



ITV plc Annual Report and Accounts
for the year ended 31 December 2019

Accelerating ITV's digital transformation



We are More than TV.

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

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

Our strategic vision

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



Key financial highlights

Group external revenue¹

£3,308m
(+3%) (2018: £3,211m)

Non-advertising revenue²

£2,117m
(+7%) (2018: £1,971m)

Adjusted EBITA³

£729m
(-10%) (2018: £810m)

Adjusted EPS

13.9p
(-10%) (2018: 15.4p)

Dividend per share (ordinary)

8.0p
(2018: 8.0p)

Statutory EBITA

£693m
(-12%) (2018: £785m)

Statutory EPS

11.8p
(+1%) (2018: 11.7p)

Leverage⁴

1.0x
(2018: 1.1x)

Notes

Alternative Performance Measures

We use both statutory and adjusted measures in our Strategic Report. The latter, in management's view, reflects the underlying performance of the business and provides a more meaningful comparison of how the business is managed and measured day-to-day. A full reconciliation between our reported and adjusted results is provided in our Alternative Performance Measures section on pages 52 and 53. Our KPIs are set out on pages 26 to 29.

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

Corporate website

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

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Strategic Report

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

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

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

ITV delivered a good performance in 2019, with the full year results ahead of expectations, and made significant progress in executing our strategy to build a digitally led media and entertainment company.

+13%

increase in Online viewing

98%

of all commercial audiences over 5 million were on ITV (2018: 98%)



>1.0m

subscribers of BritBox US

▲ **Bradley Walsh & Son: Breaking Dad** was ITV's most watched pre-watershed documentary in more than a decade, with an average audience of 6.1 million.

▶ **The 2019 Rugby World Cup** final was the most watched sport's programme of the year with an average match audience of 11.8 million.



2019 Highlights

+9%

increase in ITV Studios total revenue

▶ **The Chase** had its best ever series in the UK in 2019. It averaged 3.4 million viewers, up 4% on 2018.





► **I'm A Celebrity...Get Me Out Of Here!** was the most watched entertainment series of the year in the UK, including for 16–34s, with an average of 10.6 million viewers.

▼ **Coronation Street** remains the UK's most watched soap, with an average of 6.8 million viewers across all devices. It celebrates its 60th anniversary in 2020 making it the world's longest running soap.



58%

of ITV Studios total revenue generated outside the UK



95%

increase in original hours of content supplied to over-the-top (OTT) providers by ITV Studios

▲ **Manhunt** was the most watched new drama on any channel in 2019, and ITV's most watched new drama in six years. It averaged nine million viewers.

◀ **Good Morning Britain** had its best year ever, averaging 0.8 million viewers a day, up 3% on 2018.



ITV at a Glance

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

ITV Studios



We have built significant scale in key creative markets around the world, creating and producing programmes and formats that return and travel, namely drama, entertainment and factual.

ITV Studios creates and produces content in the UK and internationally across 13 countries, while our global formats and distribution business sells, commercialises and distributes formats and finished programmes worldwide.

46,000+ hrs

of content in our catalogue

50+ labels

in 13 different countries
supplying over 200 channels
or platforms

**62 ITV
formats**

sold in 2019
(2018: 57 ITV formats)

ITV Studios UK

ITV Studios UK is the largest commercial producer in the UK. We produce programming across a diverse range of genres, such as drama, entertainment and factual entertainment for ITV's own channels, as well as for other UK broadcasters such as the BBC, Channel 4, Channel 5 and Sky.

ITV Studios International

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

ITV Studios US

ITV Studios US is underpinned by the production of unscripted content (through ITV America). However, we have been growing our presence in the scripted content market (through ITV Studios America), using our strong cash flows to produce high-profile dramas with the potential to travel and build international appeal. We sell to over 30 broadcasters and platform owners across the US.

Global formats and distribution

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



▲ **Snowpiercer** is a scripted production by Tomorrow Studios. It will air on TNT in the US, and Netflix globally.

► **The Voice** remains a successful global format. The Voice is produced in 70 countries, with The Voice Kids in 40 countries.

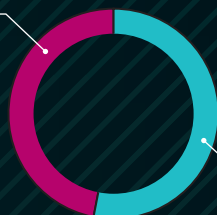


ITV total revenue

ITV Studios

£1,822m

(2018: £1,670m)



Broadcast

£2,063m

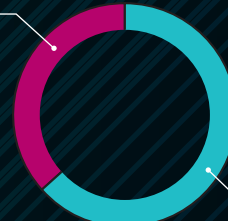
(2018: £2,096m)

ITV adjusted EBITA

ITV Studios

£267m

(2018: £255m)



Broadcast

£462m

(2018: £555m)

Broadcast



We operate the largest family of free-to-air commercial channels in the UK, and deliver our content through linear television broadcasting and on demand via the ITV Hub.

Our investment in programming is primarily funded by television and online advertising revenue. We sell all of our key demographics across 13 regional licences, with more targeted advertising on the ITV Hub.

23.2%

share of viewing for the ITV Family in 2019
(2018: 23.2%)

6%

increase in 16-34s share of viewing on ITV2 to 6.4%
(2018: 6.0%)

31m

registered user accounts on the ITV Hub, up 12%
(2018: 28m)

Our family of channels consists of ITV main channel, which is the largest commercial channel in the UK, ITV2 and ITV3 – the two largest digital channels in the UK, ITV4, ITVBe, and CITV.

In addition to linear broadcast, ITV delivers its content across multiple platforms. This is either through our advertiser funded OTT service, the ITV Hub, pay providers such as Virgin and Sky,

and through direct content deals with services such as Amazon and Apple.

itv

itv2

itv3

itv4

itvBe.

CITV

itv
HUB

Direct to Consumer



ITV generates revenue directly from consumers through subscription video on demand (SVOD) services, competitions, live events, gaming and merchandise.

ITV has several SVOD services including BritBox UK, ITV Hub+, and BritBox US and Canada. BritBox UK has the largest collection of British box sets and is controlled by ITV, with the BBC as a strategic and equity partner,

Channel 4 and Channel 5 as content partners, and EE and BT as distribution partners.

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

The ITV Hub+ is an ad-free version of the ITV Hub, which also allows download and EU portability currently.



ITV also holds an equity stake in a British content SVOD service, Cirkus, in the Nordics, Germany, Austria and Switzerland.

£84m

Direct to Consumer revenue in 2019
(2018: £81m)

itv
HUB+

britbox
POWERED BY BBC & itv

itv
WIN

Chairman's Statement

Delivering compelling programmes in the UK and internationally is at the heart of everything ITV does. We tell great stories, many with a clear public purpose. We fund this by selling our programmes and by maintaining a trusted place in which brands are happy to advertise.

Beyond our important mass audience channels, we increasingly engage with audiences and advertisers via our online services and also with broadcasters and online platforms through our global production business. This is developing rapidly through the execution of our strategy. We're diversifying the business and becoming a truly digital media and entertainment company.

All our stakeholders – our viewers, customers and partners, citizens, legislators and regulators, programme participants, colleagues and shareholders and debt investors – are very important to us. Our Board discussions consider each of them – how we engage with them, how we respond to their views and concerns and how we can better deliver for them. You can read further information on how they and their interests have been considered in Board discussions on pages 89 to 92. But here's how we think about them:

Viewers, customers and partners

Our growing Studios business works closely with broadcasters and, increasingly, platform owners in the UK and internationally. It creates and produces the quality content that drives engagement and audiences.

We remain the largest commercial broadcaster in the UK. We reach millions of people every day with our news, entertainment and drama, produced at our centres across the Nations and Regions. We're thus an important part of the national conversation.

2019 has been a year of significant progress for ITV as we build a future-facing, truly digital media and entertainment company. I'd like to thank all my colleagues for working hard during the year to turn digital threats into opportunities. We look forward to 2020.



All our stakeholders are very important to us. Our Board discussions consider each of them – how we engage with them, how we respond to their views and concerns and how we can better deliver for them.

Sir Peter Bazalgette
Chairman

In 2019 we maintained our share of linear TV viewing in the UK, the second highest in a decade, and we continue to deliver significant growth in online viewing as viewers choose to watch our content in different ways.

We're increasingly building one-to-one relationships with consumers through our Direct to Consumer business – whether it's the ITV Hub+, BritBox US or the recent launch of BritBox in the UK. And, through improved data insights and research, we'll better understand what and how viewers want to watch.

We're establishing stronger creative and commercial partnerships with brands in the UK around big entertainment programmes, sports tournaments and our drama season. These partnerships fund our investment in compelling content that entertains viewers and delivers effective, safe and innovative marketing opportunities for our advertisers.

Maintaining strong and mutually beneficial relationships with our key partners and suppliers is very important to delivering our strategy and upholding our values. ITV has well established supplier governance processes in place with our key relationships to ensure ITV's standards are maintained throughout the value chain, for example with regards to modern slavery.

Citizens

In 2019 we launched our new Social Purpose strategy which aims to use the power of TV and ITV's enviable reach to help shape culture for good.

This year we started our campaign for healthier eating – Eat Them to Defeat Them – which has encouraged an extra 18 million servings of vegetables to be bought. We're promoting this again in 2020, with Channel 4 and Sky joining the campaign. We've also launched our mental health campaign, Britain Get Talking, which has led to 2.8 million people taking action to support the mental health of family and friends. The ITV2 *Blood Squad* blood donation campaign was even bigger and better this year. And we launched The Rundown, a digital news service on Instagram and Snapchat, aimed at 14 to 17 year olds.

Sustainability is becoming an increasingly important item on our Board's agenda. And we won't just focus on financial metrics. ITV considers wider sustainable growth as critical, including reducing carbon emissions, aiming for zero waste and ensuring responsible resourcing. ITV is now carbon neutral and has no single use plastics in its major sites. We have published ambitious environmental targets in these areas.

Programme participants

The health and safety of everyone who takes part in our programmes is our highest priority. In 2019 ITV introduced refreshed and enhanced processes and guidance for producers, to manage and support the mental health and wellbeing of programme participants before, during and after production. These processes are constantly under review with the advice of third-party specialists. We'll ensure they remain appropriate and relevant. Key elements are enshrined in the producer guidelines for all our programme suppliers outlining what we deem to be best practice. They include reference to the proposed new Ofcom rules for the protection of adult participants.

ITV's Duty of Care Charter details our commitment to the care we take for the physical and mental health and wellbeing of amongst others, those participating in our productions. It contains a comprehensive operational risk process through which we identify risks to both physical and mental health and put in place measures to manage them appropriately.

ITV has also announced the creation of a Mental Health Advisory Group. This will provide guidance and support for all aspects of ITV's approach to mental health and wellbeing among its people, production teams and participants.

In 2019 ITV took the decision to end the production of The Jeremy Kyle Show.

Legislators and regulators

As a public service broadcaster and a quoted company we have public service obligations and legal and regulatory obligations: paying the appropriate tax; producing popular 'Soaps' that unpack social issues; and providing impartial regional, national and international news. Late 2019 saw a general election in which our news services were once again to the fore – democracy cannot function without a citizenry informed by trusted and impartial sources of information.

We work closely with regulators, politicians and policy makers to ensure that we fulfil our obligations. We also engage with them on new initiatives, for example this year with Ofcom on our strategic partnership with the BBC to launch BritBox UK.

Colleagues

Our performance in 2019 is a reflection of the hard work and commitment of our 6,000 colleagues globally. Attracting and retaining diverse creative and commercial talent is key to our success. We run an Ambassador network across all our offices with which our Senior Independent Director, Edward Bonham Carter, liaises closely, as our designated Board link to our workforce.

During the year we ran a programme of 19 roadshows in the UK and internationally to give our colleagues the opportunity to hear directly from and question our Chief Executive (CEO), Carolyn McCall, and other members of the management team. Feedback from these roadshows is informing the Board's meeting agenda for 2020 and beyond. We have also undertaken a full employee engagement survey to give everyone the opportunity to provide their feedback anonymously.

We run five active networks for our colleagues, including Able – our network for disability – which we launched in 2019. We published ambitious diversity targets this year which we are striving hard to achieve.

That work goes on to ensure our Board and our Company reflect true diversity.

Shareholders and debt investors

ITV is focusing on driving shareholder value through delivering its strategy. In 2019, ITV again delivered a solid operating performance in an uncertain economic and political environment. Total external revenue grew by 3%. Earnings per share decreased by 10%. This was due to the fall in total advertising and the investments we are making to deliver ITV's digital transformation. This will help build a robust and growing business in the future. The Board is proposing a full year dividend of 8.0p for 2019 and plans to pay another 8.0p dividend for 2020. The Board intends to announce a medium term dividend policy with the full year 2020 results, once greater clarity has been established on the economic environment and outlook in the UK following its departure from the European Union.

ITV engages with its shareholders on a regular basis, through one-to-one meetings, conferences and the Annual General Meeting (AGM). In 2019 this included a 'Meet the ITV Management' event giving investors and analysts an opportunity to meet the wider senior team. ITV also engaged with its debt investors in the UK and Continental Europe as part of its successful bond issue. The Board is also available to meet shareholders and this year members of the Board have engaged to discuss general investor questions and consult on the audit tender and Remuneration Policy. Shareholder feedback is frequently discussed and informs Board decisions.

2019 has been a year of significant progress for ITV as we build a future-facing, truly digital media and entertainment company. I'd like to thank all my colleagues for working hard during the year to turn digital threats into opportunities. We look forward to 2020.

Sir Peter Bazalgette
Chairman

Chief Executive's Report



Carolyn McCall
Chief Executive

ITV delivered a good performance in 2019 in spite of the uncertain economic and political environment. Full year results were ahead of expectations and we made good progress in executing our strategy to build a digitally led media and entertainment company.

We are growing our stable margin Studios business, transforming Broadcast and expanding our Direct to Consumer business. The investments in our strategic priorities are delivering. We are strengthening our creative talent in ITV Studios; accelerating the growth of ITV Hub; rolling out Planet V, our addressable advertising platform; strengthening our data and tech capabilities; and we successfully launched BritBox UK.

We are very focused on building a stronger, more diversified and structurally sound business. The media market is changing rapidly and our strategy continues to evolve to position ITV to take advantage of the opportunities in advertising video on demand (AVOD) and streaming, while mitigating the effect of competition for viewing.



We are very focused on building a stronger, more diversified and structurally sound business.



2019 Financial highlights

Total ITV revenue increased by 3% driven by 7% growth in total non-advertising revenue as we continue to diversify the business. **ITV Studios total revenue was up 9%** in 2019 with growth in all areas, particularly ITV Studios US and ITV Studios International. **Direct to Consumer revenues grew 4%** driven by ITV Hub+. **Broadcast revenues declined by 2%**, with continued strong **growth in online advertising, up 21%**, and growth in sponsorship and creative partnerships, more than offset by the decline in spot advertising revenues.

Adjusted EBITA and adjusted EPS declined by 10%. This was a result of the 1.5% decline in total advertising revenue and the strategic investments we are making to drive future growth in the schedule; the essential investments; and the launch of BritBox UK. ITV Studios adjusted EBITA was up 5% year-on-year at £267 million with an adjusted EBITA margin stable at 15% – firmly within our target range. Broadcast adjusted EBITA was down 17% at £462 million.

Statutory profit before tax fell by 7% to £530 million (2018: £567 million) which includes a £62 million gain on the sale of the London Television Centre (LTVc). Statutory EPS increased by 1% to 11.8p (2018: 11.7p), with the decline in statutory profit before tax offset by the decline in the reported effective tax rate, partly as a result of the sale of LTVc.

We were highly cash generative in 2019, with profit to cash conversion at 87% and our reported net debt to adjusted EBITDA leverage was 1.0x. We expect to continue to deliver good profit to cash conversion in 2020, and there are a number of one-off cash outflows which can be seen in further detail in the Finance Review on page 54.

Reflecting ITV's continued strong operational performance, the Board has proposed a full year dividend of 8.0p for 2019.

ITV purpose

We are focused on all our stakeholders: our viewers, our customers, partners, programme participants, regulators, government, shareholders and debt investors. Our own people are extremely important to us and we have a range of ways to ensure we listen to them and respond.

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

As a commercial public service broadcaster ITV is a major investor in regional creative economies. We create shared national moments and make programmes for people across the whole of the UK, available for free to everyone. We contribute to the health of democracy, providing trusted, impartial and high-quality local and national news.

It is our purpose and our culture which defines our organisation and everything we do.

Our strategic vision

Viewing habits, technological innovation and the competitive landscape are all developing. While television continues to reach 90% of the population each week, viewers and particularly younger viewers, are watching less live linear television. We continue to see strong growth in online viewing and particularly SVOD, which is now a significant feature of the market. Advertising is also changing with the rapid growth in online advertising and the market is becoming increasingly competitive.

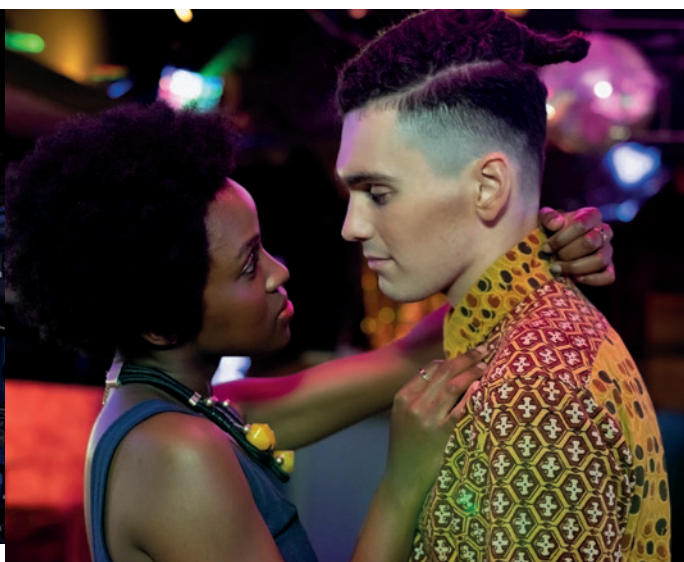
While ITV has a strong market position we recognise that we need to develop at pace to deliver future success and to mitigate the risks of the changing market. Our strategic vision is to be a digitally led media and entertainment company that creates and brings our brilliant content to audiences wherever, whenever and however they choose.

We have evolved our strategy to deliver this with three clear priorities:

- Continue to grow UK and Global Production
- Transform our Broadcast business, and
- Expand our Direct to Consumer activities

At the centre of this is the production and commissioning of great content, which we are able to monetise through our multiple touchpoints in three different business models: advertising through linear, online and creative partnerships around our brands; selling our content to broadcasters and platform owners; and directly to consumers through SVOD, merchandise, gaming, and events around our brands.

Being an integrated producer broadcaster gives us a competitive advantage. Owning and managing our own content enables us to drive maximum value from our intellectual property (IP). We also have a significant promotional engine and have the ability to cross promote across our business models.



◀ **Johnson v Corbyn: The ITV Debate** was the most watched TV debate of December's General Election with an average audience of 7.3 million viewers.

◀ **Noughts and Crosses** is a scripted title produced by Mammoth Screen (part of ITV Studios UK) for the BBC, and is due for broadcast in 2020.

Chief Executive's Report continued



Strategic progress in 2019

While there is a great deal to do to deliver our vision, we are making good progress and the benefits of the investments are already evident.

Growing UK and Global Production

ITV Studios is now a scaled international business, delivering good growth at a stable margin and we are well on track to deliver our target of a 5% average compound annual growth rate (CAGR) in total revenue at a 14% to 16% margin. In line with our strategy, we are growing scripted revenues strongly, up 37%, partly driven by the significant increase in the original hours commissioned by OTT platforms which was up 95%. ITV Studios has a large portfolio of successful formats that return and travel and increasingly we are producing them locally, therefore capturing the full margin. In 2019 we sold 62 formats with 14 sold in three or more countries. We continue to attract new creative talent and in 2019 two highly regarded producers, Patrick Spence and Dominic Treadwell-Collins, joined ITV. Reflecting growth in key global production markets, 58% of Studios revenue was generated outside the UK, up from 56% in 2018, and ITV Studios delivered 37% of ITV plc's adjusted EBITA.

We are also on track to deliver 10,000 production hours by 2021 but in 2019 this was impacted by the discontinuation of The Jeremy Kyle Show and a number of other high volume and lower value daytime programmes not returning in the UK and internationally.

Transforming Broadcast

In 2019 we repositioned the ITV brand to drive more light viewers and increase reach and we have seen an increase in share of viewing (SOV) for light viewers. As the media market is changing, we are now competing with SVOD platforms as well. Our brand consideration across all adults was down 6% as the streamers are reaching real scale and investing heavily in marketing. The cancellation of The Jeremy Kyle Show has affected this score. However, ITV outperformed our closest public service broadcasters (PSBs) with its decline in brand consideration lower than the other PSBs. Critical to our strategy is reaching light viewers and brand consideration for light viewers only declined by one percentage point. Given that light viewers is the measure we watch most closely, going forward we believe it is more appropriate to measure our light viewer brand consideration.

We have delivered a good viewing performance on-screen and online. We maintained ITV Family SOV at the second highest level for a decade. We continued to deliver mass audiences, with 98% of all commercial audiences over five million as well as key demographics, with 16–34's SOV on ITV2 up 6%. Total viewing, which combines live viewing of ITV channels, recorded and video on demand (VOD) was down 4%, impacted by the tough comparatives of the Football World Cup last year. Over two years, total viewing was down 2%.

