	11.0	12.0	4.6	4.8
Administrative expenses paid from plan assets	(2.0)	(1.7)	(0.8)	(0.7)
Benefits paid from plan	(24.3)	(21.3)	(9.8)	(9.7)
<b>Fair value of scheme assets at 31 December</b>	<b>440.0</b>	<b>437.2</b>	<b>166.1</b>	<b>166.2</b>

One of the schemes also holds insurance policies that pay an income into the scheme. At 31 December 2021 the assets were included within the fair value of the scheme assets.

At 31 December 2021, the assets were invested in a diversified portfolio that consisted primarily of investment funds and debt instruments. The fair value of the Scheme's assets are shown below:

Group	At 31 December 2021			At 31 December 2020		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Investment funds	9.1	156.6	165.7	8.7	213.7	222.4
Debt instruments	201.9	26.5	228.4	133.1	36.6	169.7
Cash and cash equivalents	21.7	5.0	26.7	24.4	(1.3)	23.1
Derivatives	–	(0.4)	(0.4)	–	1.4	1.4
Annuity policies	–	19.6	19.6	–	20.6	20.6
	<b>232.7</b>	<b>207.3</b>	<b>440.0</b>	<b>166.2</b>	<b>271.0</b>	<b>437.2</b>

Company	At 31 December 2021			At 31 December 2020		
	Quoted £m	Unquoted £m	Total £m	Quoted £m	Unquoted £m	Total £m
Investment funds	3.4	62.5	65.9	3.4	85.4	88.8
Debt instruments	81.4	9.0	90.4	53.4	14.1	67.5
Cash and cash equivalents	8.1	1.9	10.0	9.9	(0.5)	9.4
Derivatives	–	(0.2)	(0.2)	–	0.5	0.5
	<b>92.9</b>	<b>73.2</b>	<b>166.1</b>	<b>66.7</b>	<b>99.5</b>	<b>166.2</b>

**Defined benefit scheme obligations**

The movement in the present value of the defined benefit obligation is analysed below:

	Group		Company	
	2021 £m	2020 £m	2021 £m	2020 £m
Defined benefit obligation at 1 January	507.5	445.9	202.4	186.7
Experience loss/(gain)	16.3	(2.2)	1.4	(0.8)
Interest cost	6.2	8.7	2.4	3.6
Remeasurement losses	13.7	76.4	5.6	22.6
Benefits paid from the schemes	(24.3)	(21.3)	(9.8)	(9.7)
<b>Defined benefit obligation at 31 December</b>	<b>519.4</b>	<b>507.5</b>	<b>202.0</b>	<b>202.4</b>

The defined benefit obligation at 31 December 2021 includes an amount of £19.6m relating to the benefits payable to the holders of the annuity contracts.

**Amounts recognised through the income statement:**

Amounts recognised through the consolidated income statement are as follows:

	2021 £m	2020 £m
Amount charged to net operating expenses:		
Administration expenses	(2.0)	(1.7)
Amount charged to finance costs:		
Net interest expense	(0.8)	(1.2)
<b>Total charged in the consolidated income statement</b>	<b>(2.8)</b>	<b>(2.9)</b>

**Amounts recognised through the statement of comprehensive income:**

The amounts recognised in the consolidated statement of comprehensive income are:

	2021 £m	2020 £m
Return on plan assets excluding interest income	12.8	38.2
Actuarial (losses)/gains on liabilities arising from change in:		
– demographic assumptions	(42.5)	(5.5)
– financial assumptions	28.8	(50.2)
– experience adjustments	(16.3)	2.2
<b>Total recognised in the consolidated statement of comprehensive income</b>	<b>(17.2)</b>	<b>(15.3)</b>

**Funding arrangements**

Contribution rates to the scheme are determined by a qualified independent actuary on the basis of a triennial valuation using the projected unit method. The most recent triennial valuation was carried out as at 31 December 2020. This valuation resulted in a deficit of £116m on a pre-tax basis at 30 September 2021 compared to £127.0m on a pre-tax basis at the previous settlement date of 28 February 2019. The next triennial valuation will take place as at 31 December 2023.