Online viewing was strong, up 13%, with a 6% increase in dwell time and 28% increase in monthly active users. We are very pleased to already have 31 million registered users on the ITV Hub, ahead of our target of 30 million by 2021.

◀ **A Confession** was ITV Studios biggest new drama on ITV main channel, launching with 9.5 million viewers.

▶ **Gomorra** is an Italian crime drama, produced by Cattleya (part of ITV Studios International) for Sky. It is in its fourth season.

▼ **Hell's Kitchen US** remains a huge international format. Two seasons were produced by ITV America in 2019.



This performance has been driven by our great content and improved user experience, supported and enhanced by a process of continued development and investment around the user interface and our underlying digital platform.

We continue to invest in our data capabilities from a technical, value realisation, and compliance perspective. A better understanding of our data processing activities across the business enables us to manage privacy risk, whilst consolidating our data across the business. This enables us to drive viewing – scaling our recommendation model and optimising our marketing spend. It allows us to drive consumer revenues with our SVOD subscriber acquisition and churn models and grow our addressable advertising opportunities.

We have built and successfully started to run live programmatic addressable advertising campaigns delivered through Planet V, and this will ramp up in March. We saw very strong growth in online revenue in 2019 but this was more than offset by the decline in spot advertising revenues impacted by the political and economic uncertainty of 2019. ITV's proposition is strong giving immediate reach and scale to advertisers in a safe, trusted and transparent environment and the ITV Hub offers more targeted demographics and addressable advertising. In 2019 we also strengthened our client strategy team and our creative partnerships to drive our sponsorship and partnerships revenues.



Being an integrated producer broadcaster gives us a competitive advantage. Owning and managing our own content enables us to drive maximum value from our IP.

Our significant progress during the year has been enabled and supported by our tech investment and delivery. We have evolved the digital video platform which supports the ITV Hub, ITV Hub+ and BritBox; we have designed and built Planet V with our tech partner, Amobee; and evolved the audience data platform.

Expanding Direct to Consumer (DTC)

In November we successfully launched BritBox UK, the largest collection of British box sets all in one place, with the BBC as a strategic and equity partner, C4 and C5 as content partners and EE and BT as distribution partners. Early results show a good performance in line with our business plan, with brand awareness high following a successful advertising and brand launch. We are seeing strong subscriber appeal with the majority of customers converting to become paying subscribers after the free trial period. BritBox UK is now on ten platforms making it available on 15 million UK TV screens.

Our other SVOD platforms are performing well – ITV Hub+ has over 400,000 subscribers which is up over 50% year-on-year, and BritBox US has over one million subscribers and is profitable.

We are also driving competition revenues through our competition portal ITV Win, and we are building customer relationships and engagement around our key brands, including merchandise, live events and gaming.

Delivering our strategic vision

To deliver our strategic vision we have very clear priorities across the business.

Growing UK and Global Production

Demand for great content has never been stronger – so this continues to be a real growth opportunity. We will continue to grow our scripted business, where we are seeing strong demand, and increasingly from the OTT platforms; we will globalise and maximise the value of our key format and brands; and we will focus on organic growth with mergers and acquisitions (M&A) when appropriate.

Transforming Broadcast

ITV remains the only place to get mass simultaneous reach at scale and we continue to focus on light viewers and digital viewing. We will accelerate ITV Hub growth; grow addressable VOD; roll out Planet V; and build more strategic and creative partnerships with advertisers.

Expanding Direct to Consumer

As we build our relationships directly with consumers we will grow SVOD subscribers and optimise retention on BritBox UK; grow ITV Hub+; continue to develop and expand BritBox US and roll out BritBox internationally. We will also drive direct to consumer revenues through ITV Win and focused merchandise and events.

Priorities for 2020

We are very focused on the execution of our strategy and have specific priorities for 2020.

Growing UK and Global Production

We have three key priorities for ITV Studios. Firstly, integrating Talpa into ITV Studios and reorganising the distribution and commercial division into our three centres of excellence – The Creative Network, Global Distribution and Global Entertainment. This will enable ITV to create more hits, build international brands and formats more effectively and maximise the value of them.

Secondly, to further strengthen creative talent, in January we announced that Lisa Perrin will join ITV as Managing Director of ITV Studios International, bringing both creative and commercial expertise.

Thirdly, we are continuing to build and monetise a strong pipeline of programmes internationally; growing scripted; creating global formats; creating programmes for OTT platforms; and sustaining our core content for ITV Broadcast and Direct to Consumer.

Transforming Broadcast

Key to the strategy is delivering digital transformation in Broadcast using data, tech and analytics effectively (see further detail below). We will also accelerate the growth of the ITV Hub to increase viewing and monetisable monthly active users (MAUs). We will do this by strengthening our content offering, further improving the user experience with increased personalisation, better navigation and features, and enhancing its prominence. We will further roll out and embed Planet V and key to this is a strong VOD offering. We will continue to work more closely with advertisers through our strategic and creative partnership teams to further drive our advertising revenues.

A strong schedule which drives the audiences needed by advertisers and the engagement of our viewers is essential. We are focused on driving mass simultaneous audiences, light viewers, live audiences, digital and young viewers. In 2020 we will increase our schedule cost investment to around £1.11 billion.

Our marketing plans will be focused on driving light viewers and ITV Hub viewers, with programme prioritisation and equal billing for the ITV Hub, and smarter use of our data assets.

Expanding Direct to Consumer

We will grow our subscription business through BritBox UK, BritBox US and the ITV Hub+.

Our priorities for BritBox UK are growing distribution, strengthening the content offering and continuing to deliver effective

Chief Executive's Report continued



▲ **Riding the Dream** was a documentary on ITV, following Khadijah Mellah, the first female British Muslim jockey to win a UK race.

◀ **The Graham Norton Show** is produced by So Television (part of ITV Studios UK) for the BBC and has been broadcast for 12 years.

marketing. We have a good pipeline of new content coming onto BritBox with C4 in Q2, Film4 in Q3 and our first original commission, Spitting Image, expected in Q4. With our EE distribution partnership going live in Q1 and BritBox UK becoming available on YouView and all Freeview Play devices in Q2, BritBox UK will be available on 20 million UK TV screens in the spring. Our marketing will be very focused around these planned content and distribution launches. While there is clearly increasing competition in the SVOD market, research shows that there continues to be strong demand for uniquely British content and for multiple subscriptions. BARB data shows the annual growth in homes with any SVOD service is 16% and the growth in homes with multiple services is 37% year-on-year, with over five million homes now having more than one subscription.

We are continuing to develop the ITV Hub+ and BritBox US, and in 2020 we will be launching BritBox in Australia and will work to identify other possible international markets.

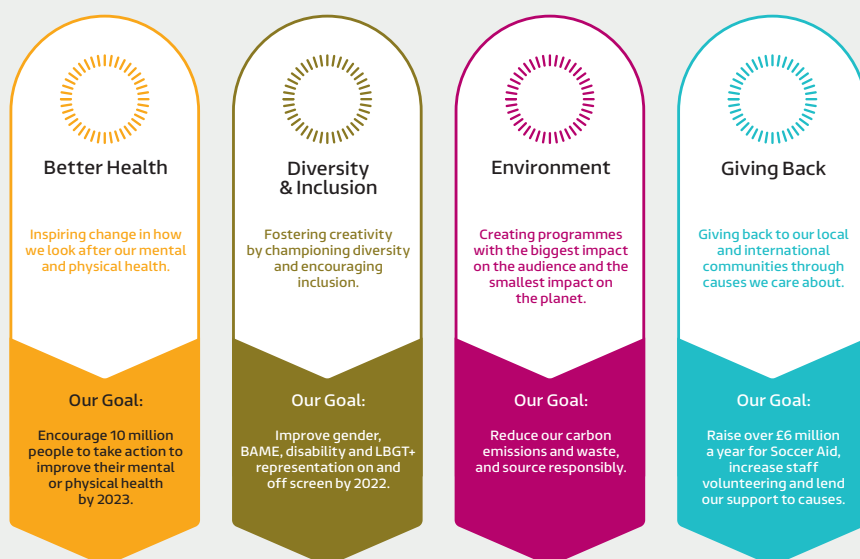
Our other DTC activities will include further growing the ITV Win competition portal and focusing on fewer, more valuable activities and products around our key successful brands. For example, through introducing an I'm A Celebrity live attraction, scaling the Hell's Kitchen and Love Island games and growing merchandising globally. We have decided to stop low margin pay per view Boxing.

Enablers

To deliver the strategy, we need to do four things extremely well: ensure we have the right capabilities, skills, tools and culture to be more agile and flexible; manage our rights effectively to maximise the value of our IP; build strong partnerships to improve the

Social Purpose strategy – shaping culture for good

With the massive reach of our platforms, our much-loved shows and creative talent, we have a unique ability to drive meaningful change. In 2019, ITV launched its new Social Purpose strategy, setting ambitious targets **to shape culture for good**. We have identified four priority areas in which we are committed to making a difference, both on and off-screen.



See Social Purpose on pages 44 to 49

distribution, discoverability and prominence of all our content; and deliver digital transformation right across the business.

This includes work in three areas. Firstly, in growing our consumer facing products – ITV Hub, ITV Hub+, BritBox, ITV Win and our programme apps.

Secondly, it includes digitising our content supply chain and core processes. We are embedding data-driven insights and automation into our processes which will deliver efficiency gains, business agility, operational scale and revenue uplift. We have already started a project to provide our scheduling teams with modern digital planning tools and data enabled real-time insights. We will also shortly be launching our rights management project.

Thirdly, we are looking in depth at our core central functions. We recognise that to deliver new digital models and ways of working we need to invest in developing new capabilities across ITV. This means ensuring teams have the rights tools and skills and our culture is shifting to embrace digital ways of working. We have already delivered Talent Pay, a new system to pay our talent, and we are now working on FreeCon which will enable efficient management of the entire freelance contracting process. We have also launched a workplace tech project to ensure people have the right tools and this will help smart working.

Investments and cost savings

Delivering our strategy and ensuring ITV has a sustainable future requires investment – in the schedule, in BritBox UK and in data, tech and the ITV Hub.

In 2018, we set out our £60 million essential investment plan over three years to 2021, which is on track. In 2019 we invested £32 million, which is lower than previously guided principally due to the timing of payments in relation to our addressable advertising platform which will now fall in 2020. As previously announced these investments will be partly offset by cost savings. We continue to target £55 million to £60 million of savings by 2022. We delivered £25 million in 2019, ahead of our £20 million target.

BritBox UK venture losses were £21 million in 2019 and we expect the venture losses to be around £55 million to £60 million in 2020, broadly equivalent to the net investment we previously guided to.

Social purpose

As a commercial public service broadcaster and a responsible business, our social purpose is very important to our people and to delivering our strategy. With the massive reach of our platforms, our much-loved

shows and creative talent, we have a unique ability to drive meaningful change. We recognise the climate crisis, and the role we must play in mitigating the impact on both the wider world and our business.

In 2019, we launched our new Social Purpose strategy, setting ambitious targets to shape culture for good. We've identified four priority areas in which we are committed to making a difference, both on-screen and behind the screens. These are:

- Better Health – inspiring change in how we look after our mental and physical health
- Environment – creating programmes with the biggest impact on the audience and the smallest impact on the planet
- Giving Back – giving back to our local and international communities through causes we care about
- Diversity and Inclusion – fostering creativity by embracing diversity and encouraging inclusion.

We have made a good start in 2019. We launched our five year mental wellness campaign, including our on-air campaign Britain Get Talking, which was the most well-known mental health campaign of the autumn. We have signed up for and support the Taskforce for Climate-related Financial Disclosures (TCFD) and were carbon neutral in 2019. We helped raise £7.9 million for Unicef with Soccer Aid and we continue to work hard to try and ensure that ITV reflects and represents society on and off-screen.

Colleagues

Our people are the driving force of ITV and are vital to our success as a business. I want ITV to be a nurturing and inclusive company where everyone can reach their full potential and thrive. We have five active colleague networks to help strengthen and build our diverse and inclusive environment and I have set up the ITV Inclusion and Diversity Council to share and learn how to drive our progress in this area. And the ITV Way reinforces our values, defines our ways of working and how we treat each other.

Our ambition is to be the most flexible employer across the media and entertainment industry and we launched Smart Working in 2019. Our investment in technology and our digital transformation will help deliver this.

Regulation

In 2018 the Government announced the Second Chapter in its Obesity strategy. As part of that, there was a consultation which closed in June 2019 on the possibility of introducing a 9pm watershed on TV advertising of High Fat Salt and Sugar (HFSS) products and similar protection for children viewing adverts online. The government consultation also included

an option to make no change to the current rules and it has committed to explore options to ensure that any restrictions are proportionate and evidence based. We are fully engaged with this process and believe that there is a strong, evidence-based case for alternatives to a pre 9pm ban.

The Company continues to keep the potential implications of the UK's departure from the European Union under review. Workstreams are in place across the business to identify, manage and mitigate the impact across advertising, broadcast licensing, tax, data, copyright and IP. The most significant risk is the potential impact on the wider advertising market.

Outlook

Our outlook for the full year 2020 remains on track to deliver our medium term targets. We have started the year well with very strong online viewing up 89% driven particularly by The Masked Singer and Love Island. ITV's Family SOV is flat year to date and, we have a strong schedule coming up with the return of Saturday Night Takeaway, new entertainment show The Epic Gameshow, dramas including the second series of The Bay, and Quiz, and the European Football Championships.

Total advertising revenue is expected to be up 2% in Q1. Early indications are that total advertising revenue will be down 10% in April. In March and April, we have seen an impact from travel advertising deferrals relating to the Coronavirus. All deferrals to date have been included in this guidance.

Despite the ongoing uncertainty around the outlook for the UK following its departure from the European Union we currently remain on track to deliver our medium term targets. At this stage it is too difficult to assess the further implications of the Coronavirus but we continue to monitor the situation closely.

We are clear about what we need to do and it requires a relentless focus on delivery to build a stronger, more diversified and structurally sound business. Our people have embraced the changes we are making and are fully committed and enthusiastic about delivering the strategy. I would like to thank everyone for their hard work in what has been a very busy year at ITV.

We have strong foundations in place and the next phase of the strategy will further position ITV to take advantage of evolving viewing and advertising trends as we become a digitally led media and entertainment company. In line with 2018 and 2019, the Board intends to pay another 8.0p dividend in 2020.

Carolyn McCall
Chief Executive



▲ **Poldark** is produced by Mammoth Screen (part of ITV Studios UK) for the BBC. The fifth and final series was broadcast in 2019. It has sold to 190 countries since it began in 2015.

Investor Proposition

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

A strong platform for delivery

ITV is an increasingly global and diversified business, with more than half of ITV total revenue coming from non-advertising.

However, the market continues to change and we have a vision and strategy to build on ITV's unique and winning combination of creativity and commercial strength. We have clear priorities and initiatives which we believe will deliver growth and strengthen ITV to ensure that it is well positioned to address the opportunities and challenges of a competitive media landscape. We are continuing to grow our stable margin Studios business, transforming Broadcast, and expanding our Direct to Consumer business.

We have delivered a good operational performance in 2019, despite the economic and political uncertainty, which means we are executing the strategy from a position of strength.

87%



profit to cash conversion
(2018: 88%)

Good cash generation

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

Unique market position

As an Integrated Producer Broadcaster, ITV is in a unique position to create and own world-class content, broadcast it on one of the biggest and most trusted marketing platforms in the UK, distribute it globally through its international network and use it to build valuable relationships directly with consumers. Therefore we drive revenue and profit through three different business models – advertisers, broadcasters and platform owners, and consumers.

ITV Studios is a strong and scaled international production business, creating, owning and managing rights. We will continue to grow in key creative markets, driving value from the strong demand for new and returning quality content from new and established distribution platforms.

Broader market uncertainty has impacted the advertising market and ITV is sensitive to this. However, our on-screen and online viewing performance is strong. We continue to deliver unrivalled audience scale and reach and creative marketing solutions for advertisers as well as addressable advertising on the ITV Hub. With trusted and engaging brands ITV is well positioned to create value by developing and nurturing direct relationships with our viewers, where people want to spend money on a range of content and experiences.

Attractive investment opportunities

We have highlighted a number of investment opportunities across the business, to strengthen and grow the business. Areas of focus for this investment are in BritBox, in the ITV Hub and in data, analytics and technology which we will embed right across the business as we drive our digital transformation. These investments will partly be funded by cost savings as we become a more lean and agile organisation.

54%



of total revenue is from non-advertising revenue streams (2018: 52%)

8.0p



full year dividend proposed by the Board (2018: 8.0p)

Shareholder returns

Reflecting ITV's continued strong operating performance, the Board has proposed a dividend of 8.0p for 2019 in line with its intention. The Board plans to pay another 8.0p dividend for the full year 2020. The Board intends to announce a medium-term dividend policy with the full year 2020 results, once greater clarity has been established on the economic environment and outlook in the UK following its departure from the European Union.

Market Review

The market environment in which we operate is dynamic, increasingly competitive and rapidly changing. Consolidation of media and telecoms companies, the increasing influence of technology and data, growing consumer demands and the evolution in the way viewers consume media, bring both challenges and exciting opportunities.

Key market trends

Global demand for content has grown strongly over recent years, driven by the evolution in the delivery and availability of content, with a substantial increase in the number of ways to consume content. Viewers are able to choose from a variety of free and pay platforms to watch live, catch up, and box set content. This, along with the significant growth of online players, including Netflix, Amazon, YouTube and Facebook, has led to significant growth in online viewing.

The growth in demand for content can be further attributed to a number of other factors, including: a larger international pay television market; the consolidation of pay providers with content companies and distributors; convergence in the television market, where telecoms and new media companies are competing with traditional media companies for content and viewers; new and established online players, such as Disney, Apple, Netflix and Amazon investing heavily in new original and local content to drive viewing and attract subscribers; and online advertising-driven platforms, such as Google and Facebook creating a new market for short-form and digital content.

Viewers are demanding high-quality global and local content, and the proliferation of channels and platforms looking for brand-defining content has increased viewer expectations. This has driven an increase in production costs of some content, particularly scripted due to rising talent costs.

We have also seen changes in the advertising market which has become more competitive over recent years. Online advertising has grown rapidly with Google and Facebook dominating the market for search, online video and display.

Global content

Scripted

UK

In the UK, we see higher demand and stronger viewing figures for domestically produced content over imported series. Original, high-quality scripted content is central to our strategy and essential for the growth of broadcasters and OTT players, with its ability to drive viewing.

We are a major producer of scripted content delivering some of the most unmissable scripted content in 2019 both on and off ITV, including *The Bay*, *A Confession*, *Vera*, *Gold Digger*, *Poldark*, *Line of Duty* and *World on Fire*.

The deficit on high-cost productions is covered through global and secondary sales, with our strategy of making content available in different territories, on different broadcasters or OTT platforms and at different times, either exclusively or non-exclusively, in order to maximise overall revenues. As a distributor as well as a producer, ITV is in a strong position to deficit finance its own productions and therefore produce high-quality content and retain the rights to it as well as acquiring rights for third-party productions.



▲ **World on Fire** was produced by Mammoth Screen (part of ITV Studios UK) for the BBC in 2019.

US

The US dominates global production and is the largest content market in the world. This represents a significant opportunity for ITV Studios America (scripted division of ITV Studios US), which while a small producer in US scripted, has a strong, and growing presence in this genre.

As with the UK, the market continues to see a significant increase in demand for drama, particularly US drama. Drama is brand-defining, and is used as a tool for differentiation and prominence in an increasingly competitive global environment. Netflix and Amazon are investing heavily in high-quality original scripted content to attract subscribers, and this has significantly increased competition in the market, particularly for talent.

Leveraging our network relationships and international distribution network, we have expanded our US scripted business and are developing a portfolio of drama. We are taking advantage of the increased demand from OTT platforms and other viewing windows around the world. Our 2019 scripted pipeline included the delivery of *Snowpiercer* to TNT (with international distribution on Netflix), and the delivery of series five of *Good Witch* to Hallmark.

In recent years in the US, we have invested in backing talent and IP, rather than large scale acquisitions. This allows us to attract and collaborate with innovative and entrepreneurial creatives, with reduced risks and attractive returns.

International

In Europe, there has been a resurgence in demand for local scripted content by broadcasters. The OTT platforms also drive growth across Europe for local scripted content, with the platforms tailoring their proposition on a regional basis to differentiate the offerings and attract subscribers. There is now also global demand for high-quality, foreign-language scripted content on both broadcast and OTT platforms resulting in a broadening market for European content.

Over the last few years we have invested to strengthen our position in the European market through our acquisitions of Tetra Media Studio in France and Cattleya in Italy. These acquisitions produce both long-running and new, critically acclaimed foreign-language dramas for free-to-air, pay and OTT platforms locally and internationally. Examples include *Profilage* and *Balthazar* from Tetra Media Studio, and *Gomorra*, *Suburra* and *Zero Zero* from Cattleya.

▼ *Snowpiercer* stars

Jennifer Connelly and is due for broadcast on TNT in the US in 2020. It has already been commissioned for a second season.

► *Balthazar* is a French crime drama produced by Tetra Media (part of ITV Studios International) for TF1. It has been recommissioned for a third season.



Market Review continued

Global content

Unscripted

UK

While not growing as quickly as scripted content, demand for unscripted content remains strong as networks continue to require lower-cost, high-volume popular series. The UK remains the dominant producer and exporter of unique unscripted formats.

ITV is the largest commercial production company for unscripted content in the UK. The large independent production companies, such as Endemol Shine Group and Fremantle, continue to be ITV Studios' main competitors in non-scripted content.

Returning series, including *The Voice*, *Love Island*, *I'm a Celebrity... Get Me Out of Here!*, *Come Dine With Me* and *The Chase* achieved strong audiences in 2019, and continue to be very popular in the UK, and internationally.

▼ **Dancing on Ice** had its 11th series in the UK, with an average audience of 6.2 million viewers.



US

The US remains a strong and vast market for unscripted content, with continued demand from broadcasters for proven successful programming and new entertainment formats. There is growing pressure in the US cable market with significant external competition. OTT platforms are increasingly supplementing their catalogue with unscripted titles, which provides a lower cost alternative to expensive scripted titles, and to appeal to new audiences, or supplement the viewing of existing subscribers.

▼ **Crank Yankers** returned in the US after a 12 year break, and was produced by ITV America for Comedy Central.



ITV America (unscripted division of ITV Studios US) is one of the largest producers of unscripted content in the US with over 400 hours of original content produced in 2019. Having focused our US acquisitions on the unscripted genre and grown organically, the business has developed a foundation of formats, such as *Real Housewives*, *Marriage Bootcamp*, *The First 48*, and *Forged in Fire*, along with award winning *Queer Eye*, and *Girls Incarcerated*, to Netflix. 2019 also saw *Love Island* US launch on CBS, which has since been recommissioned for a second series.

International

Demand remains strong across all major territories for unscripted content and the market demands a combination of proven global formats, as well as the development and production of local original ideas.

ITV has a presence in what we consider to be the most attractive TV production markets, leveraging our international formats and local creative expertise to grow our overall business. We have further boosted our portfolio with the acquisition of Armoza Formats, an Israeli based formats creator and distributor with a catalogue that includes global hits, *The Four* and *Still Standing*.

Formats which continue to drive international growth include *Love Island*, *I'm A Celebrity... Get Me Out of Here!*, *Four Weddings*, *The Voice*, and *Dancing on Ice*.



▲ **Four Weddings** remains a popular format in France. It is in its ninth series on TF1.

Broadcast television, online and Direct to Consumer

Changes in viewing habits

The number of ways for viewers to engage with content has expanded and offers increased flexibility, which has impacted viewing habits globally. We have seen a significant increase in VOD viewing on TVs (particularly connected TVs) and non-TV devices (such as smartphones, games consoles and tablets). This evolution is not uniform across demographics, with younger viewers spending proportionally more time consuming video content, while older demographics spend comparatively more time engaging with linear television.

Linear viewing

In the UK, linear viewing remains a popular form of media entertainment and reaches 90% of the population each week.

Linear television is offered through both free-to-air and pay services in the UK. Free-to-air television is delivered through services including, Freeview, YouView and Freesat, while linear pay television is delivered through operators such as Sky, BT, Virgin and TalkTalk. The market dynamics of the pay market are changing as established pay television providers' face increasing competition from telecom providers and the established OTT providers.

TV viewing, and in particular free-to-air TV and public service broadcaster viewing, is more resilient in the UK than in other markets. This is because per capita, we have a higher spend on local, original content than most other developed markets, and also due to the existence of the BBC, with which we have to compete for viewers but not revenue. That in turn gives us a platform from which to launch SVOD services using similar, indigenous content that connects to viewers.

The UK average linear television viewing in 2019 was 183 minutes per person per day, down 5% year-on-year (2018: 192 minutes). There was a large decline for 16–34s, the average being 90 minutes per day (2018: 106 minutes). ITV Family remained the largest family of channels for 16–34s in the K in 2019 (Source: BARB seven-day consolidated data).

While it is clear that younger viewers do watch less linear television, if the right content is delivered, they will watch it either via linear television or online. Love Island on ITV2 and I'm A Celebrity...Get Me Out Of Here! on the main channel were examples of this in 2019, with both achieving an episode average of over two million 16–34 year old viewers (Source: BARB).

ITV competes for linear viewers with the BBC and commercial broadcasters, including Channel 4, Sky and Channel 5. ITV and BBC One continue to be the only channels consistently able to deliver mass audiences. In 2019, ITV delivered 98% of all commercial audiences over five million (2018: 98%) and 95% over three million (2018: 96%).

In 2019, the ITV Family of channels maintained SOV, the second highest in a decade at 23.2%, with the BBC family down 1% year-on-year.

Share of viewing by broadcaster



ITV Family	23.2%
BBC Family	30.5%
Channel 4 Family	9.8%
Five Family	6.3%
Sky Family	7.3%
Other	22.9%

Source: BARB



Loose Women celebrated its 20th anniversary in 2019. It has an average UK daytime audience of 0.9 million, and a weekly reach of 3.4 million viewers.

Market Review continued

Broadcast television, online and Direct to Consumer

Changes in viewing habits

Online viewing

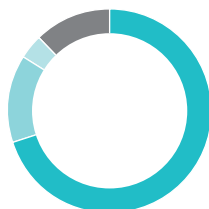
Online viewing includes catch up viewing of broadcaster content via the television set or non-TV devices, and VOD delivery of other long-form content (i.e. longer than ten minutes) such as box sets and movies via platforms such as Sky, Netflix and Amazon.

Online viewing has grown rapidly over recent years and while it is a competitor to linear television for viewing, it remains small, with linear television remaining dominant. In the UK we estimate that 70% of all viewing of legal long-form content is live (2018: 71%), with a further 14% time shifted via a Personal Video Recorder (PVR) and watched within 28 days of the original broadcast date (2018: 13%).

Of the estimated 16% of content viewed on demand (2018: 16%), 4% is catch up viewing of broadcaster content via the television set or to non-TV devices (2018: 4%).

The remaining 12% is other VOD viewing via services such as Sky, Netflix and Amazon (2018: 12%). The growth in online viewing over recent years has been driven by the accessibility of these services on smartphones, tablets and connected TVs, providing flexibility in viewing and facilitating viewers to watch content whenever, and wherever they want.

Long-form content viewing



● Live	70%
● Timeshifted (PVR) up to 28 days	14%
● VOD: Broadcaster catch up	4%
● VOD: Other	12%

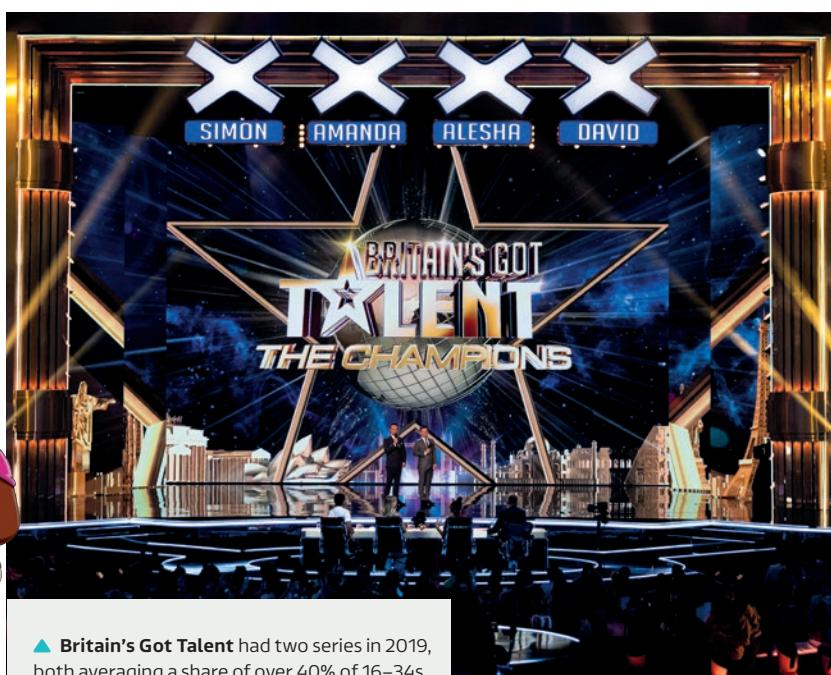
Source: 2019 BARB/Thinkbox data



Advertising revenue

Advertising revenue is ITV's largest revenue stream and is generated through linear television, online VOD and sponsorship, competing with both other commercial broadcasters and alternative advertising media. ITV's total advertising revenue in 2019 was £1,768 million, down 1.5% year-on-year. As an integrated producer broadcaster, revenue from these streams helps to fund the broadcast of our content in the UK and content creation globally.

In the UK, television advertising (including spot, online VOD, sponsorship and other television revenues) continued to take the second largest share of total advertising spend with a 21.7% share (2018: 23.7%). The decrease year-on-year was partly attributed to the continued political and economic uncertainty in the UK, with advertisers reducing spend on television to manage margins, in addition to using online advertising to gain short-term impact and benefit from low production costs.



▲ **Britain's Got Talent** had two series in 2019, both averaging a share of over 40% of 16–34s.

◀ **Family Guy** was one of the top five programmes watched on the ITV Hub in 2019.

Subscription video-on-demand (SVOD)

Other Direct to Consumer

UK advertising market



Television	21.7%
Press	10.1%
Radio	3.1%
Outdoor	5.6%
Cinema	1.4%
Online	58.1%

Source: Advertising Association January 2020

Online advertising has grown rapidly, with spend on this category increasing by over 50% in the last five years. Within online advertising, Search is the largest, dominated by Google, followed by Display and Online Video, both dominated by Google and Facebook.

The ITV Hub and our programmatic addressable advertising platform, Planet V, allow ITV to compete in this market, delivering the key demographics online which advertisers want. While our proposition is small relative to Google and Facebook, it allows advertisers to access targeted advertising at scale around our premium inventory in a high-quality, brand safe, trusted and measured environment.



51% of homes in the UK have an SVOD service, up from 43% in 2018

Source: BARB Q4 2019 data

The UK is a developed market for SVOD and this market is likely to continue to grow further with the upcoming launch of new SVOD services from US networks and media and entertainment companies.

Increasingly homes are supplementing their free and pay television with other forms of paid content, including SVOD services such as Netflix and Amazon, or by purchasing additional channels through 'no-contract' providers, such as Now TV. Many households have multiple subscriptions to paid content, and we expect this to increase. Over 50% of homes in the UK have at least one SVOD service (2018: 43%), with 16% having multiple subscriptions, and this is growing at a steady rate (Source: BARB).

► **BritBox UK** launched in November 2019, providing an unrivalled collection of British box sets.

In November 2019, ITV launched an SVOD proposition with the BBC, BritBox UK, which provides UK audiences with an unrivalled collection of British box sets and original series all in one place. The service includes BBC, ITV and Channel 5 content, with Channel 4 and Film4 content becoming available in 2020. While BritBox UK is new to the market and small compared to its competitors, it is a unique proposition and fills the gap in the SVOD market for high-quality, British content.

Our existing SVOD propositions include ITV Hub+ in the UK, BritBox US in the US and Canada, and Cirkus in the Nordics, Germany, Austria and Switzerland, demonstrating our ability and ambition to compete in this market internationally.

Our focus on SVOD is an important part of our strategy. We plan to launch BritBox in Australia in the second half of 2020, and continue to look at opportunities to launch the service on other platforms and in other territories, to capitalise on the growing global demand for SVOD services and to enable our content to reach as many people as possible.



8.4m

Paying Direct to Consumer relationships

Consumers are increasingly willing to pay to engage with great brands, content and IP, whether that is through SVOD, competitions, live events, gaming, merchandise or pay per view.

Developing higher quality insights about our customers and viewers is increasingly possible and more valuable with the greater use of data analytics.

Generating revenue directly from consumers, while currently small, is not new for ITV. It presents an area of potential growth with our fantastic brands and loyal viewers. We are focused on key activities to drive our viewer relationships and maximise revenue. Vital to this growth is making data analytics a key competency across the organisation. To support this we have invested in technology platforms to collect, process, store, and analyse these data sets. We have also invested in the development of an improved data governance and privacy framework to support the activities that enable us to turn data into insight.

Our Strategy

In 2018 we undertook a strategic review to help us highlight the opportunities for ITV and also the challenges we need to address. We are making good progress in executing our strategy, to create a stronger, more diversified and structurally sound business. In 2019 we continued to evolve our strategy to ensure we are well placed to take advantage of the rapidly changing viewing and advertising opportunities and to accelerate our digital transformation.



ITV strategy

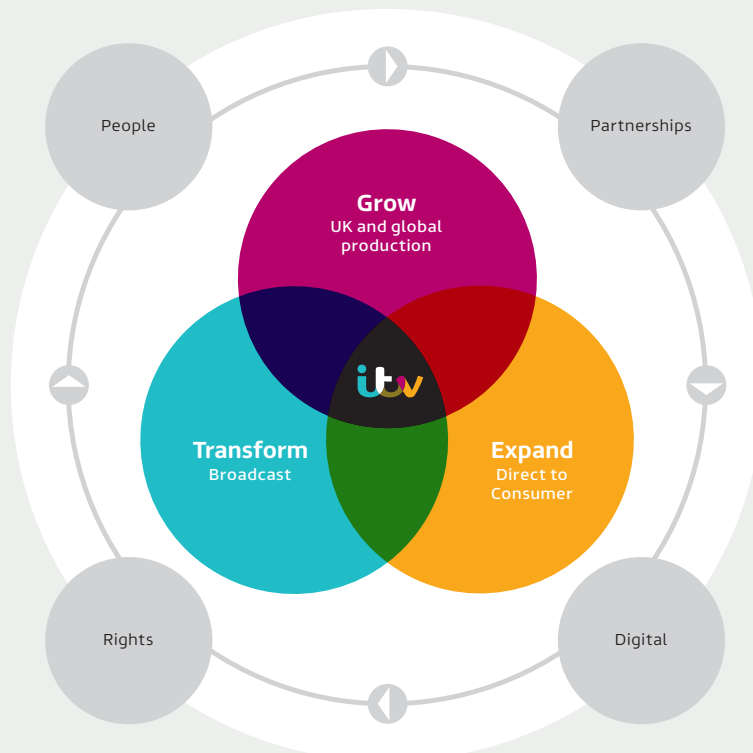
Our strategic vision is to be a digitally led media and entertainment company that creates and brings our brilliant content to audiences wherever, whenever and however they choose.

Our vision and our initiatives to drive growth and future value are clear, building upon ITV's unique and winning combination of creativity and commercial strength. We will continue to drive profits from three business models – from advertisers, broadcasters and platform owners; through ITV Studios; and directly from consumers.

Delivering on our strategic vision will be achieved by focusing on three areas:

- **Grow UK and Global Production**
- **Transform Broadcast**
- **Expand Direct to Consumer**

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



Successful delivery of our strategic vision is enabled by four areas:

- **People** – continue to strengthen both our creative and commercial teams. Ensure we have the right skillsets and culture to deliver our evolving strategic vision, including in our technology and data functions
- **Rights** – ensure we own and manage our rights efficiently and effectively. Maximise the value of these rights across our advertising, Studios and Direct to Consumer business models
- **Partnerships** – create strong partnerships with broadcasters, platforms and technology companies both in the UK and globally. Work with these partners to ensure our content is prominent and we can monetise it wherever it is consumed
- **Digital** – deliver digital transformation across our whole business. This includes our consumer-facing products, as well as our content supply chain and our core central functions

◀ **Good Witch** is a scripted production by ITV Studios America for the Hallmark channel. It has been recommissioned for a sixth season, due for broadcast in 2020.

▶ **Emmerdale** remains the UK's second biggest soap, with an average of 6.1 million viewers in 2019. It has been on-air for over 45 years.



Grow

UK and Global Production

Our aim is to be a leading creative force in global content production.

The core drivers of this business are creative talent, creating and effectively monetising hits and being disciplined and efficient.

We are very focused on:

- Developing new hits
- Attracting and retaining leading talent, and nurturing the right creative and commercial environment to do this
- Growing our scripted business
- Globalising and maximising the value of our key formats and brands as we integrate Talpa into ITV Studios

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

Transform

Broadcast

We will transform our Broadcast business to ensure that we can address the opportunities and challenges of structural change and provide a strong, branded and data rich relationship with our viewers and advertisers.

The four key components of our Broadcast strategy are to:

- Accelerate the growth of ITV Hub, including driving digital ad-funded viewing, particularly amongst our light viewers
- Grow and deliver our addressable advertising capabilities, including strengthening our data, analytics and digital capabilities. Our addressable advertising is initially on the ITV Hub
- Build more strategic and creative partnerships with our advertisers
- Continue to drive mass audiences, which remain highly valuable to our advertisers

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

Expand

Direct to Consumer

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

We are also growing our interactive revenues through ITV Win, our competitions portal, and focusing on driving growth in our Direct to Consumer products and engagement around our key programme brands.

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

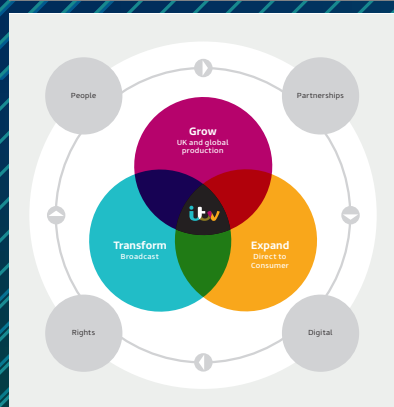
See KPIs on pages 26

Our Business Model

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

We will continue to grow the UK and global content business, transform our Broadcast business, and expand our Direct to Consumer business, creating value in developing and enhancing our consumer relationships. We are confident that our vision and strategy is the right long-term plan for ITV in a dynamic market environment.

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



Competitive advantage

World-class content

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

Global formats & distribution

ITV has built relationships globally with major networks, platform owners and local broadcasters, and owns the rights to a diverse portfolio of shows, particularly drama and entertainment, for international distribution.

Intellectual property

ITV has developed and acquired shows that are hugely popular. Owning this intellectual property allows us to monetise it internationally through programme and format sales and also commercially in the development of interactive experiences, games, apps and consumer products.

Delivering unrivalled commercial audiences

The scale of our channels and the significant investment we make in quality content give ITV unique scale and reach across the key demographics on our main channel and more targeted audiences on our family of channels and the ITV Hub.

90%

Our channels reach 90% of the UK population each week

31m

We have 31m registered users in the UK, with over 80% of 16–34s registered

£1.1bn

We invest £1.1 billion annually in content for our UK family of channels

46,000+

hours of television and film content in the Global Entertainment catalogue

Our strategic assets

Our strategic assets underpin ITV's competitive advantage

Creating and owning the rights to quality content and intellectual property



Our strong, trusted brand, products and culture



Our talented commercial and creative people



Our diversified revenue streams

By developing, owning and managing the rights to content, ITV is able to maximise the value of its programme brands across a range of revenue streams. This makes ITV a more diversified business and enables it to drive value from different revenue models.

Advertising

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

Commercial partnerships

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

Direct to Consumer

We monetise our consumer interactions through SVOD, competitions, live events and merchandising. In the UK, we currently generate SVOD revenue through the ITV Hub+ and BritBox UK following its successful launch in 2019. Internationally, we deliver SVOD revenues through our joint venture with the BBC, BritBox US, in the US and Canada, and Cirkus in the Nordics, Germany, Austria and Switzerland. In 2020 we will look to further roll out BritBox internationally.

Pay

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

Original production

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

Distribution

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



Creating value for...

Advertisers

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



Audiences

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



Broadcasters and platform owners

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



Customers

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



Shareholders

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



Debt investors

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



Our people

Through investing in and developing our talent and creating a culture that nurtures them to be productive, commercial and creative.



Risk Management Framework

ITV operates in an increasingly complex business environment and there are risks to the delivery of our strategic goals and the sustainability of our business model. We have identified the key risks through our risk management framework and we have considered them as part of our

viability assessment. The risk management framework also provides the tools to manage and continually review our risks and seeks to drive accountability and the insight required for the Board to monitor our risk management system. This also allows management and the Board to

adapt the strategy to ensure that we are not taking unnecessary risks and that the underlying risks in the strategy are being appropriately mitigated, therefore enabling delivery of the strategy.

Key Performance Indicators (KPIs)

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

ITV Group

Adjusted EPS¹

Definition

Adjusted EPS represents the adjusted profit for the year attributable to equity shareholders. Adjusted profit is defined as profit for the year attributable to equity shareholders after adding back exceptional items and including high-end production tax credits. Further adjustments include amortisation and impairment of assets acquired through business combinations, net financing costs and the tax effects relating to these items. It reflects the business performance of the Group in a consistent manner and in line with how the business is managed and measured on a day-to-day basis.

Performance

Adjusted EPS decreased by 10% from 15.4p to 13.9p. This was predominantly due to a decline in net advertising revenue (NAR), higher schedule costs, and the impact of our investments to support our strategic priorities. This more than offset growth in VOD and ITV Studios.



Total non-advertising revenues

Definition

Total non-advertising revenue is total ITV revenue (including internal revenue) excluding advertising revenue from net advertising revenue (NAR), VOD and sponsorship. This is an important measure as we continue to rebalance the business away from our reliance on advertising.

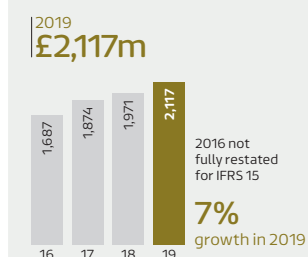
Performance

Non-advertising revenue increased by 7% in 2019 driven by growth in ITV Studios total revenue of 9% to £1,822 million along with 4% growth in Direct to Consumer revenue to £84 million. This growth was marginally offset by a decline in SDN revenues and other Broadcast revenues.