Deficit recovery plans, which end on 31 October 2030, have been agreed with aggregate monthly payments unchanged from the previous recovery plans. The 2021 deficit recovery payments will total £9.3m, with annual payments then increasing at the rate of 2% per annum over the term of the recovery plans, in line with the previous agreement. A contingent cash mechanism remains in place. As previously, contingent funding payments equivalent to 20% of any outperformance above a benchmark of available cash will be paid to the schemes.

The recovery plans are designed to enable the schemes to reach a fully funded position, using prudent assumptions about the future, by 2030.

## Notes to the financial statements

For the year ended 31 December 2021

### 24. Share-based compensation

The purpose of the share-based compensation plans is to align the interests of management and employees with those of shareholders by providing incentives to improve the Company's performance on a long-term basis, thereby increasing shareholder value.

The Company has the following plans currently operating:

- i) Long-term incentive plans
- ii) Employee share plans

Total share-based compensation costs were £0.5m (2020: £0.2m).

#### i) Long-term incentive plans (LTIP)

The Group has a long-term incentive plan for Executive Directors and other senior executives. Awards are normally granted in the form of a right to acquire shares in the Company for a zero or nominal amount. Awards vest over a period of at least three years, subject to the satisfaction of performance conditions.

The performance measures are agreed by the Remuneration Committee based on what they consider to be aligned with the delivery of strategy and creation of long term shareholder value. The Committee has discretion to use different or additional measures or weightings to ensure that the LTIP remains appropriately aligned to the business strategy and objectives. The performance measures are based on a combination of earnings growth and total shareholder return and are valued based on an appropriate option pricing model.

The assumptions used for the 2021 LTIP valuation are:

	%
Risk-free interest rate expected	0.8
Dividend yield expected share	3.1
Price volatility	43.9

Awards granted under the Company's long term incentive plan that were outstanding at the end of the year had the following market prices at the date of award:

Year awarded	Market price on grant date £	2021 Number	2020 Number
2014 LTIP	3.40	1,873	1,873
2015 LTIP	4.25	1,607	1,607
2016 LTIP	3.67	3,755	3,755
2017 LTIP	3.65	7,118	16,318
2018 LTIP	3.23	–	348,025
2018 LTIP – Chief Executive	3.10	–	172,025
2019 LTIP	3.55	417,461	417,461
2020 LTIP	2.85	542,413	542,413
2021 LTIP	3.30	468,448	–

#### ii) Employee share plans

The employee share plans are open to all employees. They provide for a grant price approximately equal to 90% of the middle market quotation of a share on the dealing day last preceding the relevant date of invitation, as derived from the London Stock Exchange daily office list, and can be purchased once a year. There are currently 3 employee share plans outstanding and the exercise prices for options under these plans range from £2.72 to £3.60. At 31 December 2021 there were 439,369 (2020: 591,769) options outstanding under the plans. The employee share plans are valued using the Black and Scholes model.

#### Employee Benefits Trust

The Group has investments in its own shares as a result of shares purchased by the STV Employees' Benefit Trust ('EBT'). Transactions with the Group-sponsored EBT are included in these financial statements and consist of the EBT's purchases of shares in STV plc, which is accounted for as a reduction to retained earnings. The table below shows the number of STV plc shares held in the EBT at 31 December 2021 and the purchases/(releases) from the EBT made in the year to satisfy awards under the Group's share schemes disclosed above and in relation to shares awarded to certain employees for the achievement long term service milestones (Loyalty awards):

Scheme	Shares held at	Number of shares (released)/purchased	Nominal value £m
	1 January 2021	1,273,648	636,824
LTIP releases		(9,200)	
Deferred share releases		(30,372)	
SAYE releases		(1,031)	
Loyalty releases		(4,403)	
Shares purchased		21,659	
	<b>31 December 2021</b>	<b>1,250,301</b>	<b>625,150</b>

The total number of shares held by the EBT at 31 December 2021 represents 2.67% (2020: 3.25%) of STV's issued share capital. The market value of own shares held at 31 December 2021 is £4.3m (2020: £3.8m).