Target

3 years to 2021

Grow by at least 5% CAGR



Cost savings

Definition

Cost savings are permanent savings to the business. Managing our cost base is key as we aim to run our business as efficiently as possible and fund investments in line with our strategic priorities.

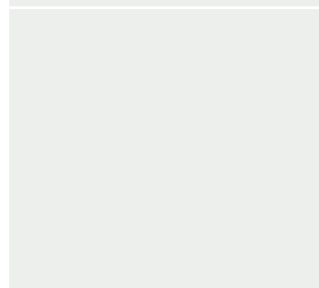
Performance

We delivered £25 million of cost savings in 2019 which was ahead of the target of £20 million for the year. ITV's cost savings target remains at £55 million to £60 million by 2022.

Target

4 years to 2022

Deliver £55–£60 million run-rate of savings by 2022



Profit to cash conversion¹

Definition

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

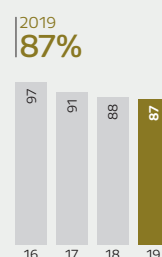
Performance

Profit to cash conversion was 87% in the year and included investment in Planet V, in scripted content and in BritBox UK (2018: 88%). Excluding the investment into BritBox UK, profit to cash was 88%.

Target

3 years to 2021

Maintain at around 85%



1. A full reconciliation between our adjusted and statutory results is provided in the APMs on page 53.

Grow

UK and Global production

Total Studios revenue growth

Definition

Total Studios revenue measures the scale and success of our global studios business. It includes revenues from programmes sold to the ITV Network, which as an integrated producer broadcaster are an important part of our business.

Performance

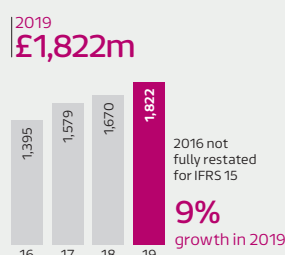
ITV Studios total revenue grew 9% to £1,822 million. Revenue growth was driven by ITV Studios US and ITV Studios International, as we continue to build our capabilities in key creative markets.

Total organic revenue, which excludes our 2019 acquisitions and is adjusted for currency, was also up 9%. There was no net currency impact in the year.

Target

3 years to 2021

Grow by at least 5% average CAGR



Studios adjusted EBITA margin²

Definition

This is the key profitability measure used across the Studios business. The profile of adjusted EBITA margin differs for production and distribution activities, and further varies with each production due to genre and maturity. Adjusted earnings before interest, tax and amortisation (EBITA) is calculated by adding back exceptional items and including high-end production tax credits. It reflects the underlying performance of the business and provides a more meaningful comparison of how the business is managed and measured on a day-to-day basis. The margin is calculated based on total ITV Studios revenue.

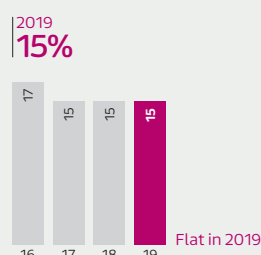
Performance

ITV Studios adjusted EBITA margin was 15%, consistent with prior year and with our target range.

Target

3 years to 2021

Maintain at 14% to 16%



Total production hours

Definition

Total hours of programming produced is an important measure of the scale and success of our global studios business. It measures the number of hours produced across all genres and geographies for ITV and other broadcasters and platform owners.

Performance

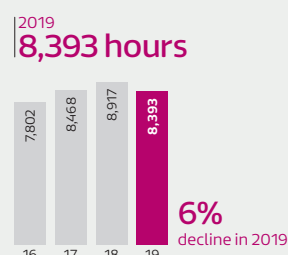
The number of hours of content produced by ITV Studios declined by 6% to 8,393 hours. This was driven by a reduction in a number of high volume shows not returning in the UK and Internationally. However, total revenue grew by 9% in the year.

We remain on track to deliver our target of 10,000 production hours by 2021.

Target

3 years to 2021

Grow to 10,000



Transform

Broadcast

Total advertising revenue

Definition

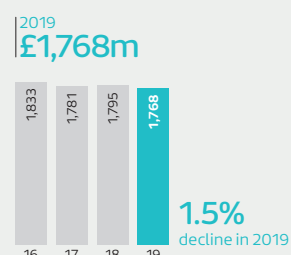
Total advertising revenue measures all our advertising revenues and includes ITV Family NAR, VOD, sponsorship and other advertising revenues.

Performance

Total advertising revenue declined by 1.5% to £1,768 million with strong growth in online revenues, up 21%, along with growth in sponsorship and creative partnerships revenue. This was more than offset by a decline in NAR which continued to be impacted by the macro environment.

Strategic ambition

To grow total advertising in a flat NAR market



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

Key Performance Indicators continued

Transform

Broadcast

Online revenue growth

Definition

Online revenues are advertising revenues from VOD via the ITV Hub. With the investment in the ITV Hub and the significant growth of viewing on the ITV Hub these are now a material part of our advertising revenues and an important measure of our success.

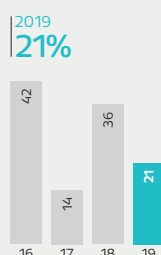
Performance

Online revenue continued to grow strongly, up 21% in 2019, as we delivered significant growth in online viewing, up 13%.

Target

3 years to 2021

Double digit growth per annum



Total ITV viewing¹

Definition

Keeping our viewing healthy is vital for our advertising proposition. Total ITV viewing is the total number of hours spent watching ITV channels live and recorded within 28 days, third-party VOD platforms, ITV Hub on owned and operated and ad-funded platforms, ITV Hub+, and managed YouTube channels.

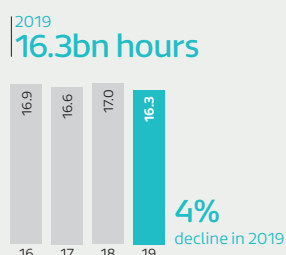
Performance

Total ITV viewing declined by 4% to 16.3 billion hours. This was in line with the market and includes strong comparatives from the Football World Cup in 2018. Across two years, ITV total viewing was down 2% compared to the market which was down 8% over the same period.

External source: BARB, Crocus, comScore Data Analytics and third-party platforms

Strategic ambition

To maintain total viewing¹



ITV Family share of viewing (SOV)

Definition

Keeping our free-to-air proposition strong and our audiences healthy is vital for the Broadcast business, and ITV Family SOV helps measure this. ITV Family SOV is the total viewing audience over the year achieved by ITV's family of channels as a proportion of total television viewing, including the BBC Family.

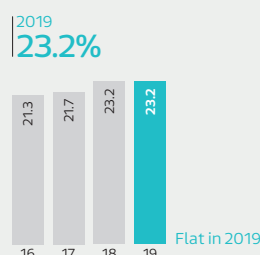
Performance

ITV Family SOV was flat in 2019 at 23.2%, which is our second highest SOV performance for a decade. Within this, ITV main channel and the other ITV channels were flat at 16.9% and 6.3% respectively, which was a strong performance given 2018 included the Football World Cup. ITV2 was the most watched digital channel for 16-34s, growing 6% to a SOV of 6.4% for the target demographic.

External source: BARB/AdvantEdge

Strategic ambition

Above 21%



Online viewing

Definition

Online viewing is an important indicator of our online success as it measures how long viewers are spending online watching long-form content². It is calculated as the total number of hours ITV VOD content is viewed on owned and operated ad-funded platforms and ITV Hub+ viewing.

Performance

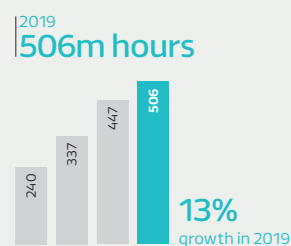
The ITV Hub and ITV Hub+, the online home for our family of channels and content, is growing rapidly, driven by viewers' appetite for our content on catch up, VOD and simulcast. Online viewing was up 13% in 2019, driven by viewing on connected TVs.

External source: Crocus

Target

3 years to 2021

Double digit growth per annum



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

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

ITV Hub registered user accounts

Definition

A registered user is an individual viewer who has signed up to the ITV Hub who has been active in the last three years. The size of our viewer online reach is key for our advertising proposition.

Performance

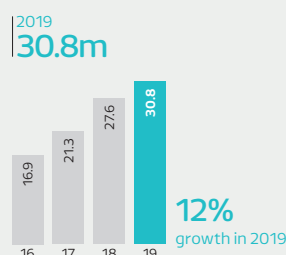
The ITV Hub grew the number of registered user accounts by 12% to 31 million in 2019, achieving the 2021 target two years early. This growth is driven by the great content and good user experience, supported and enhanced by a process of continued improvement and investment.

The ITV Hub helps ITV reach valuable younger audiences, who are increasingly using the ITV Hub for simulcast as well as catch up. Over 80% of the UK's 16-34 year olds are registered on the ITV Hub. Simulcast requests were up 17% year-on-year.

Target

3 years to 2021

Increase to 30 million



Brand consideration

Definition

UK public perception of the ITV brand as measured by YouGov. Our brand perception is very important as we look to attract light viewers to ITV and build a Direct to Consumer business.

Performance

Brand consideration in 2019 was 53%, down six percentage points on 2018. This was impacted by the strong competition from the SVOD platforms who are reaching real scale and investing heavily in marketing. It was also impacted by the discontinuation of The Jeremy Kyle Show. ITV outperformed our closest PSB's with a lower decline in brand consideration than the other PSBs. Critical to our strategy is reaching light viewers and brand consideration for light viewers only declined by one percentage point.

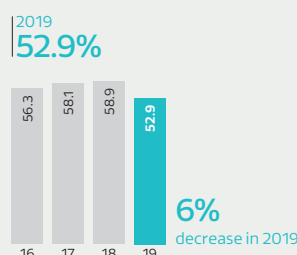
Given that light viewers is the measure we watch most closely, going forward we believe it is more appropriate to measure our light viewer brand consideration.

External source: YouGov

Target

3 years to 2021

Increase to 60% for all adults



Expand

Direct to Consumer

Direct to Consumer revenue

Definition

Direct to Consumer revenue is a key measure of the success of our strategy. It measures revenue generated directly from relationships with a customer through the purchase of goods and services, and entry into competitions.

Performance

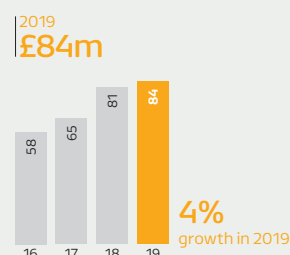
Direct to Consumer revenue grew 4% to £84 million in 2019, and we are on track to achieve the £100 million revenue by 2021 as set out in the strategy. The target excludes revenue from BritBox UK.

Growth was predominantly driven by an increase in subscriptions to ITV Hub+, the subscription ad-free version of the ITV Hub.

Target

3 years to 2021

Grow to at least £100 million



Paying product relationships

Definition

We aim to grow ITV's Direct to Consumer revenues through increasing the number of people who pay for an ITV product as well as increasing spend per customer. This KPI measures the total number of paying relationships we have with consumers.

Performance

Paying product relationships declined by 2% to 8.4 million in 2019. The target excludes relationships from BritBox UK.

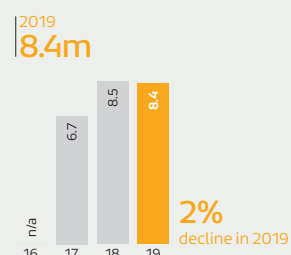
There was a decline in the number of pay per view relationships in the year, largely due to the discontinuation of the low value Boxing pay per view proposition as we focus on more profitable opportunities. Excluding Boxing pay per view, paying relationships were marginally up year-on-year, driven by ITV Hub+ subscribers and live event attendees.

We are on track to deliver our target of 10 million paying product relationships by 2021.

Target

3 years to 2021

Grow to 10 million



Operating and Performance Review

ITV delivered a strong operating performance in 2019, demonstrating good progress in executing the strategy, and in building a digitally led media and entertainment company.

Overview

ITV delivered a strong operating performance in 2019, with our financial performance better than expected, despite the uncertain economic environment. We made good progress in executing the strategy and investing in our priorities, the benefits of which started to deliver during the year. We have successfully launched BritBox in the UK, as well as Planet V (our programmable addressable advertising platform), and we continue to strengthen our capabilities in advertising, data and technology. ITV Studios is a scaled global business delivering strong revenue and profit growth. We remain focused on building a digitally led media and entertainment company to create a stronger, more diversified and structurally sound business, ensuring that ITV is well positioned to address the opportunities and challenges of an increasingly competitive media landscape.

On-screen and online, our viewing performance was strong. We maintained ITV Family SOV at 23.2% (2018: 23.2%), with strength across the schedule. There were outstanding contributions from the Rugby World Cup, Love Island and drama. The ITV Hub continued to deliver strong viewing, up 13%. Total ITV viewing combining ITV channels live, recorded and VOD, was down 4% year-on-year against tough comparatives of the Football World Cup.

Total advertising revenue declined by 1.5% due to a decrease in NAR, which more than offset 21% growth in online revenues and the increase in sponsorship and creative partnerships. ITV Studios total revenue increased 9% driven by ITV Studios US and ITV Studios International. We have developed a solid pipeline of high-quality programmes, particularly drama and entertainment, and we continue to perform well across the key genres that return and travel.

We delivered £25 million of cost savings in the year, which was ahead of our planned £20 million. Our target of £55 million to £60 million of cost savings to 2022 remains unchanged.

Our essential investments to support our strategic priorities totalled £32 million in the year, which was lower than our planned £40 million due to timing. We expect this timing difference to unwind in 2020. The BritBox venture loss was £21 million, which is lower than the £25 million expected due to the timing of content costs.

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

Total ITV revenue increased 3% to £3,885 million (2018: £3,766 million), with external revenue up 3% at £3,308 million (2018: £3,211 million). Total non-advertising revenue grew 7% to £2,117 million (2018: £1,971 million), now accounting for 54% of total revenue (2018: 52%).

Adjusted EBITA declined by 10% to £729 million (2018: £810 million), with a 17% decline in Broadcast adjusted EBITA, driven by the fall in total advertising revenue, our strategic investments in the schedule, our essential investments and the launch of BritBox UK. This decline was partially offset by a 5% increase in ITV Studios adjusted EBITA, along with lower share-based payments in the year.

Net exceptional items were £22 million, down £61 million year-on-year, primarily due to a £62 million gain on sale from the London Television Centre. Adjusted financing costs were up £4 million year-on-year at £40 million due to the inclusion of IFRS 16, and our adjusted tax rate has come down to 18% (2018: 19%). Adjusted EPS declined 10% to 13.9p (2018: 15.4p).

Group external revenue

£3,308m
(+3%) (2018: £3,211m)

Total advertising revenue

£1,768m
(-1.5%) (2018: £1,795m)

Total non-advertising revenue

£2,117m
(+7%) (2018: £1,971m)

Adjusted EBITA

£729m
(-10%) (2018: £810m)

Adjusted EPS

13.9p
(-10%) (2018: 15.4p)

Statutory EPS

11.8p
(+1%) (2018: 11.7p)

Net debt

£804m
(2018: £927m)

Dividend per share (ordinary)

8.0p
(2018: 8.0p)

See APMs on page 53 for a full reconciliation between our statutory and adjusted results.

► **The Bay** was a crime drama produced by Tall Story Pictures (part of ITV Studios UK). It was one of the biggest new dramas in 2019 and has been recommissioned for a second series.

Statutory EBITA was £693 million, down 12% (2018: £785 million), which was more than the decline in adjusted EBITA due to an increase in production tax credits in the year.

Statutory financing costs were £68 million, up £25 million year-on-year (2018: £43 million) due to the one-off fees and premiums in relation to the buy-back of bonds in the year. Our reported effective tax rate was lower at 10% (2018: 17%) due to the tax impact of the gain on sale of the London Television Centre and an increase in high-end production tax credits in the year. Statutory profit before tax fell by 7% to £530 million (2018: £567 million) and statutory EPS increased by 1% to 11.8p (2018: 11.7p), with the decline in statutory profit before tax offset by the reported effective tax rate reducing from 17% to 10% due to the gain on sale of the London Television Centre as explained above. See Finance Review for further detail.

We have good access to liquidity. Our profit to cash conversion was 87% and we ended the year with net debt of £804 million (2018: £927 million), reflecting the exceptional cash inflow of £146 million following the sale of the London Television Centre.

Our objective is to run an efficient balance sheet and manage our financial metrics appropriately, consistent with investment grade metrics. Our aim is to continue to invest in growing a more robust business and executing our strategy, whilst continuing to deliver returns to our shareholders. Our adjusted net debt was £1,215 million (31 December 2018: £1,364 million). Our reported net debt to adjusted EBITDA was 1.0x (31 December 2018: 1.1x) and adjusted net debt to adjusted EBITDA, which better reflects how credit agencies look at us, was 1.5x (31 December 2018: 1.6x).

Reflecting ITV's continued good operational performance, the Board has proposed a full year dividend of 8.0p, flat year-on-year. This is in line with the Board's intention to pay a full year dividend of at least 8.0p in 2019. The Board plans to pay another 8.0p dividend for the full year 2020. The Board intends to announce a medium term dividend policy with the full year 2020 results, once greater clarity is established on the economic environment and outlook in the UK following its departure from the European Union.

We are More than TV

Our strategic vision is to be a digitally led media and entertainment company that creates and brings our brilliant content to audiences wherever, whenever and however they choose. To deliver this we are focused on three priorities; (i) transforming our Broadcast business, (ii) growing our UK and global production business, and (iii) expanding our strong direct to consumer relationships. We have a clear vision, priorities and initiatives for how we can compete in a changing environment. We have strong foundations – our integrated producer broadcaster (IPB) model, world-class content, strong advertiser and customer relationships, a powerful brand, talented commercial and creative people and sufficient financial flexibility to invest and grow.

The Company continues to keep the potential implications of the UK's departure from the European Union under review. Workstreams are in place across the business to identify, manage and mitigate the impact across advertising, broadcast licensing, tax, data, copyright and IP. The most significant risk continues to be the impact on the wider advertising market. See Risks and Uncertainties on page 71.

Operating and Performance Review continued

ITV Studios



▲ **The Voice UK** is in its ninth series on ITV main channel. The format is broadcast in over 180 countries (both finished tape sales and locally produced).

◀ **Come Dine With Me** remains an important format for ITV Studios. It is produced in over 40 territories and has been broadcast for over 15 years.

ITV Studios is the number one commercial producer in the UK, one of the largest producers in Europe and one of the largest independent unscripted producers in the US. It is a scaled business delivering growth at a stable margin. Growing UK and global production is central to ITV's strategy and our aim is to be a leading creative force in global content production. As ITV creates and owns more content, our channels in the UK provide a platform to showcase our programmes before distributing them across multiple platforms in the UK and internationally. We have built significant scale in key creative markets around the world, creating and producing programmes and formats that return and travel, namely drama, entertainment and factual.

As part of the strategy to grow UK and global production, we have reorganised our international distribution and commercial business in order to strengthen our position as a creator, producer and distributor of world-leading formats.

The new structure focuses on three centres of excellence which will work closely together and with ITV Studios' world-class international production business.

Twelve months to 31 December	2019 £m	2018 £m	Change £m	Change %
ITV Studios UK	725	695	30	4
ITV Studios US	271	245	26	11
ITV Studios International	508	418	90	22
Global Formats and Distribution	318	312	6	2
Total ITV Studios revenue*	1,822	1,670	152	9
Total ITV Studios costs	(1,555)	(1,415)	(140)	(10)
Total ITV Studios adjusted EBITA**	267	255	12	5
ITV Studios adjusted EBITA margin	15%	15%	–	–

* In line with the reorganisation of the business, 2018 comparatives have been reclassified.

** Includes the benefit of production tax credits.

Twelve months to 31 December	2019 £m	2018 £m	Change £m	Change %
Sales from ITV Studios to Broadcast and DTC	573	551	22	4
External revenue	1,249	1,119	130	12
Total ITV Studios revenue	1,822	1,670	152	9

Twelve months to 31 December	2019 £m	2018 £m	Change £m	Change %
Scripted	520	380	140	37
Unscripted	1,018	997	21	2
Core ITV* and Other	284	293	(9)	(3)
Total ITV Studios revenue	1,822	1,670	152	9

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



► **ZeroZeroZero** is an English language drama produced by Cattleya (part of ITV Studios International) for Sky Italia.

Operating and Performance Review continued

The three centres are:

1. **The Creative Network**, which will boost creativity across the 36 unscripted format labels in ITV Studios to increase the potential of developing global hit shows;
2. **Global Entertainment**, which brings together international unscripted format sales and exploitation across the Group under one roof. It will be the home of licensing for some of the most powerful unscripted formats in the world such as The Voice, Hell's Kitchen, Come Dine With Me and The Four. It will represent the catalogues of Talpa Media, Armoza Formats, TwoFour and the existing ITV Studios unscripted format catalogue; and
3. **Global Distribution**, which will focus on the international distribution of drama and the finished tape versions of all other ITV Studios programmes. It will also build on the expertise it has in high-end drama financing and co-production deals.

ITV Studios will now be reported with three distinct production businesses; ITV Studios UK, ITV Studios US and ITV Studios International (previously Rest of World). Global Entertainment and Global Distribution will be reported as Global Formats and Distribution, which includes what we previously disclosed as Global Entertainment.