## 25. Financial risk management

### Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Company consists of debt, which includes the bank loans disclosed in note 18, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. The gearing ratios at 31 December 2021 and 2020 were as follows:

	2021 £m	2020 £m
Total borrowings (note 18)	14.4	22.7
Cash and cash equivalents	(14.7)	(5.2)
Net (cash)/debt	(0.3)	17.5
Total equity	(25.9)	(29.9)
Total capital	(26.2)	(12.4)
	1%	(141%)

### Covenants

The Group is subject to two financial covenants in respect of its committed borrowing facilities. The terms of the Facility Agreement contain the following covenants (i) the ratio of average net debt to adjusted earnings (pre exceptional) before interest, tax, depreciation and amortisation (EBITDA) and (ii) the ratio of adjusted EBITDA to cash interest, both of which are tested quarterly. The Group complied with all the covenants in each of the test periods to the balance sheet date.

### Derivative financial instruments

The Group's policy is to minimise the exposure to interest rates by ensuring an appropriate balance of floating and fixed rates. The Group's primary funding is at floating rates through its bank facilities. The Group has previously used interest rate swaps to vary the mix of fixed and floating rates. Interest rate swap contracts with a principal value of £nil (2020: £15.0m) were held in the year. The contracts matured on 9 July 2020 and were not replaced. In accordance with IFRS 13, the interest rate swaps are considered to be level 2 with the fair value being calculated at the present value of the estimated future cash flows using market interest rates. The fair value is based on the market price of these instruments at the balance sheet date.

### Financial risk management objectives

The Group's activities expose it to a variety of financial risks: currency risk, credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the Board with financial risks being identified, evaluated and hedged in close co-operation with the Group's operating divisions. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as currency risk, interest rate risk, credit risk, use of financial instruments and investing excess liquidity.

## Notes to the financial statements

For the year ended 31 December 2021

### 25. Financial risk management continued

#### a. Currency risk

The Group operates almost wholly within the UK and is exposed to minimal currency risk. The Group's borrowings are denominated in Sterling which is also the Group's intra-UK net currency flow. Currency risk arises primarily with respect to the Euro and the US dollar and from future commercial transactions and trade assets and liabilities in foreign currencies. No further active management of currency risk is required. The Group has minimal exposure to currency risk and it is Group policy to ensure that all material payments or receipts are fully hedged. At 31 December 2021 the Group had no forward foreign currency contracts in place (2020: £nil).

#### b. Credit risk

Credit risk is the risk of losses due to the failure of the Group's customers to meet their payment obligations towards the Group. In prior years, the only significant concentration of credit risk related to monies due from the Scottish Children's Lottery. The Group disposed of its lottery operation in the current year and therefore is no longer exposed to this risk. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. Independent credit ratings are sought for all potential customers and based on the outcome of the feedback from the ratings agency, a judgement is made on the appropriate level of credit to be given. Derivative transaction counterparties are limited to high-credit/quality financial institutions.

#### c. Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations. Prudent liquidity management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the nature of the underlying business, the aim is to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising the undrawn borrowing facility (note 18) and cash and cash equivalents) on the basis of expected cash flow. This is generally carried out at a Group level. In addition, the Group's liquidity management policy includes projecting cash flows and considering the level of liquid assets necessary to meet these: monitoring balance sheet liquidity ratios against internal targets and bank facility requirements; and maintaining debt financing plans.

#### d. Cash flow interest rate risk

As the Group has no significant interest bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at short-term floating rates expose the Group to cash flow interest rate risk.