Financial performance

ITV Studios saw strong external revenue growth in 2019, up 12% to £1,249 million (2018: £1,119 million), with total revenue up 9% to £1,822 million (2018: £1,670 million). There was growth across all areas, particularly ITV Studios US and ITV Studios International, which both had strong growth in scripted revenues. Total organic revenue at constant currency, which excludes our 2019 acquisitions, was also up 9%. The net impact of foreign exchange was nil. The number of hours delivered in the year was down 6% mainly driven by high volume, non-returning commissions in the UK and International Studios business.

Reflecting our growth in key global production markets, 58% of Studios revenue was generated outside the UK, up on prior year (2018: 56%) due to strong growth in scripted revenue in the US and Europe.

Adjusted EBITA was up 5% year-on-year at £267 million (2018: £255 million). Adjusted EBITA margin was stable at 15%. In the year, there was a £2 million unfavourable impact from foreign exchange on ITV Studios adjusted EBITA.

Strong global demand for content

The demand for quality content from broadcasters and platform owners has never been stronger and this provides a significant opportunity for ITV Studios. We estimate that the global content market is growing at around 3%–5% per annum, with some genres, such as drama, growing more rapidly. A key driver of this change over recent years has been the evolution in the delivery and availability of content with a substantial increase in the number of ways to consume content. We have built a healthy pipeline of returning programmes, which we will continue to nurture and develop. To continue to build upon our strong creative pipeline and capitalise on growth, our investments within ITV Studios over the next few years are focused on: strengthening our creative talent; growing our scripted business; and building our monetisation capabilities to further globalise and maximise the value of our key formats and brands.

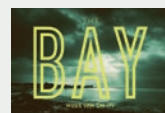
Strengthening creative talent

A key part of ITV Studios investment is to strengthen and retain our creative talent. We made good progress in 2019 in attracting key talent to the business, including Patrick Spence – the award-winning producer behind programmes such as Fortitude and Silent Witness joining from Endemol, along with Dominic Treadwell-Collins – the executive producer behind the multi-award winning A Very English Scandal. In July 2019, we increased our minority stake to take a controlling interest in Monumental Television, the production company behind Harlots. In 2020 we appointed Lisa Perrin as Managing Director of International Studios, joining from Endemol Shine Group.

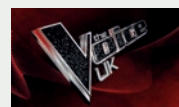
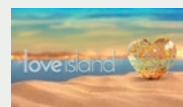
Growing scale in key creative markets

ITV Studios has three production divisions – ITV Studios UK, ITV Studios US and ITV Studios International. Our performance in different territories is impacted by phasing, with the risk managed through the portfolio.

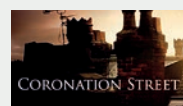
Scripted



Unscripted



Core ITV



The US and UK are the dominant creative markets, with the US the largest exporter of scripted content globally and the UK the world leader in exported formats. Over the last few years we have built scale in these key markets, both organically and through acquisitions, and we now have a significant portfolio of successful series and formats. In recent years in the US, we have invested in backing talent and IP, rather than large scale acquisitions. This allows us to attract and collaborate with innovative and entrepreneurial creatives, with minimal risks and attractive returns. Europe is a growing creative market, with particular demand for foreign language drama internationally and local scripted content from broadcasters and OTT platforms. Over recent years, we have also strengthened our position in the European market with the acquisition of Tetra Media in France and Cattleya in Italy, both of which produced a number of scripted titles that were delivered in 2019. Our portfolio of acquisitions (since 2012), delivered a return in excess of our corporate weighted average cost of capital (WACC) during the year.

ITV Studios UK

In 2019, total ITV Studios revenue in the UK was up 4% at £725 million (2018: £695 million) and also up 4% on an organic basis. Sales to Broadcast and Direct to Consumer, grew 4% driven by extra episodes of Emmerdale and new dramas such as The Bay, A Confession, Sticks and Stones and Singapore Grip. ITV Studios UK's share of original content on ITV main channel was marginally down at 65% (2018: 67%) driven by lower volumes of Judge Rinder and the discontinuation of The Jeremy Kyle Show. The first half of 2020 will see the delivery of new and returning programmes, including, The Bay, Cold Feet, Unforgotten, The Chase, and Love Island winter and summer series.

Off-ITV revenues in the UK increased by 13%, with new and returning dramas, including: Line of Duty, Gold Digger, World on Fire, Noughts and Crosses, and Poldark all for the BBC; Save Me for Sky Atlantic, along with returning factual entertainment commissions 24 Hours in A&E and Countdown for Channel 4. Partly offsetting this growth were 2018 commissions not returning in the year, including Bodyguard, Vanity Fair, and Friday Night Dinner.

ITV Studios US

ITV Studios US total revenue was significantly weighted towards the second half of 2019 and grew 11% to £271 million (2018: £245 million), and 7% to £263 million when adjusted for the favourable foreign exchange impact. The increase was driven by a number of new and returning unscripted titles, including: Love Island US for CBS, Crank Yankers for Comedy Central, Queer Eye for Netflix, Forged in Fire for History and Hell's Kitchen for Fox, along with new and returning scripted titles: Snowpiercer for TNT and Good Witch for Hallmark, which returned for its fifth season. This growth offset The Four not returning following the delivery of two series in 2018. Deliveries in the first half of 2020 include: Cannonball, the sixth season of Good Witch, Marriage Bootcamp and Alone.

ITV Studios International

ITV Studios International has production bases in Australia, Germany, France, the Netherlands, the Nordics, Italy and the Middle East, where we produce original content as well as local versions of key formats from the Global Formats and Distribution business. Revenue grew 22% to £508 million (2018: £418 million), and by 24% to £517 million when adjusted for the unfavourable impact of foreign currency.

This growth was driven mainly by our European scripted business in France and Italy, which had strong demand from broadcasters and OTT platforms for local content with global appeal. Key scripted titles delivered by Tetra in France included Profilage (S10) and Balthazar (S2), both for TF1, and by Cattleya in Italy were Zero Zero Zero and Gomorrah for Sky Italia, Tre Metri Sopra for Netflix, and Carlo & Malik for RAI. ITV Australia also produced a new scripted title Seachange, which was the revival of a series from the 1990s. Unscripted productions included The Voice in France, Dancing on Ice in Germany, I'm A Celebrity... Get Me Out Of Here! in Australia and Germany, and Love Island in Australia and Germany. In 2020 we will continue to focus on growing our European scripted business to allow us to benefit from the increasing demand for locally produced content with global appeal. Tetra has new titles Vampires for Netflix and Paris Police for TFI. Cattleya has the third season of Suburra for Netflix and also has Romulus in production, the archaic latin drama series for Sky Italia, and due for delivery in 2021.



▲ **Line of Duty** is produced by World Productions (part of ITV Studios UK) for the BBC. The sixth series is due for broadcast in 2020.

▶ **Queer Eye** is an Emmy award-winning, unscripted production by ITV America for Netflix. It has been recommissioned for a fifth season.



Operating and Performance Review continued

Investing in scripted and serving OTTs

Polarisation of content demand remains a feature of the market. This is driven by the growth of viewing platforms looking for channel defining content, along with demand for both local adaptations of proven entertainment formats and standout original scripted content.

We have seen very strong growth in scripted revenue in the year, up 37%, driven by the UK, US and Europe. While ITV Studios is predominantly unscripted in terms of scale, scripted, especially driven by demand from the OTT platforms, is likely to be an area of higher growth over the medium term. We are seeing increasing demand from platforms internationally for original long-form and secondary rights.

To capitalise on this increasing demand, we are investing in our global scripted business. We are strengthening our development and creative capabilities, growing our European business and investing in a number of development relationships in the US.

Through our Global Distribution business, we finance our large-scale scripted projects, and to a limited degree some unscripted projects, through our underlying cash flows or through co-productions and partnerships with broadcasters and OTT platforms. The production costs are partly funded by the initial sale of the series to a broadcaster, while the deficit is recovered

through distribution revenue from selling the finished product globally to other broadcasters and platforms. Doing more scripted deals and deals with OTT platforms will impact our working capital going forward due to the upfront cash requirements and the extended payment profile from the OTTs.

We balance our financial exposure through building a portfolio of programmes across genres and across their content life cycle, with successful international dramas offsetting the risk that we will not recover the full deficit on every show. This efficiently uses the rights windows of our content to maximise monetisation opportunities.

As well as distributing library content to OTT platforms, including BritBox, in 2019 we produced and jointly commissioned a number of scripted and unscripted programmes with OTT platforms, including *Queer Eye*, *Girls Incarcerated*, *Tre Metri Sopra* with Netflix along with *Harlots* for Hulu. In 2020 we have a number of deliveries, including the fifth season of *Queer Eye*, *The Great Flower Fight*, the third season of *Suburra* and *Vampires*, all for Netflix, as well as international rights for *The Serpent* and *Snowpiercer* on Netflix, *Love Island France* for Amazon – the first reality show on the service, *Hot Drop* for Quibi – which we are an investor in, and *Becoming for Disney+*. Original hours supplied to OTTs increased by 95% in 2019.

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

Global Formats and Distribution revenues were up 2% year-on-year to £318 million (2018: £312 million), with nil impact from foreign exchange. The growth was driven by a number of multi-year deals secured for *The Voice*, along with the distribution revenue of new ITV Studios UK scripted commissions mentioned earlier.

A key strength of our Global Formats business is the large portfolio of successful entertainment and factual entertainment formats that return and travel, which we are strengthening each year. This includes programmes such as *The Voice*, *Love Island*, *Hell's Kitchen*, *The Graham Norton Show*, *I'm A Celebrity...Get Me Out Of Here!*, *Catchpoint*, *The Chase*, *Dancing on Ice*,

Come Dine With Me, and *Four Weddings*. In 2019 we sold 62 (2018: 57) different formats internationally, 14 of which were sold to three or more countries.

We are very focused on maximising the value of our formats and brands internationally. There are exciting opportunities to licence our brands and library content and drive value through merchandising using our significant capabilities across our network of labels and our global relationships.

During the year we acquired Armoza Formats, an Israeli based creator and distributor of several top-selling global formats, including primetime singing show *The Four*, and non-scripted format *Still Standing*, as we look to continue to build our creative strength and monetisation capabilities.

Global Distribution is a strong and expanding business driven by our strong pipeline of high-end scripted programmes, and our valuable library, which we sell to our vast network of linear broadcasters, the global OTTs and new and emerging digital platforms, such as FilmRise. The content pipeline is healthy with the international distribution of *War of the Worlds*, *World on Fire*, *Gold Digger*, *A Confession*, *Good Witch* and *Balthazar*. 2020 will see the international distribution of *Flesh and Blood*, *The Serpent*, *Noughts & Crosses*, *Singapore Grip*, and *Snowpiercer*, the second season of which has been commissioned before the first season has even aired. We also have multiple deals with Netflix, Amazon and Hulu. Unscripted deliveries included: *Hell's Kitchen US*, *Love Island*, *I'm A Celebrity...Get Me Out Of Here!* and *The Voice* all delivering across a number of different territories.

Our content continues to sell well internationally to both broadcasters and OTT platforms and in particular our scripted programmes. Over ten of our scripted programmes have been sold to date in more than 100 countries, including *War of the Worlds*, *Harlots*, *Vera*, *Poldark*, *Endeavour* and *Cold Feet*.

Our distribution business also sells content to BritBox US and Canada and during the year, started selling content to BritBox UK for its launch in November 2019.



▲ **Harlots** is a scripted production by Monumental Television (part of ITV Studios UK) for Hulu, and is in its third series.

Broadcast



▲ **Cheat** was one of the top new dramas on ITV in 2019, launching with 8.5 million viewers. It was the biggest series on the ITV Hub, based on average requests per episode.

◀ **Horse Racing** was broadcast across ITV main channel and ITV4 in 2019, with an average of 0.7 million viewers across all meetings.

The media market environment in which we operate is dynamic. The viewing and advertising landscape is evolving rapidly and becoming increasingly competitive, presenting both challenges and opportunities. Our Broadcast business is constantly adapting and our strategy and digital transformation must be delivered at pace to take advantage of the opportunities, and address the challenges that arise.

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

Twelve months to 31 December	2019 £m	2018 £m	Change £m	Change %
Total advertising revenue	1,768	1,795	(27)	(1.5)
Direct to Consumer	84	81	3	4
SDN	69	73	(4)	(5)
Other revenue	142	147	(5)	(3)
Total Broadcast revenue	2,063	2,096	(33)	(2)
Network schedule costs	(1,091)	(1,055)	(36)	(3)
Variable costs	(134)	(123)	(11)	(9)
Broadcast infrastructure and overheads	(376)	(363)	(13)	(4)
Total Broadcast costs	(1,601)	(1,541)	(60)	(4)
Total Broadcast adjusted EBITA	462	555	(93)	(17)
Total adjusted EBITA margin	22%	26%	(4)%	
BritBox UK venture loss	(21)	-	(21)	-
Adjusted EBITA Broadcast (ex BritBox UK)	483	555	(72)	(13)
Adjusted EBITA margin (ex BritBox UK)	23%	26%	(3)%	

Operating and Performance Review continued

▶ There were eight **England Euro 2020 Football Qualifiers** in 2019, achieving an average audience of 4.9 million. ITV will share the broadcast of the Euros with the BBC in 2020.

▼ **Tenable** is a UK daytime game show and had its best ever performance in 2019, averaging 1.0 million viewers, up 7% on 2018.



Financial performance

Broadcast total revenue was down 2% in the year at £2,063 million (2018: £2,096 million). Total advertising revenue declined by 1.5% to £1,768 million (2018: £1,795 million) which was slightly better than our expectations. The decline was driven by NAR, with VOD revenue up 21% and good growth in sponsorship and creative partnerships. TV advertising continued to be impacted by political and economic uncertainty in the year, however, we saw an improvement in the second half of 2019, with total advertising up 2% compared to the same period in 2018. There has been a great deal of change in viewing and advertising trends which we are keeping under constant focus. Our strategy is focused to ensure we adapt and respond to the change in behaviour in the market. Research shows that digital is less effective than TV advertising, but it allows advertisers to gain short-term impact and benefit from low production costs.

The composition of TV advertisers is changing as markets are being disrupted by new categories and insurgent brands. Some categories are growing rapidly. Publishers, Airlines and Travel and Cars and Car Dealers

have spent more in the year. Spend by online brands grew by 11% excluding gambling spend, which is no longer permitted around live sport following the self-imposed whistle to whistle advertising ban by the gambling industry. These online brands can see the immediate benefits of TV advertising and demonstrate how valuable it is. The continued challenges faced by the high street, retail and fast moving consumer goods (FMCG) companies have put pressure on their budgets and they are spending less across all media. There was also a decline in Entertainment & Leisure compared to the significant gambling spend around the Football World Cup in 2018.

Direct to Consumer revenue grew 4% to £84 million (2018: £81 million) with growth driven by an increase in ITV Hub+ subscriptions. We remain on track to achieve the targeted £100 million revenue by 2021 as set out in the strategy.

Total costs were up 4%, driven by higher schedule costs, up £36 million to £1,091 million, primarily due to coverage of the Rugby World Cup, England football qualifiers for the European Football Championships, and new and returning dramas. Our variable costs were up 9% at £134 million, with higher bandwidth and rights costs associated with our online business, and marketing investment in our brand to support the launch of BritBox UK. Broadcast infrastructure and overhead costs also increased by 4% to £376 million, with higher property costs for our new London

buildings as previously announced, along with £22 million of investments around our advertising capabilities, data, the ITV Hub, ITV Hub+ and technology to enable us to deliver our strategic priorities. This increase was partly offset by £16 million of cost savings made across Broadcast in the year, and lower share-based payments.

Broadcast adjusted EBITA (excluding BritBox UK) declined 13% to £483 million (2018: £555 million), with a margin of 23%. Total Broadcast adjusted EBITA (including BritBox) was £462 million, with a 22% margin.

Viewing

During 2019 we invested to reposition ITV, drive more light viewers and increase reach. Our investments focused on evolving the brand to be more creative and contemporary, which is now visible on ITV and the ITV Hub. We launched our new 'More than TV' viewer campaign and developed consistent off-air marketing across multiple media channels, including established media and social media. ITV Family SOV for light viewers was up 0.1 percentage points. Spontaneous consideration amongst light viewers was down one percentage points year-on-year, however, this decline was significantly lower than that of the BBC and Channel 4 and demonstrates the impact our marketing investment has made to date.

In 2019 we delivered a good viewing performance both on-screen and online, against tough comparatives in 2018 from

the Football World Cup. We maintained our ITV Family SOV at 23.2% (2018: 23.2%) which is now the second highest SOV performance in a decade.

Total ITV viewing, which combines live viewing of ITV channels, recorded and video on demand (VOD), decreased by 4% year-on-year against the Football World Cup in 2018 which saw strong viewing volumes. This decline was in line with the market. Over two years, total ITV viewing was down 2%, compared to the market which was down 8% over the same period. On the main channel, many daytime shows grew their audiences year-on-year, including: Good Morning Britain – with its highest share ever, Loose Women, Tenable and The Chase. Our soaps, Coronation Street and Emmerdale, maintained their position as the UK's two largest soaps, although their viewing was marginally down year-on-year against big storylines in 2018. We successfully aired a range of new programmes, including five of the top six most watched new dramas such as Manhunt, A Confession and The Bay; new entertainment shows, including In For A Penny; and successful factual entertainment, including: Ant and Dec's DNA Journey, Bradley Walsh & Son: Breaking Dad and Harry's Heroes. We continue to drive significant audiences with our returning brands such as Vera – which had its most successful series to date, Cold Feet, I'm A Celebrity...Get Me Out Of Here! – which was the most watched entertainment

programme in the year, Britain's Got Talent and The Voice UK. Our news programming continues to perform well, as does our sporting schedule with the Rugby World Cup – the final of which was the most watched sporting programme in the year, horse racing and the Six Nations Rugby Championships. While overall our schedule is performing strongly, not all of our programmes will return, including Sanditon and Wild Bill, and The Jeremy Kyle Show has been discontinued.

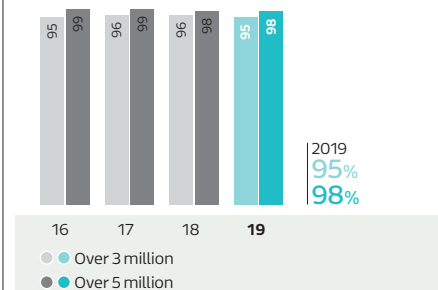
We continue to target the demographics most highly demanded by advertisers – particularly young and male audiences – through our family of channels and online, and have seen good share growth in our target demographics on ITV2, ITV3 and the ITV Hub.

ITV2 remained the most watched digital channel for the 16–34s for the third year in a row. This was helped by the summer series of Love Island which had its best performing series to date. It averaged 4.3 million TV viewers (share of 19%), which increased to 5.6 million including non-TV viewing. It was the largest 16–34s audience across all channels averaging 2.2 million TV viewers with a 55% share. Love Island, together with Plebs, Ibiza Weekender, Hey Tracey! and Celebrity Juice, helped ITV2 achieve a SOV of 6.4% and SOCI of 10.0% for the 16–34s demographic, up 6% and 9% respectively. ITV3's viewing performance improved in the year due to the strong slate of dramas,

such as Midsomer Murders, Vera, Poirot, Doc Martin, as well as repeats of Emmerdale and Coronation Street. ABC1 adults SOV and SOCI on ITV3 were both up 4% in 2019. On ITV4, Male SOV was up 2% while Male SOCI was down 1% year-on-year. The ITV4 sports schedule remained healthy in 2019 with horse racing, the French Open, the British Touring Car Championships, darts and snooker.

We have a strong schedule in 2020 with new dramas, including: Flesh and Blood, Quiz, Honour, and Belgravia; returning dramas including: Liar, Vera, Marcella, The Bay and Endeavour; and new and returning entertainment including: The Masked Singer, the Epic Gameshow, Saturday Night Takeaway, and I'm A Celebrity...Get Me Out Of Here!

ITV commercial audiences



◀ **Vera** returned for series nine in 2019. Produced by ITV Studios UK, it averaged 7.9 million across the series.

▶ **Don't Hate The Playaz** is an ITV2 quiz show, which had its second series in 2019. Over half of the average viewers per episode were 16–34 year olds.

Operating and Performance Review continued

Our sporting schedule includes the Rugby Six Nations and the European Football Championships.

ITV Hub

The ITV Hub continues to grow rapidly. This is driven by our viewers' appetite to watch our content whenever and wherever they want, be it catch up or, increasingly, simulcast. The ITV Hub is available on 28 platforms and is pre-installed on the majority of connected televisions currently sold in the UK.

Online viewing, which measures the total number of hours viewers are spending online, was up 13% driven by viewing on connected TVs and through streaming devices. Dwell time, which measures the average time spent viewing per session across all platforms, was up 6% in the year. The ITV Hub now has 31 million registered user accounts (2018: 28 million), already ahead of the 30 million target by 2021 and monthly active users was up 28%.

This growth was driven by our great content and good user experience, supported and enhanced by a process of continued improvement and the investment we have made in the year in the ITV Hub. This was specifically around the brand, the user experience and interface – including offering recommendations on what to watch, cross platform resume, and a redesign of the homepage, along with data-driven marketing to target light viewers, and evolving the underlying digital platform, which also supports ITV Hub+ and BritBox UK. Our 2020 investment in the ITV Hub will be focused on further accelerating its growth through increased personalisation and prominence to make it a destination for viewing our content, enhancing data and technology to support it, and increasing the monetisation of our monthly active users for our advertisers particularly through the roll out of Planet V.