Regular sensitivity analysis is carried out, and on the level of borrowings of the Group at 31 December 2021, a movement of 0.25% in interest rates would change the level of interest paid in the year by +/- £0.1m (2020: £0.1m). 0.25% is considered a reasonably possible change.

### 26. Transactions with related parties

#### Key management compensation

Key management personnel are deemed to be the Executive and Non-Executive Directors of the Group, as they have authority and responsibility for controlling the Group's activities. Key management remuneration is detailed as follows:

	2021 £m	2020 £m
Short-term employee benefits*	2.1	1.0

\* See the Directors' Remuneration Report on pages 73 to 87 for details.

#### Other related party transactions

During the year the Group acquired loan notes of £0.4m (2020: nil) from Two Cities Television Limited, an associate company, which will convert to equity when the company reaches profitability and the Group increases its shareholding to be a majority stake. At the balance sheet date nil (2020: nil) was outstanding. In addition, the Group has agreed to provide programme production financing to Two Cities for the production of Blue Lights, a drama series commissioned by the BBC and scheduled for delivery in 2022. £0.6m was drawn down at the balance sheet date, with the facility maturing at the end of September 2022 by which time all monies will be repaid.

The Group provided advertising with an estimated fair value of £0.8m (2020: £0.6m) for nil consideration to the charity organisation STV Appeal.

Amounts paid to the Group's retirement benefit plans are set out in note 23.

## 27. Reconciliation of statutory results to adjusted results

In reporting financial information, the Group presents alternative performance measures (APMs) which are not defined or specified under the requirements of IFRS. The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the business.

The Group makes certain adjustments to the statutory profit measures to exclude the effects of exceptional items and adjust for other material amounts that it believes are distortive to the underlying trading performance of the Group. By presenting these alternative performance measures, the Group believes it is providing additional insight into the performance of the business that may be useful to stakeholders.

Below sets out a reconciliation of the statutory results to the adjusted results:

	2021			2020		
	Operating profit £m	Profit before tax £m	Basic earnings per share Pence	Operating profit £m	Profit before tax £m	Basic earnings per share Pence
<b>Statutory result</b>	<b>21.6</b>	<b>20.1</b>	<b>42.7p</b>	17.7	6.7	18.2p
Exceptional items (note 7)	1.7	0.8	1.1p	0.5	8.7	17.0p
<b>Result for the year before exceptional items</b>	<b>23.3</b>	<b>20.9</b>	<b>43.8p</b>	18.2	15.4	35.2p
IAS 19 net finance costs	–	0.8	1.8p	–	1.2	2.3p
High-End Television tax credits	1.9	1.9	–	–	–	–
<b>Adjusted result</b>	<b>25.2</b>	<b>23.6</b>	<b>45.6p</b>	18.2	16.6	37.5p

IAS 19 related items, principally the net interest expense included in the income statement, are excluded from non-statutory measures as they are non-cash items that relate to historical defined benefit pension schemes.

The Group meets the eligibility criteria to claim HETV tax relief through the production of certain dramas created in its Studios division. This incentive was introduced in the UK to support the creative industries and is a critical factor when assessing the viability of investment decisions in the production of high-end drama programmes. These production tax credits are reported within the total tax charge in the Consolidated Income Statement in accordance with IAS 12. However, STV considers the HETV tax credits to be a contribution to production costs and therefore more aligned to working capital in nature. Therefore, the adjusted results for the Group reflect these credits as a contribution to operating cost and not a tax item.

## 28. Contingent liabilities

### Company

Under a group registration for Value Added Tax, the companies within the Group are jointly and severally liable for Value Added Tax due by any member of the group registration. At 31 December 2021, the Value Added Tax payable by other members of the group registration amounted to £5.0m (2020: £5.2m).

## 29. Post balance sheet events

On 9 March 2022, the Group announced it had acquired a 25% stake in quiz show producer, Mighty Productions, and extended its existing co-development and co-production agreement with Tod Productions for a further 3 years.