The ITV Hub helps ITV reach valuable younger audiences – over 80% of the UK's 16–34 year olds are registered. Younger viewers use the ITV Hub for simulcast viewing, as well as catch up. The 2019 summer series of Love Island achieved an average of 0.5 million viewers via simulcast per episode, up from 0.3 million in 2018. The Rugby World Cup delivered 0.9 million simulcast viewers for England's final against South Africa, which is greater than linear audiences on most digital channels. Total simulcast viewing hours



◀ **Deep Water** was a six-part drama in 2019. The full series was made available to stream on the ITV Hub following the broadcast of the first episode. It was the second most requested programme, by average episode, on the ITV Hub.

▶ **Cleaning Up** was one of the top new dramas in 2019, averaging 7.2 million viewers across the series on TV. Viewing on the ITV Hub was also strong with an average of over one million requests per episode.

was up 17% year-on-year, driven by more simulcast viewing on connected TVs and digital media players in the year.

Growth in ITV Hub and our investment in our data and tech capabilities enables us to collect, consolidate and unify data sources from across the business. This has helped us drive viewing and customer relationships through data-driven marketing and testing of our recommendation engine on the ITV Hub. We are also growing consumer revenue with our ITV Hub+ subscriber acquisition model and have established a data framework for BritBox UK. In 2020 we will continue to build upon the progress we have made in our data capabilities, scaling and strengthening them and deploying them more widely across the business. This includes BritBox UK, ITV Interactive, and Planet V, our programmatic addressable advertising platform which will roll out to agencies across 2020.

Strong advertising proposition

While political and economic uncertainty has led advertisers to reduce their current spend in order to maintain margins, television remains one of the most efficient and effective mediums for advertisers to achieve mass simultaneous reach. As viewing and advertising becomes more fragmented, the scale and reach of advertising that television, and particularly ITV, delivers becomes increasingly valuable. We provide a safe, trusted and transparent environment in which to advertise, and television generates the highest return on investment of any media.



TV, and specifically ITV, remains the only place to get immediate reach and scale. In 2019, ITV delivered 98% of all commercial audiences over five million and 95% of all commercial audiences over three million.

Online advertising is growing rapidly and we have seen double digit growth in our VOD advertising on the ITV Hub, which delivers more targeted demographics in a high-quality, trusted and measured environment for online advertisers. Online advertising can deliver a more targeted advertising proposition and to develop our VOD advertising capabilities we signed a perpetual UK licence for the Amobee technology in April 2019 enabling us to deliver programmatic addressable advertising around our premium VOD inventory. Planet V, our scaled, programmatic addressable advertising proposition for the ITV Hub, will be rolled out to media buyers and advertisers during

► **This Morning** is an integral part of ITV's daytime schedule. It averaged 0.8 million viewers per day in 2019 and reached more than 26 million viewers over the year.

Operating and Performance Review continued

2020. This will put buying in advertisers' hands, enabling them, from their own terminals, to buy ITV Hub inventory seamlessly and cost effectively, build their own audiences, add their own data and monitor their own campaigns. Our Commercial business is therefore able to offer our clients the best of both worlds, mass audiences with simultaneous reach on linear channels, and addressable targeting at scale around our premium inventory on the ITV Hub.

ITV aims to maximise the value of its airtime and drive new revenue streams through sponsorship, brand extension and creative collaboration. ITV utilises the core assets of its strong brand and reputation, unique commercial relationships and quality production capability to deliver a wide variety of innovative marketing solutions. To enhance our offering to advertisers we have built a client relationship team and scaled up the creative partnerships team to work closely with advertisers and provide original, engaging and brand-defining marketing propositions. During 2019, Marks & Spencer (M&S) engaged with ITV in a fully integrated linear and digital advertising proposition around Britain's Got Talent with sponsorship, product placement, a bespoke spot ad made by ITV as well as instore branding and social media content. Following the positive impact for M&S, they decided to also sponsor the autumn series of Britain's Got Talent: The Champions. The 2019 series of Love Island attracted nine commercial partners, including Uber Eats, Samsung and Superdrug, engaging in programme and podcast sponsorship, brand licences, instore branding, exclusive product lines and merchandise, and product placement. This drove total incremental revenue of around £8 million year-on-year.

Responsive to a changing media environment

The way in which people watch television has changed rapidly over the last few years, particularly for younger demographics. ITV's position overall is strong but there is increasing competition for eyeballs and advertisers. Our strategy has evolved to address this shift, and our priorities are aimed at making sure we continue to maintain mass audiences, drive light viewers, attract live audiences and grow the number of 16–34 year old viewers.



▲ **ITV and M&S** formed a creative partnership around Britain's Got Talent, involving on and off-screen advertising initiatives.

britbox
POWERED BY BBC & itv



CIRKUS

Most importantly it is ensuring that we are bringing our quality content to audiences wherever, whenever and however they choose.

Linear television viewing remains resilient despite significant changes in the availability and delivery of content. On average, viewers watched 183 minutes of television per day in 2019, down 5% from 192 minutes in 2018 (Source: BARB C7 data). Including all viewing across TV, SVOD and all devices, the majority of viewing remains live at 70%, as television continues to have the power to bring audiences together. VOD viewing continues to grow rapidly while PVR (recorded) viewing has remained relatively constant over the last few years at around 13%. Younger viewers are watching less linear television than they used to, but through delivering great content such as Britain's Got Talent, I'm A Celebrity...Get Me Out Of Here! and Love Island, the ITV Family remained the largest family of channels for the 16–34s demographic in the year. Nevertheless, it is a constant challenge to maintain total advertising revenue in light of declining viewing, especially amongst 16–34 year olds.

SVOD has seen strong growth over the last few years and is now a developed market in the UK, with approximately 51% of UK households subscribing to at least one of Netflix, Amazon or Now TV. As a creator, owner and distributor of sought after content, ITV is well positioned to take advantage of the opportunities from the changes we are seeing in the media environment and consumer behaviour.

The growth in viewers' appetite for having SVOD subscriptions and increasingly multiple subscriptions (37% of households have more than one SVOD service), also means that we are well placed to benefit from this demand with the launch of our SVOD service BritBox UK (Source data: BARB Q4 2019). Our recent research shows that people's intent to buy BritBox is on a par with Now TV and Apple TV+.

Direct to Consumer

Direct to Consumer generates revenue directly from the customer, and includes SVOD, competitions, merchandise, live events and gaming. In 2019, total revenue increased by 4% to £84 million (2018: £81 million) predominantly due an increase in ITV Hub+ subscriptions. Direct to Consumer revenue does not include BritBox UK or US.

Our SVOD propositions include BritBox UK, ITV Hub+ in the UK, BritBox in the US and Canada, and Cirkus in the Nordics, Germany, Austria and Switzerland.

We successfully launched BritBox UK, with the BBC in November 2019. The service provides UK audiences with an unrivalled collection of British box sets and original series all in one place. BritBox UK includes both ITV and BBC box sets, and has content partnerships with Channel 4 (including Film4 content) and Channel 5, and distribution partnerships with, BT and EE. Our EE distribution partnership is currently in the pre-sale phase, launching fully on 13 March 2020. BritBox UK is an ITV controlled entity with a holding of 90% and the BBC holding 10% of the equity with an option to increase it to 25%.

The service had a successful operational launch, which was issue free and on time, and early results show a good performance in line with the business plan. We are seeing strong subscriber appeal with the majority of customers converting to become a paying subscriber after the free trial period. BritBox UK is now on ten platforms and available on 15 million UK screens. We are continuing to explore opportunities to expand the distribution of BritBox UK, and by April 2020, we expect it to be available on 20 million UK screens. In addition to the breadth of content currently available on BritBox UK, the first original commission, Spitting Image, is expected to launch on the service in the second half of 2020. Channel 4 content will also be available in April with Film4 content arriving in the autumn.

The 2019 net investment in BritBox UK was £19 million, which was lower than the £25 million expected due to the timing of content costs. The BritBox UK venture loss, which excludes the benefit of other revenues earned across ITV, was £21 million. We expect venture losses in BritBox UK of £55 million to £60 million in 2020, which is broadly in line with the £40 million net investment previously guided and the £6 million timing difference from the 2019 investment, unwinding in 2020. We anticipate that BritBox UK will remain in the net investment phase for a number of years as we build its subscriber base, but in time will provide a meaningful profit stream to ITV.

ITV Hub+ offers an ad-free subscription version of the ITV Hub with content download capability and EU portability, although, following the UK's departure from the European Union, this may not be available once trading arrangements are agreed at end of 2020. The number of subscribers increased by over 50% year-on-year to over 400,000. The subscriber growth has been driven by our great content, increased marketing and EU portability. We are using our investment in data capabilities to understand what drives customer acquisition and retention, and to provide us with high quality insights into our subscribers.

Our joint venture (JV) with the BBC, BritBox US, provides an ad-free SVOD service offering the most comprehensive collection of British content available in the US and Canada. Subscribers have continued to grow steadily, currently exceeding one million, and the service is now profitable, just three years following launch. We plan to launch BritBox in Australia in 2020 as we continue to explore opportunities for BritBox US on other platforms and in other territories internationally.

A significant portion of our Direct to Consumer revenues comes from competitions. The majority of our competitions have performed well across the schedule, benefiting from the investment in the competition portal which has been rebranded to ITV Win, along with marketing

of the platform through some of our key programming. Programme related app downloads were strong in the year, encouraging engagement and driving linear viewing. The Love Island app had over six million downloads, and over nine million votes were cast via the app in 2019. The Love Island game has also been downloaded over 3.5 million times in the UK and ten million times globally.

We continue to host a number of live events based around our key brands, including: the Coronation Street set tour and Emmerdale village tour and studio experience, five branded Ninja Warrior Experiences around the UK, and we are due to launch an I'm A Celebrity...Get Me Out Of Here! leisure attraction which will open in the UK during 2020. All of these initiatives help build relationships directly with our viewers and we will continue to have a focused approach to opportunities in this area.

SDN

SDN generates revenue by licensing multiplex capacity to broadcast channels, radio stations and data providers on digital terrestrial television or Freeview. Currently, the SDN platform utilises the radio spectrum licensed to it to provide capacity for 16 broadcast channels and a number of data and radio services.

SDN customers include ITV and third parties, with external revenue (non-ITV) declining by 5%, driven by deal renewals in the year. SDN's multiplex licence expires in 2022 and we are fully engaged with both Government and Ofcom in relation to the possible renewal or extension of the licence.

Other revenue

Other revenue includes revenue from platforms, such as Sky and Virgin, and third-party commissions, e.g. for services we provide to STV. This is down 3% year-on-year due to the closure of Encore at the end of April 2018, along with lower revenue from our non-consolidated license.



◀ **Ninja Warrior UK** branded adventure parks opened in Cardiff, Wigan and Gloucester during 2019.

Social Purpose

With the massive reach of our platforms, our much-loved shows and creative talent, we have a unique ability to drive meaningful change. In 2019 ITV launched its new Social Purpose strategy, setting ambitious targets, to shape culture for good, against four priorities: Better Health, Diversity and Inclusion, Environment and Giving Back.



Better Health

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

Our Goal:

Encourage 10 million people to take action to improve their mental or physical health by 2023.

Sustainable Development Goal



Mental wellness

Britain Get Talking

In October 2019 we launched a five year campaign to encourage people to take action to look after their mental health.

The issue

Since 2004 there has been a 48% increase in anxiety and depression amongst children and as such, our first campaign focused on families.

The campaign

Supported by the charities Mind and YoungMinds, it was launched by Ant and Dec during Britain's Got Talent: The Champions final. The show was paused for a minute to give families watching time to start a conversation. This was followed by a 60 second television advert showcasing some of ITV's best-known faces, all in silence to encourage families to talk. A unique silent advertising commercial break followed

showcasing brands who also fell quiet to support Britain Get Talking. The campaign ran for four weeks, accompanied by a press, social and digital campaign. ITV editorial covered mental health topics, while #BritainGetTalking was fast-adopted as a hashtag for mental health awareness and action.

Results

The **most well-known mental health campaign** of the autumn

2.8m

people started a conversation with their children, family and friends, or had a better quality of conversation, as a result of seeing the campaign.²

4.1m

people took an action in 2019 to improve their, or their family's mental or physical health as a result of ITV campaigns, beating our 2019 target of two million.¹



Off-screen initiatives

Mental Health Training

ITV's Learning and Development team has extended the provision of mental health training, including additional workshops on how to talk about mental health. Over 1,000 colleagues attended mental health training or workshops in 2019.

Duty of Care

ITV launched new guidelines on Duty of Care for productions, and established a Duty of Care Operating Board, chaired by Carolyn McCall.

Time to Change Pledge

ITV is committed to the Time to Change Pledge, consolidating our commitment to reducing the stigma of mental health in the workplace. Over 900 ITV colleagues participated in the Mind Workplace Wellbeing Index and we received a silver award from Mind, for making an impact in promoting employee mental health through our policies and procedures.

1. Sum of actions taken across Better Health.

2. Extrapolated from YouGov survey of over 2,000 UK adults (October 2019).

Eat better

Eat Them to Defeat Them

In January 2019, ITV launched a partnership with Veg Power and an alliance of supermarkets and food brands to encourage children to eat vegetables.

The issue

By the time children start school, one in four children in the UK is living with obesity; by Year 6, it's one in three. With 80% of children not eating their recommended daily recommended portions of vegetables, our campaign set out to change the narrative, moving from the worn-out 'Eat your Greens' message to a child-focused, exciting proposition: Eat Them to Defeat Them.

The campaign

Recognising that kids often really feel they don't like vegetables, ITV worked with ad agency adam&eveDDB to develop an advertising campaign to make vegetables the baddies, who can only be defeated if kids eat them. ITV donated £2 million of airtime to show the television advert to family audiences and brought together 12 supermarkets and food brands to fund the creation of the campaign.

Results

650,000

children said they'd eaten more vegetables as a result of the campaign (29% of those who saw the campaign)¹.

2.3%

uplift in vegetable sales during the campaign, the equivalent of 17.7 million units of vegetables. That's enough for an extra portion of vegetables per household with kids for every week of the campaign².



Move More

The Daily Mile

We continued to partner with the Daily Mile, promoting Daily Mile activity through programming.

656,000

more children did the Daily Mile in 2019.

A push in ITV editorial in September saw the biggest uplift of the year in schools signing up to participate in the scheme³.



Mental Health Advisory Group

ITV formed a Mental Health Advisory Group, chaired by Ruth Davidson, with Mind, YoungMinds and the Scottish Association for Mental Health (SAMH) as founding members, to help provide guidance and support on all aspects of our approach to mental health and wellbeing.

Feel Good Wellbeing Programme

We continued to build Feel Good, ITV's wellbeing programme, which supports the mental and physical wellbeing of colleagues through a programme of classes, check-ups and workshops. Attendance at Feel Good sessions in 2019 reached over 3,000.

Work/life Balance

ITV announced our new Smart Working initiative, aiming at making ITV the most flexible employer in media.

1. Extrapolated from YouGov survey of 1,148 UK children aged 6-14.

2. PearlMetrics econometric modelling 2019.

3. Based on 2,410 schools signing up to the Daily Mile.

Social Purpose continued



Environment

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

Our Goal:

Reduce our carbon emissions and waste, and source responsibly.

Sustainable Development Goals



Reduce energy

New energy targets¹

Flagship target

Reduce greenhouse gas emissions according to a 1.5° science based target (SBT)

Sub targets

- Reduce carbon emissions by 10% each year until SBT is in place
- Become a carbon neutral business
- Purchase 100% renewable energy and join RE100

ITV has signed up to support the Taskforce for Climate-related Financial Disclosures. See page 62 for more information.

We are measuring our carbon emissions more accurately

- In 2019, we implemented a new process to capture global greenhouse gas (GHG) emissions to enable us to get more accurate data. This provides a new baseline for our science-based target (the GHG reduction necessary at ITV for a 1.5 degree global warming limit), and for current and future energy reduction
- On a like-for-like basis, our 2019 emissions reduced by 21% compared to 2018²
- During 2019, we continued to invest in emissions reduction initiatives. We began a major infrastructure project to upgrade the Emmerdale studios to low energy production lighting and efficient air conditioning, and have reduced the impact of outside broadcasting by

expanding our use of Hybrid Electric Vehicles across Daytime, Continuing Dramas and Regional News

We are increasing our purchase of renewable energy

- In 2019 we renewed the renewable energy contracts at all our owned sites
- We began a full renewable energy review of our global sites. We will work with our landlords in 2020 to increase the number of sites powered by renewable energy globally

We are carbon neutral

- All of ITV's 2019 emissions from our operations (scope 1), energy use (scope 2) and business travel (scope 3) were offset by purchasing certified carbon offsetting credits

ITV is required to report annually on the quantity of carbon dioxide equivalent emissions in tonnes emitted as a result of activities for which it is responsible. All data for the financial year ended 31 December 2019 is disclosed here for direct (gas, vehicle fuel, fuel oils and refrigerants consumption) and indirect (electricity consumption) emissions.

2019 Greenhouse Gas Emissions

Indicator	2019 New Baseline	2018
Total gross CO ₂ e emissions (tCO ₂ e)	20,812	20,066
Scope 1: Direct emissions (tCO ₂ e)	9,111	6,770
Scope 2: Indirect emissions (tCO ₂ e)	11,701	13,293
Total Group Revenue	£3,885m	£3,766m
Emissions per unit/£m revenue (tCO ₂ e)	5.4	5.3

Source: 2019 emissions data covers global operations for which we have operational control. We use the GHG Protocol Corporate Accounting and Reporting Standard and the latest conversion factors from the Department for Business, Energy & Industrial Strategy to calculate Scope 1 emissions, and the latest conversion factors from the International Energy Agency to calculate Scope 2 emissions in tonnes of carbon dioxide equivalents. 31% of our data set is based on estimated data. Estimates are calculated from previous consumption trends and published benchmarks.

1. Environmental targets are new in the year and have been set as part of our new strategy. During 2020 we will develop a timeframe in order to deliver these targets.

2. Had 2018 been calculated under the new methodology, the estimated total of Scope 1&2 emissions would have been 26,450 tCO₂e, which equates to a 21% decrease in 2019.

Zero waste

New waste targets

Flagship target	Sub targets
Zero waste	<ul style="list-style-type: none"> Decrease waste by increasing volume of waste avoided, reused and recycled Zero single-use plastics in operations, productions and supply chain

- We conducted an in-depth review of our waste approach in our UK offices and on location productions. In 2020 we will use the findings and recommendations to develop a roadmap to achieving our zero waste target
- We removed single use plastic from our hub site canteens in London, Leeds and Manchester

Sustainable supply chain

New sourcing targets

Flagship targets	Sub targets
100% sustainable sourcing	<ul style="list-style-type: none"> All our suppliers must meet our sustainability criteria Support SME suppliers to improve their environmental impact

- We established a working group with our main UK broadcast peers in 2019 to develop a best practice approach to securing a sustainable supply chain across the industry
- We are reviewing how to evaluate the environmental risk of our suppliers, and what tools and platforms we need to track action on those risks. This information will enable us to determine the roadmap to our 100% sustainable supply chain target

Sustainable culture

New culture targets

Flagship target	Sub targets
100% training	<ul style="list-style-type: none"> Environmental awareness training for all staff and freelancers
100% albert certification ¹	<ul style="list-style-type: none"> For all programmes we produce and commission

- We increased the number of productions being recognised for sustainable production practices in 2019 by 92%, with 73 programmes achieving albert certification. We have encouraged all our productions to complete the albert calculator² and certification and reduce their impact
- We almost tripled the number of colleagues completing environmental training online or in person, to over 1,800. An internal engagement series on the climate crisis achieved the highest feedback rating of any 2019 event
- We established an ITV Green Team Steering Group, with representatives from all business areas, to help deliver our environmental targets throughout the business

On-screen initiatives

- We recognise the role ITV plays in covering the climate crisis and promoting sustainable behaviours. We covered environmental topics in a number of programmes in 2019, such as on current affairs show Tonight and through the On Assignment international magazine programme
- ITV News's latest series Earth on the Edge featured monthly reporting on how climate change is happening in our world today, covering the topics of water shortages, extreme heat, rising sea levels, overpopulation and pollution



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

2. albert carbon calculator quantifies the carbon impact of a production.

Social Purpose continued



Giving Back

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

Our Goal:

Raise over £6 million a year for Soccer Aid, increase staff volunteering and lend our support to causes.

Sustainable Development Goals



Soccer Aid

Soccer Aid for Unicef is a partnership between Unicef and ITV that has raised £38 million since the appeal began in 2006.

Unicef is the world's leading organisation for children in danger, and is ITV's principal fundraising partner.

The campaign

The 2019 Soccer Aid for Unicef football match saw women join the team for the first time. ITV editorial supported Soccer Aid from daily updates on Good Morning Britain through to The Chase Celebrity Special.

Results

Raised
£7.9m

The programme achieved an average audience of nearly four million and over £7.9 million was raised, beating our target.

Volunteering

All ITV employees are encouraged to take three days a year to volunteer and in December 2019 we launched a volunteering month.

- In 2019 we renewed our partnership with volunteering social enterprise Benefacto to ensure colleagues are able to easily find organisations to give their time to
- Over 1,000 colleagues volunteered with take-up of the volunteering days increasing by 11% year-on-year
- ITV came top of the GivX Index of companies for corporate giving, and was listed by Tortoise Responsibility 100 Index as the most generous company in the FTSE 100



Diversity & Inclusion

Fostering creativity by championing diversity and encouraging inclusion.

Our Goal:

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

Sustainable Development Goals



ITV's creative and commercial talent is vital to our success as a business so we seek to attract a workforce that is diverse in all respects, and to nurture an inclusive, enabling environment for all. We also ensure that ITV is for everyone, by working towards true representation on-screen, as well as behind-the-screens.

Page 51 further details on our approach to recruiting, retaining and developing a diverse workforce, and the recognition we have received. For information regarding the Board's diversity policy, see page 101.



On-screen

On-screen targets by 2022

Gender	Declared disability
50%	10%
BAME	LGBT+
15%	7%

We work hard to ensure ITV reflects and represents everyone on-screen. One of the key tools for this is our Social Partnership Commissioning Commitments form that every production uses. This details the commitments producers are expected to make around diversity and inclusion, alongside environmental sustainability and charitable causes.

Programme-makers are expected to actively consider the diversity of not just lead characters, presenters and contributors, but also the secondary and background roles, and those behind the camera too. They are also required to ensure case-studies, features and storylines themselves reflect a diverse range of storytelling.

Off-screen

ITV workforce targets by 2022

Gender	Declared disability
50%	8%
of women in SLT, managers and colleagues	of SLT, managers and colleagues
BAME	LGBT+
15%	7%
of SLT, managers and colleagues.	of SLT, managers and colleagues

And 30% women, and 10% BAME on the PLC Board.

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

1. Data as at 31 December 2019.

In 2019 we published for the first time ambitious targets on workforce diversity. A wide range of initiatives will help us reach these objectives, see page 51 for more detail.

ITV has published its gender pay report which includes reporting on ethnicity pay, www.itvplc.com/investors/governance

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

Progress against Targets¹

BAME

We have increased representation of BAME colleagues to 12.1% among colleagues and 9.4% and 9.8% of SLT and managers respectively. On-screen we surpassed our representation of BAME at 21.4%.

Gender

We have surpassed our on-screen targets and most of our off-screen targets, with 53.6% of colleagues and 51.0% of managers being female. With women making up 44.8% of our senior leadership team (SLT) we are ahead of most of the FTSE 100, but we are still working on reaching 50%.

ITV has been ranked in the 2019 Hampton Alexander Review as the fourth best performer in the FTSE 100 for gender diversity in our combined Executive Committee and direct report roles (42.1%).

LGBT+

We have surpassed our target for on-screen representation, which is at 14.0% for LGBT+, and for all colleagues and managers. We're working on SLT representation which is currently at 4.0%.


Declared disability

Representation amongst all colleagues has increased to 7.0%. We have surpassed our target for SLT, but continue to work to increase the number of managers and colleagues with disability, as well as on-screen representation, which is currently at 5.8%.

Our People

Our people are the driving force of ITV. We are dedicated to nurturing an inclusive working environment where everybody can reach their full potential and thrive, and our ambition is to be the most flexible employer across Media and Entertainment.

The ITV Way reinforces our values, defines our ways of working and how we treat each other – supporting us to deliver our strategy. These values are encapsulated in our Code of Conduct, which in turn reinforces the importance of maintaining high standards of safety and applying good ethics and judgement when making decisions.

 For more details on our culture, and how the Board monitors and assesses culture, please see page 94

The ITV Way

Make it brilliant

Creativity for everyone, without fear or caution

At ITV we connect with millions of people every day, make content they can't get enough of and reflect and shape the world we live in... and we do all of this through the power of creativity. That means creativity at scale. It means creativity without fear or caution. It means creativity from everyone. For everyone. Every day.

Make it new

Openness to change, with no barriers

ITV is a place to make things happen. New ideas. New shows. New takes on old shows. New technology. New relationships with our audiences and customers. There are no barriers here. ITV is changing. And when we change, we change the game, because we reach millions.

Make it together

Collaborating, respecting and embracing differences

ITV is for everyone. It is yours. It is ours. It is open. So take ownership. Work together. Embrace every difference. Our difference creates better stories. Our difference makes a difference. We are together. We are proud.





Engagement

We are committed to regularly engaging with the workforce to ensure their views are heard and understood. Our colleagues are encouraged to communicate and engage with each other, management and the Board through both formal and informal channels. This year, a full employee engagement survey was undertaken to give employees the opportunity to provide feedback anonymously. For further information on how the Board and management engages with the workforce, please see pages 92 and 93.

Diversity and Inclusion

At ITV, we understand and value the creativity that diversity brings to our business, and want to ensure that we have an inclusive environment where everyone can be their authentic self. Our aim is to reflect the diversity of modern society both on and off-screen.

To celebrate and have engagement around our inclusive environment, ITV has five colleague networks – ITV Pride (our LGBT+ network), The Women's Network, ITV Balance (to discuss work-life balance), ITV Embrace (our BAME network) and ITV Able (our Disability Network). These networks are open to all colleagues. Please refer to our Social Purpose Reports (on our website) for further information on the networks' inspirational events with external speakers, development workshops and other activities.

On disability, ITV's steadfast commitment to recruiting, retaining and developing disabled people has been recognised by the

Department for Work and Pensions with Disability Confident Leader accreditation. The Company gives full and fair consideration to the employment of people with a disability or health condition, and guarantees an interview to any candidate with a disability who meets the minimum requirement for a role. We continue to work with specialist providers who advise and support colleagues and managers regarding workplace adjustments as well as any adjustments candidates need through the application and hiring process. We are committed to ensuring that all training, career development and promotion opportunities are accessible and inclusive to all colleagues with a disability and that they have equal career opportunities for growth and progression. For any employee who becomes disabled whilst in employment we ensure the right support is in place to enable them to return to work. This may include an occupational health assessment, a phased return to work and reasonable adjustments as required, supported by our specialist partners. We recognise that not all disabilities are visible and that mental health is also a type of disability we need to consider. We have become members of the Valuable 500 and as a member we are committed to putting disability inclusion on the leadership agenda.

On recruitment and development of a diverse workforce more widely, we are members of the Apprenticeship Diversity Champions Network, which aims to make a positive change to diversity and inclusion in apprenticeships and increase BAME, disability, and disadvantaged background representation. As part of our pledge we have committed to increase the diversity, particularly in BAME and disability representation, of our apprentices by 15%. We continue to actively participate in the Social Mobility Business Partnership and support the Social Mobility Pledge to enable people of all backgrounds to reach their full potential in the workplace. We have continued to successfully develop Company wide initiatives, including: the establishment of a new Inclusion Council chaired by the Chief Executive; the launch of ITV Able (our Disability Network); the roll out of an updated interview skills for hiring managers masterclass to ensure our recruitment and selection is consistent and inclusive; and the introduction of inclusive leader sessions regarding working inclusively and being aware of bias.

For further information on our Diversity and Inclusion strategy in our Social Purpose, including our gender and BAME workforce metrics, please see page 49 and our Social Purpose Report. For further information on the Nominations Committee's work in Diversity and Inclusion and the Board Diversity policy, please see page 101.

Investing in and rewarding our people

We are committed to investing in and building a productive, creative and diverse workforce. We adopt a comprehensive and inclusive approach to investing in and rewarding our workforce, ranging from apprenticeship and mentoring programmes, to the ITV Career Returners Programme that offers experienced and talented professionals the opportunity to return to the career they love after an extended break.

We continue to invest in the development of our workforce through a range of on-line and classroom based workshops, including our on-line development portal 'My Academy'. These build leadership and line manager capability and support personal skills development, wellbeing and resilience for all colleagues.

At ITV, we understand the need to stay competitive to retain our talent. Our approach to attracting and retaining talent through pay is set out on page 129. Our successful and popular Save As You Earn scheme gives our workforce the opportunity to engage with and celebrate in ITV's success, and encourages voluntary investment in ITV shares. ITV's package of voluntary benefits also provides valuable cost savings for both colleagues and the Company. Further information on the Remuneration Committee's consideration of workforce remuneration and related policies see page 129.

Health, Safety and Wellbeing

We prioritise the health, safety and wellbeing of our employees, contractors and those participating in our productions. Please refer to page 65 for information on our policies and commitment to our colleagues' health and safety. For information on our health and safety work from a wellbeing and mental health perspective, please refer to the 'Off-screen initiatives' on pages 44 to 45.

Alternative Performance Measures

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

Our APMs and KPIs are aligned with our strategy and business segments and together are used to measure the performance of our business and form the basis of the performance measures for remuneration.

Adjusted results exclude certain items because, if included, these items could distort the understanding of our performance for the year and the comparability between periods.

The Audit and Risk Committee have oversight of ITV's APMs and actively review, revise and approve the policy for classifying adjustments and exceptional items. Further detail is included on page 108.

Key adjustments for adjusted EBITA, profit before tax and EPS

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

Production tax credits

The ability to access tax credits, which are rebates based on production spend, is fundamental to our Studios business when assessing the viability of investment in green-lighting decisions, especially with regards to high-end drama. ITV reports tax credits generated in the US and other countries (e.g. Norway, New Zealand, Italy, Canada and Spain) within cost of sales, whereas in the UK tax credits for high-end drama must be classified as a corporation tax item. However, in our view all tax credits relate directly to the production of programmes. Therefore, to align treatment, regardless of production location, and to reflect the way the business is managed and measured on a day-to-day basis, these are recognised in adjusted EBITA. Our cash measures, including profit to cash conversion and free cash flow are also adjusted for the impact of production tax credits. Further detail on this is included in the Tax section of the Financial Review.

Exceptional items

These items are excluded to reflect performance in a consistent manner and are in line with how the business is managed and measured on a day-to-day basis. They are typically gains or losses arising from events that are not considered part of the core operations of the business or are considered to be one-off in nature, though they may cross several accounting periods. These include, but are not limited to, acquisition-related costs, reorganisation and restructuring costs, property costs, non-routine legal costs and non-routine pension-related costs. We also adjust for the tax effect of these items. Note 2.2 to the financial statements includes further detail.

Acquisition-related costs

We structure our acquisitions with earnouts or put and call options, to allow part of the consideration to be based on the future performance of the business as well as to lock in and incentivise creative talent. Where consideration paid or contingent

consideration payable in the future is employment-linked, it is treated as an expense (under accounting rules) and therefore part of our statutory results. However, we exclude all consideration of this type from adjusted EBITA, adjusted profit after tax and adjusted EPS as, in our view, these items are part of the capital transaction and do not form part of the Group's core operations. The Finance Review explains this further. Acquisition-related costs, including legal and advisory fees on completed deals or significant deals that do not complete, are also treated as an expense (under accounting rules) and therefore on a statutory basis form part of our reported results. In our view, these items also form part of the capital transaction or are one-off in nature and are therefore excluded from our adjusted measures.

Restructuring and reorganisation costs

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

Amortisation and impairment

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

Net financing costs

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

A full reconciliation between our adjusted and statutory results is provided on the following page.

Other Alternative Performance Measures

Total revenue

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

A reconciliation between external revenue and total revenue is provided below.

	2019 £m	2018 £m
Twelve months to 31 December		
External revenue (Reported)	3,308	3,211
Internal supply	577	555
Total revenue (Adjusted)	3,885	3,766

Reconciliation between statutory and adjusted results

Twelve months to 31 December	2019 Statutory £m	2019 Adjustments £m	2019 Adjusted £m	2018 Statutory £m	2018 Adjustments £m	2018 Adjusted £m
EBITA ¹	693	36	729	785	25	810
Exceptional items (operating) ²	(84)	84	–	(93)	93	–
Amortisation and impairment ³	(74)	63	(11)	(92)	85	(7)
Operating profit	535	183	718	600	203	803
Net financing costs ⁴	(68)	28	(40)	(43)	7	(36)
Share of profits on JVs and Associates	1	–	1	–	–	–
Gain on sale of non-current assets and subsidiaries (non-operating exceptional items) ²	62	(62)	–	10	(10)	–
Profit before tax	530	149	679	567	200	767
Tax ⁵	(52)	(67)	(119)	(97)	(49)	(146)
Profit after tax	478	82	560	470	151	621
Non-controlling interests	(5)	–	(5)	(4)	–	(4)
Earnings	473	82	555	466	151	617
Shares (million), weighted average	4,000		4,000	3,999	–	3,999
EPS (p)	11.8p		13.9p	11.7p		15.4p
Diluted EPS (p)	11.8p		13.8p	11.6p		15.4p

- £36 million adjustment relates to production tax credits which we consider to be a contribution to production costs and working capital in nature rather than a corporate tax item.
- Exceptional items largely relate to acquisition costs, primarily employment linked consideration, as well as restructuring and property costs, along with the gain on sale from the London Television Centre. Further detail is included in the Finance Review.
- £63 million adjustment relates to amortisation and impairment of assets acquired through business combinations and investments. We include only amortisation on purchased intangibles, such as software within adjusted profit before tax.
- £28 million adjustment is primarily for non-cash interest cost. This provides a more meaningful comparison of how the business is managed and funded on a day-to-day basis.
- Tax adjustments are the tax effects of the adjustments made to reconcile profit before tax and adjusted profit before tax. A full reconciliation is included in the Finance Review.

Adjusted net debt

Net debt (as defined in note 4.1 to the financial statements) is adjusted for all our financial commitments. This better reflects how credit rating agencies look at our balance sheet. A reconciliation between net debt and adjusted net debt is provided below.

At 31 December	2019 £m	2018* £m
Net debt	(804)	(927)
Expected contingent payments on acquisitions	(230)	(252)
Net pension deficit	(87)	(38)
Lease liabilities**	(89)	(147)
Adjusted net debt	(1,210)	(1,364)
Adjusted net debt to adjusted EBITDA	1.5x	1.6x
Reported net debt to adjusted EBITDA	1.0x	1.1x

* The Group has adopted IFRS 16 under the modified retrospective approach and is not required to restate 2018 numbers.

** The 2018 lease liabilities represent the undiscounted operating lease commitments of £147 million which when converted to IFRS 16 discounted liabilities is £121 million.

Net pension deficit/surplus

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

Profit to cash conversion

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

Adjusted free cash flow

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

Finance Review

ITV delivered a strong operating performance in 2019 despite the uncertain economic environment, and is making good progress in executing the strategy to build a digitally led media and entertainment company.



Chris Kennedy
Group Chief Financial Officer



While the macro environment in 2019 continued to impact the demand for television advertising and therefore ITV's financial performance, our full year results were ahead of expectations, and we have made good progress in executing our strategy. Our investment and cost saving programmes are on track, and our focus on cash and costs enables us to make the right investment decisions to build a robust and growing business and to deliver returns to shareholders in line with our guidance.

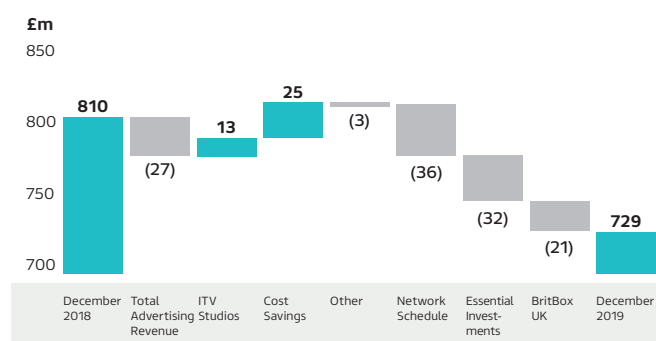
This Finance Review focuses on the more technical aspects of our financial results while the operating and financial performance has been discussed within the Operating and Performance Review. Our Alternative Performance Measures section explains the adjustments we make to our statutory results and focuses on the key measures that we report on internally and use as KPIs across the business.

Twelve months to 31 December	2019 £m	2018 £m	Change £m	Change %
Total advertising revenue	1,768	1,795	(27)	(1.5)
Total non-advertising revenue	2,117	1,971	146	7
Total revenue	3,885	3,766	119	3
Internal supply	(577)	(555)	(22)	(4)
Group external revenue	3,308	3,211	97	3
Group adjusted EBITA	729	810	(81)	(10)
Group adjusted EBITA margin	22%	25%		
Group statutory EBITA	693	785	(92)	(12)
Adjusted EPS	13.9p	15.4p	(1.5)p	(10)
Statutory EPS	11.8p	11.7p	0.1p	1
Dividend per share	8.0p	8.0p	–	–
Net debt as at 31 December	(804)	(927)	123	13

Total ITV revenue grew by 3% to £3,885 million (2018: £3,766 million), with external revenue also up 3% to £3,308 million (2018: £3,211 million). Total advertising revenue was down 1.5%, slightly better than expectations. VOD revenue was up 21% year-on-year but was more than offset by the decline in NAR. Total non-advertising revenue was up 7% to £2,117 million (2018: £1,971 million). ITV Studios total revenue increased by 9% to £1,822 million (2018: £1,670 million), with growth across all parts of the business. The net impact of currency in the year was nil. Direct to Consumer revenue grew 4% to £84 million (2018: £81 million), with strong growth in ITV Hub+ subscriptions.

Group adjusted EBITA declined 10% to £729 million (2018: £810 million). ITV Studios adjusted EBITA was up 5% at £267 million (2018: £255 million) with the adjusted EBITA margin flat at 15%, in line with our guidance. Broadcast adjusted EBITA (excluding the £21 million investment in BritBox UK) declined 13% to £483 million (2018: £555 million), with a margin of 23%. Total Broadcast adjusted EBITA (including BritBox UK) was £462 million, with a 22% margin. This was impacted by the decline in TAR and the investments we are making in schedule costs with higher spend on sport and drama, marketing, the ITV Hub, ITV Hub+, data, technology and BritBox UK to build a robust and growing business. Group statutory EBITA declined 12% to £693 million (2018: £785 million) which was more than the decline in adjusted EBITA due to an increase in high-end production tax credits in the year, which are included only in adjusted EBITA.

Adjusted EBITA tracker



Adjusted financing costs were up £4 million year-on-year and our adjusted tax rate came down to 18% from 19% in 2018. The net of these movements resulted in a 10% decline in adjusted EPS to 13.9p (2018: 15.4p). Statutory EPS was up 1% to 11.8p, predominantly due to the gain on sale of the London Television Centre on the South Bank, our previous London headquarters.

Our key strengths include our high margins and cash conversion, which, together with our ongoing focus on costs, put us in a good position to balance investment in growing an even stronger and more resilient business going forward, while delivering returns to our shareholders in line with our guidance.

Exceptional items

Twelve months to 31 December	2019 £m	2018 £m
Acquisition-related expenses	(75)	(60)
Restructuring and property-related costs	(24)	(26)
Pension related costs	1	4
Other	14	(11)
Total operating exceptional items	(84)	(93)
Non-operating exceptional items	62	10
Net exceptional items	(22)	(83)

Total exceptional items in the period were £22 million (2018: £83 million). Operating exceptional items principally relate to acquisition-related expenses, which are predominantly performance based, employment-linked consideration to former owners, and professional fees (mainly financial due diligence and legal costs in respect of potential acquisitions during the year). Restructuring and property-related costs of £24 million relate primarily to one-off restructuring projects stemming from the Group-wide commitment to reduce the overhead cost base and those costs associated with the delivery of the strategy.

Included within other items are: the release of legal cost accruals in relation to litigation outside the normal course of business settled in the year; the release of the Box Clever provision; and the movement in the insured trade receivables provision. This was partly offset by costs in relation to the cancellation of The Jeremy Kyle Show.

Non-operating exceptional items relate to the gain on sale of the London Television Centre, which was sold in November 2019. Further details are provided in note 3.2 to the financial statements.

Net financing costs

Twelve months to 31 December	2019 £m	2018 £m
Financing costs directly attributable to loans and bonds	(31)	(30)
Cash-related net financing costs	(8)	(5)
Amortisation of bonds	(1)	(1)
Adjusted financing costs	(40)	(36)
Imputed pension interest	(1)	(2)
Other net financial losses and unrealised foreign exchange	(27)	(5)
Net financing costs	(68)	(43)

Adjusted financing costs were up £4 million year-on-year at £40 million (2018: £36 million) reflecting higher levels of net debt during the year, foreign exchange and the impact of IFRS 16. Statutory net financing costs were £68 million, up £25 million year-on-year (2018: £43 million), largely due to one-off fees and premiums in relation to the buyback of €506 million of Eurobonds in the year as well as the acceleration of amortisation on these bonds. The cash impact of the buyback was small.

JVs and associates

There was a £1 million share of profits from JVs and associates in the year (2018: £nil), relating to the net profit from a range of investments, including BritBox US and Canada, Blumhouse and Circle of Confusion.

Finance Review continued

Profit before tax

Adjusted profit before tax, after amortisation and impairment of assets and financing costs, was down 11% at £679 million (2018: £767 million). Statutory profit before tax decreased by 7% to £530 million (2018: £567 million) in the year. Production tax credits increased to £36 million in the year (2018: £25 million) as a result of more high-value dramas such as *World on Fire*, *Line of Duty*, *A Confession* and *Noughts and Crosses*.