## Five year summary

For the year ended 31 December 2021

	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m
<b>Results</b>					
Revenue	117.0	125.9	123.8	107.1	<b>144.5</b>
Profit from operations before exceptional items	19.0	20.1	22.6	18.2	<b>23.3</b>
Profit on ordinary activities before taxation and exceptional items	15.5	17.2	19.0	15.4	<b>20.9</b>
<b>Assets</b>					
Non-current assets	39.2	40.1	52.0	50.1	<b>60.1</b>
Current assets	53.4	43.4	41.0	46.2	<b>62.5</b>
Total assets	92.6	83.5	93.0	96.3	<b>122.6</b>
<b>Equity and liabilities</b>					
Current liabilities	18.6	21.5	22.0	24.1	<b>35.0</b>
Non-current liabilities	112.3	121.1	118.3	102.1	<b>113.5</b>
Equity attributable to the owners	(38.3)	(59.1)	(47.1)	(29.8)	<b>(25.8)</b>
Non-controlling interests	–	–	(0.2)	(0.1)	<b>(0.1)</b>
Total equity and liabilities	92.6	83.5	93.0	96.3	<b>122.6</b>
<b>Key statistics</b>					
Earnings per ordinary share – basic	30.1p	4.2p	41.7p	18.2p	<b>42.7p</b>
– diluted	29.6p	4.1p	40.3p	17.5p	<b>41.0p</b>
Dividends per ordinary share	17.0p	20.0p	6.3p	9.0p	<b>11.0p</b>



# Corporate advisers

## Registrars

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## Company registration number

SC203873

## Annual Report on internet

The 2021 Annual Report of STV Group plc including the financial statements is available at: [www.stvplc.tv](http://www.stvplc.tv)

## Investor relations

For investor enquiries please contact:

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\* Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Lines are open between 9am-5:30pm, Monday to Friday excluding public holidays in England and Wales.

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## Shareholder services

### Share price information

The share price of STV Group plc is published in most newspapers and the current price of the Company's shares (delayed by up to 15 minutes) can be obtained from the Company's website [www.stvplc.tv](http://www.stvplc.tv)

### Individual Savings Accounts (ISAs)

The Company has Maxi and Mini ISAs which offer United Kingdom resident shareholders a simple, low-cost and tax efficient way to invest in the Company's shares. Full details and an application form are available from Stocktrade, a division of Brewin Dolphin Securities Limited, on: 0131 240 0441.

### Shareholder queries

If you have any questions in relation to your shareholding, please contact Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL; email: [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk); telephone +44 (0) 371 664 0300\*.

### Shareholder portal

You can register online to view your holdings using the Shareholder Portal, a service offered by Link Group at [www.signalshares.com](http://www.signalshares.com). The Shareholder Portal is an online service enabling you to quickly and easily access and maintain your shareholding online – reducing the need for paperwork and providing 24 hour access for your convenience. Through the Shareholder Portal you may:

- Cast your proxy vote online
- View your holding balance and get an indicative valuation
- View movements on your holding
- View the dividend payments you have received
- Update your address
- Register and change bank mandate instructions so that dividends can be paid directly to your bank account
- Elect to receive shareholder communications electronically
- Access a wide range of shareholder information including the ability to download shareholder forms

### Dividend payment options

**UK shareholders:** STV normally pays dividends twice each year and we would like to encourage you to elect to have your dividends paid directly into your bank account. This is a more secure method of payment and avoids delays or cheques being lost. You can sign up for this service on the Shareholder Portal [www.signalshares.com](http://www.signalshares.com). This will allow you to receive all future dividends direct to your chosen account.

**Non-UK shareholders:** If you are resident outside the UK you can have any dividends in excess of £10 paid into your bank account directly via Link Group international payments service. Details and terms and conditions may be viewed at <https://ww2.linkassetservices.com/ips>

\* Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Lines are open between 9am-5:30pm, Monday to Friday excluding public holidays in England and Wales.





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