Profit before tax (PBT)

Twelve months to 31 December	2019 £m	2018 £m
Profit before tax	530	567
Production tax credits	36	25
Net exceptional items	22	83
Amortisation and impairment*	63	85
Adjustments to net financing costs	28	7
Adjusted profit before tax	679	767

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

Tax

Adjusted tax charge

The total adjusted tax charge for the period was £119 million (2018: £146 million), corresponding to an effective tax rate on adjusted profit before tax (PBT) of 18% (2018: 19%), which is slightly lower than the standard UK corporation tax rate of 19% (2018: 19%). We expect the effective tax rate to be between 18% and 19% over the medium term, if, as is expected, the UK government announce that the previously enacted reduction in the UK statutory tax rate to 17% from 1 April 2020 is reversed. On a reported basis, the tax charge of £52 million (2018: £97 million) corresponds to an effective tax rate of 10% (2018: 17%). The reported rate is lower than the prior year due to the tax treatment of the sale of the London Television Centre and an increase in high-end production tax credits. The adjustments made to reconcile the tax charge with the adjusted tax charge are the tax effects of the adjustments made to reconcile PBT and adjusted PBT, as discussed earlier.

Twelve months to 31 December	2019 £m	2018 £m
Tax charge	(52)	(97)
Production tax credits	(36)	(25)
Charge for exceptional items	(6)	(9)
Charge in respect of amortisation and impairment*	(19)	(14)
Charge in respect of adjustments to net financing costs	(6)	(1)
Adjusted tax charge	(119)	(146)
Effective tax rate on adjusted profits	18%	19%

* In respect of intangible assets arising from business combinations and investments. 2018 also reflects the cash tax benefit of tax deductions for US goodwill.

Cash tax

Cash tax paid in the period was £108 million (2018: £92 million) and is net of £37 million of production tax credits received (2018: £27 million). The majority of the cash tax payments were made in the UK. The cash tax paid is higher compared to the previous year due to the timing of tax credit receipts, and the receipt in the previous year of a prior year repayment. A reconciliation between the tax charge for the year and the cash tax paid in the year is shown below.

Twelve months to 31 December	2019 £m	2018 £m
Tax charge	(52)	(97)
Temporary differences recognised through deferred tax	(21)	(37)
Prior year adjustments to current tax	(8)	14
Current tax, current year	(81)	(120)
Phasing of tax payments (including in respect of pension contribution benefits)	(28)	26
Production tax credits – timing of receipt	1	2
Cash tax paid	(108)	(92)

Tax strategy

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

 www.itvplc.com/investors/governance/policies

We have four key strategic tax objectives:

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

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

EPS – adjusted and statutory

Overall, adjusted profit after tax was down 10% at £560 million (2018: £621 million). After non-controlling interests of £5 million (2018: £4 million), adjusted basic earnings per share was 13.9p (2018: 15.4p), down 10%, which is consistent with the decrease in adjusted EBITA of 10%. The weighted average number of shares remained broadly flat year-on-year at 4,000 million (2018: 3,999 million). Diluted adjusted EPS in 2019 was 13.8p (2018: 15.4p) reflecting a weighted average diluted number of shares of 4,018 million (2018: 4,013 million).

Statutory EPS increased by 1% to 11.8p (2018: 11.7p) predominantly due to the gain on sale of the London Television Centre in the year and the related tax impact.

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

Dividend per share

Reflecting ITV's continued good operational performance, the Board has proposed a full year dividend of 8.0p which is flat year-on-year. This is in line with the Board's intention to pay a full year dividend of at least 8.0p in 2019.

The Board is planning to pay another full year dividend of 8.0p in 2020. The Board intends to announce a medium-term dividend policy with the full year 2020 results, once greater clarity is established on the economic environment and outlook in the UK following its departure from the European Union.

Dividends are distributed based on the realised distributable reserves (within retained earnings) of ITV plc (the Company) and not based on the Group's retained earnings. The 2019 full year dividend will be paid on 21 May 2020.

Acquisitions

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

Our Studios business is performing well and we will consider selective value creating M&A and talent deals in both scripted and unscripted to obtain further creative talent and IP.

During 2019, we increased our holding in Monumental Television in the UK to take a controlling interest and we acquired Armoza Formats, an Israeli formats creator and distributor.

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

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

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

Finance Review continued

Acquisitions – between 2012 and 2019 (undiscounted)

Company	Geography	Genre	Initial consideration £m	Additional consideration paid £m	Expected future payments* £m	Total expected consideration** £m	Expected payment period
Total for 2012–2019	Various	Content & Broadcast TV	972	191	230	1,393	2020–2025

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

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

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

Acquisition-related liabilities or performance-based employment-linked earnouts are amounts estimated to be payable to previous owners. The estimated future payments of £230 million are sensitive to forecast profits as they are based on a multiple of earnings. The estimated future payments, treated as employment costs, are accrued over the period the sellers are required to remain with the business, and those not linked to employment are recognised at acquisition at their time discounted value.

We closely monitor the forecast performance of each acquisition and, where there has been a change in expectations, we adjust our view of potential future commitments. Expected future payments of £230 million have decreased by £22 million since 31 December 2018, due to payments made to acquire full ownership of Gurney Productions and High Noon and earnouts paid to Mainstreet and Leftfield. This was partly offset by an increase in expected future payments on certain acquisitions. At 31 December 2019, £197 million of expected future payments had been recorded on the balance sheet.

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

Cash generation

Profit to cash conversion

	2019 £m	2018* £m
Twelve months to 31 December		
Adjusted EBITA	729	810
Working capital movement	(63)	(93)
Adjustment for production tax credits	1	2
Depreciation	56	28
Share-based compensation and pension service costs	10	10
Acquisition of property, plant and equipment and intangible assets	(68)	(82)
Capex relating to redevelopment of new London headquarters	2	37
Lease liability payments	(35)	–
Adjusted cash flow	632	712
Profit to cash ratio	87%	88%

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

*2018 has not been restated for the impact of IFRS 16

One of ITV's strengths is its cash generation reflecting our ongoing tight management of working capital balances. We manage risk when making all investment decisions, particularly into scripted content and BritBox UK, through having a disciplined approach to cash and costs. This is particularly important when there is wider political and economic uncertainty.

In the year, we generated £632 million of adjusted operational cash (2018: £712 million) from £729 million of adjusted EBITA (2018: £810 million), resulting in a profit to cash ratio of 87% (2018: 88%) which included investment in Planet V, our addressable advertising platform, in scripted productions and in BritBox UK. Profit to cash conversion excluding BritBox UK was 88%.

We have a £100 million non-recourse receivables purchase agreement (free of financial covenants), which gives us the flexibility to access additional liquidity when required. At 31 December 2019, £100 million of receivables were sold under the purchase agreement (2018: £100 million). From 2020 onwards, movements in this receivables facility will be excluded from our profit to cash conversion calculation.

Adjusted free cash flow

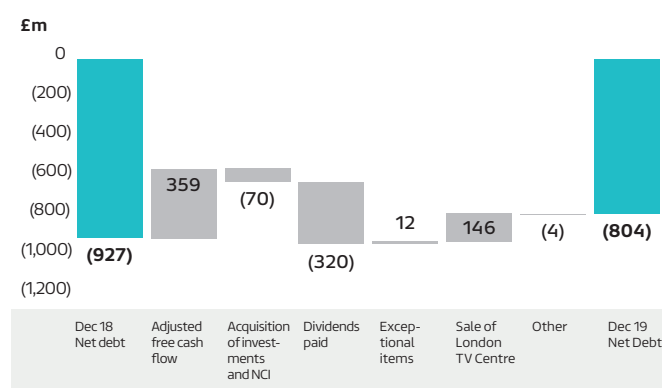
Twelve months to 31 December	2019 £m	2018 £m
Adjusted cash flow	632	712
Net interest paid	(54)	(42)
Adjusted cash tax*	(145)	(119)
Pension funding	(74)	(82)
Adjusted free cash flow	359	469

* Adjusted cash tax of £145 million is total cash tax paid of £108 million plus receipt of production tax credits of £37 million, which are included within adjusted cash flow from operations, as these production tax credits relate directly to the production of programmes.

Our adjusted free cash flow after payments for interest, cash tax and pension funding in the period was £359 million (2018: £469 million).

Overall, after dividends, acquisitions and acquisition-related costs, pension and tax payments, we ended the period with net debt of £804 million, compared with net debt of £1,082 million at 30 June 2019 and £927 million at 31 December 2018. Included within 2019 net debt is £50 million of restricted cash in relation to the sale of the London Television Centre, see further detail on page 61. There was a £12 million net exceptional cash inflow in the year (2018: £90 million outflow) largely due to the timing of VAT received on the sale of the London Television Centre, and acquisition related cashflows.

Net debt tracker



Funding and liquidity

Debt structure and liquidity

The Group's financing policy to manage its liquidity and funding risk is to fund itself for the medium to long-term. ITV uses debt instruments with a range of maturities to ensure access to appropriate short-term borrowing facilities with a minimum of £250 million of undrawn facilities available at all times. To manage our liquidity, during the year we extended the maturity of our debt instruments. We also have a number of facilities in place to preserve our financial flexibility, which includes a £630 million Revolving Credit Facility (RCF) in place until 2023. We also have a bilateral financing facility of £300 million, which is free of financial covenants and matures in 2021. This provides us with sufficient liquidity to meet the requirements of the business in the short to medium term. The RCF has the usual financial covenants for this type of financing. In total £930 million of facilities remained undrawn at 31 December 2019.

Net debt

At 31 December	2019 £m	2018 £m
Gross cash	246*	95
Gross debt	(1,050)	(1,022)
Net debt	(804)	(927)

* Gross cash includes £50 million of restricted cash in relation to the LTVC Pension Funding Partnership. See page 203.

Financing – gross debt

We are financing using debt instruments and facilities with a range of maturities. Borrowings at 31 December 2019 were repayable as follows:

Amount repayable as at 31 December 2019	£m	Maturity
£630 million Revolving Credit Facility	–	Various
€600 million Eurobond	508	Sep 2026
€335 million Eurobond	283	Sep 2022
€259 million Eurobond	219	Dec 2023
Other loans	16	Various
Total debt repayable on maturity*	1,026	

* Net of £24 million cross-currency swaps.

In September, ITV issued a new €600 million seven year Eurobond at a coupon of 1.375% which was swapped into sterling using a number of cross currency swaps. The net sterling interest rate payable on these swaps is 2.94%. The proceeds of the bond were used to partly refinance the existing notes which expire in 2022 and 2023 to extend ITV's debt maturity, and to pay down part of the RCF.

At 31 December 2019, the £630 million RCF was undrawn.

Finance Review continued

Capital allocation and leverage

Our objective is to run an efficient balance sheet and manage our financial metrics appropriately, consistent with investment grade metrics. At 31 December 2019 reported net debt to adjusted EBITDA was 1.0x (31 December 2018: 1.1x).

We also use an adjusted measure of net debt, taking into consideration all of our other debt-like commitments, including the expected, undiscounted contingent payments on acquisitions, the net pension deficit and the discounted IFRS 16 lease liabilities, which mainly relate to property. This adjusted leverage metric better reflects how the credit rating agencies look at our balance sheet. At 31 December 2019 adjusted net debt was £1,210 million (31 December 2018: £1,364 million) and adjusted net debt to adjusted EBITDA was 1.5x (31 December 2018: 1.6x). A reconciliation of net debt to adjusted net debt is provided in the APMs, see page 53.

Our priority remains to invest to drive organic growth and we have made acquisitions where we have found the right opportunities. We will continue to look at opportunities in line with our strategy. We will balance this investment with returns to shareholders. Our investment decisions are based upon value creation and returns analysis. Our returns analysis looks at all aspects of value creation and the long-term future value of our investments in ITV Studios, Broadcast and Direct to Consumer.

Credit ratings

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

Foreign exchange

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

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

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

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

Foreign exchange sensitivity

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

Currency	Revenue £m	Adjusted EBITA £m
US dollar	+/- 50–60	+/- 7–9
Euro	+/- 35–45	+/- 4–6

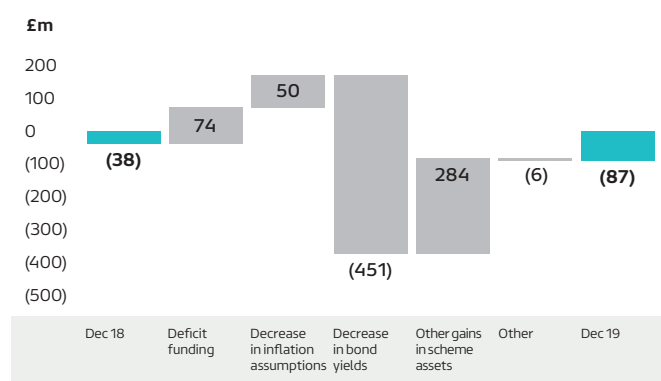
Pensions

The net pension deficit for the defined benefit schemes at 31 December 2019 was £87 million (31 December 2018: £38 million deficit). The year-on-year increase in the deficit was principally due to a decrease in bond yields, offset by a reduction in the market implied inflation, our deficit funding contributions and an increase in asset values following a strong performance in the equity markets.

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

A full reconciliation is included within note 3.7 in the notes to the Financial Statements.

Net pension deficit



Actuarial valuation

The last triennial actuarial valuation was undertaken in 2017. On the basis agreed with the Trustees, the combined deficits of the ITV defined benefit pension scheme as at 1 January 2017 amounted to £470 million. The next actuarial valuation will be as at 1 January 2020.

Closure to future accrual

Following a member consultation, in 2019 the Group decided to close the defined benefit sections of the UTV Pension Scheme to future benefit accrual with effect from 31 March 2019. Members' benefits are no longer linked to pensionable salary; the benefits are now linked to statutory revaluation until retirement. This change has resulted in a one-off, non-cash curtailment credit of £1 million and is recognised within exceptionals.

Deficit funding contributions

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

The Group's deficit funding contributions in 2019 were £74 million. Further details are included within note 3.7 to the financial statements. In 2020 we expect deficit funding contributions to be in line with 2019 at around £75 million.

SDN pension funding partnership

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

London property

On 8 November 2019, ITV exchanged contracts for the sale of the London Television Centre on the South Bank to Mitsubishi Estate London Limited in an all-cash transaction for £145.6 million. Completion of the sale occurred at the end of November. In 2014, ITV established a Pension Funding Partnership with the Trustees backed by the London Television Centre which resulted in the assets of Section A of the defined benefit pension scheme being increased by £50 million. Part of the proceeds of the sale of the South Bank site, net of tax and fees, has been used to replace the asset security, and therefore £50 million of the proceeds has been held in a restricted bank account as a replacement asset in the pension funding arrangement. The remaining sale proceeds have been used to reduce ITV's net debt. The accounting profit on the sale of the South Bank has been treated as exceptional.

New accounting standards

IFRS 16 'Leases', was effective from 1 January 2019. The Group has adopted the modified retrospective approach with the right of use asset equal to the lease liability at transition date. IFRS 16 has no impact at a profit before tax level but increases both our full year EBITA and interest by £4 million and gross liabilities by £89 million with net assets remaining largely unchanged. Section 1 of the notes to the financial statements provides further detail on this new accounting standard.

2020 full year planning assumptions

Profit and Loss impact

- Total schedule costs are estimated to be around £1.11 billion
- Total essential investment of around £18 million in 2020, which includes £10 million as previously guided, and the phasing of 2019 investments which fall into 2020
- Total BritBox UK venture losses of £55 million to £60 million, £6 million higher than previously anticipated due to the timing of 2019 investment which falls into 2020. This is broadly in line with the £40 million of net investment previously guided, plus the £6 million of 2019 investment which has been rephased into 2020
- Cost savings expected to be around £10 million
- Adjusted interest is expected to be around £40 million, which is in line with 2019
- The adjusted effective tax rate for 2020 is expected to be around 18% to 19% and remain at that level over the medium term
- The translation impact of foreign exchange, assuming rates remain at current levels, could have an adverse impact of around £50 million on revenue and around £7 million on profit
- Exceptional items are expected to be around £25 million, mainly due to acquisition related expenses, and restructuring and reorganisation costs

Cash impact

- Cash tax will reflect six quarters of UK corporation tax payments, rather than the standard four quarters. This is a one-off phasing impact and will return to four quarters in 2021
- Total capex is expected to be around £95 million which includes investment in our addressable advertising platform and our US property moves
- The cash cost of exceptionals are expected to be around £210 million, largely relating to accrued earnouts which includes the final earnout payment for Talpa
- Profit to cash conversion is expected to be around 75% to 80% reflecting our continued good cash generation, investment in ITV Studios scripted working capital, our addressable advertising platform and BritBox
- Total pension deficit funding contribution for 2020 is expected to be around £75 million, in line with 2019
- The Board intends to pay a full year dividend of 8.0p for 2020

Chris Kennedy

Group Chief Financial Officer

Task Force on Climate-related Financial Disclosures (TCFD)

We recognise the climate crisis and the role we must play to mitigate the impacts on both the wider world and our own business. Our commitment is demonstrated by our public support for TCFD. Climate change could pose particular challenges to our productions, supply chain and operations. For the first time we are making disclosures structured around the TCFD framework. We will develop the depth of our TCFD disclosure over time as we complete this analysis.

Governance

We recognise that evaluating and monitoring the challenges we face regarding climate change as a business requires the embedding of a climate change focused mindset, supported by an effective governance process. A summary of the governance structure we are implementing from 2020 onwards, approved by the Board, is set out on this page. Below the Management Board level, we are working on climate change related targets, and monitoring these, at the Studios, Integrated Broadcast and BritBox business division levels to further drive changes to our business practices. Underpinning this structure is the ITV Green Team made up of senior managers from every business area, embedding and championing environmentally sustainable behaviours across the organisation and assessing and identifying risk as part of our risk management process.

Strategy

Action on climate change is defined within ITV's Social Purpose strategy as set out on page 46. Reducing our impact on the environment is one of the four pillars of the strategy, underpinned by environmental targets that have been informed using the climate-related risks and opportunities we have identified over the short, medium and long term. These targets cover the areas that are most material to our business: the emissions we create, the waste we make, the sustainability of our supply chain, and the everyday culture of the business.

In 2020, ITV will also conduct scenario analysis to understand the risks and opportunities climate change poses to the business, and the ways to mitigate and adapt to different possible outcomes. The results of our scenario analysis will inform our long-term strategic business planning.

Group CFO

The Group CFO is a member of, or attends, each of the below Boards/Committee and is responsible for:

- the business climate-related agenda, including risks and opportunities
- driving the required behaviours to focus the business on climate change related issues
- ensuring such issues are considered and actioned at the right levels

PLC Board

Climate change risk, opportunities and targets will be:

- brought to the Board annually
- considered as part of the bi-annual review of principal and emerging risks
- considered as part of stakeholder engagement

Audit and Risk Committee

In late 2019, the Committee discussed climate change risks as part of the Company's emerging risks. The Committee will continue to discuss this risk during 2020 and also review:

- how the organisation will look to comply with the TCFD recommendations
- the appropriateness of the metrics used to measure and manage physical risks, transition risks and opportunities

Management Board

Principal and emerging risks reviewed at least bi-annually, including climate change related risks. Monthly reporting on climate change issues, including metrics and KPIs. Climate change issues are tabled three times a year.

We are conscious not just of the risk surrounding climate change but also the opportunity for ITV to really make a difference to wider society in highlighting the climate crisis and normalising low-carbon lifestyles as a broadcaster and content producer. Please refer to page 47 for the work we are doing as part of our Social Purpose in this regard.

Risk management

The Board has identified climate change as an emerging risk and this is reviewed by the Board bi-annually. The processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management processes, which are described on pages 66 to 68. Climate change risks are included and considered in each of the risk registers for the Integrated Broadcast, Studios and BritBox divisions respectively. In addition, ITV's Green Team Steering Group meets monthly to define the actions needed from all business areas to achieve our environmental targets and mitigate climate-related risks.

Metrics and targets

In July 2019, ITV announced the ambition to set a science-based emissions target, aligned to the Paris Agreement's 1.5 degree warming limit, using 2019 as the baseline. ITV has also committed to powering the business with 100% renewable energy, and becoming carbon neutral, which was achieved in 2019 by offsetting 2018's scope 1, 2 and business travel emissions by investing in certified carbon offset projects.

ITV has also committed to becoming a zero waste business, run a 100% sustainable supply chain, and embed sustainable decision-making into every part of the business. All finalised targets and roadmaps for delivery will be published in 2020.

To support the actions of the ITV Green Team mentioned above, we will define emissions reduction targets specific to each business area, to address climate change in every part of the business. ITV will also calculate its scope 3 impact in order to evaluate the opportunity to influence emissions reductions within the full value chain.

 Climate change metrics and targets are disclosed on page 46

Section 172 Statement

Directors' Statement in performance of their duties under section 172(1).

The Directors consider, both individually and collectively, that they have acted 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 as a whole (having regard to the stakeholders and matters set out in section 172(1)(a-f) of the Companies Act 2006) in the decisions taken during the year ended 31 December 2019. The content on stakeholder engagement on pages 89 to 92 highlight key actions in this area. Please also refer to the case study below which exemplifies how the Board takes into account the various section 172 factors in its deliberations and decision-making.

- **The long term:** the Board remains cognisant of the evolving competitor and viewer landscape in which ITV operates. The acceleration of ITV's digital transformation underpins our strategy, ensuring that we can take advantage of opportunities now and in the long-term (see pages 22 and 23). The Company's overall purpose and strategic vision was refreshed this year and at the Board's strategy offsite, as well as at subsequent meetings, focus was on the long-term strategic direction of the Company (see case study below). The launch of BritBox UK and Planet V, our addressable advertising platform, this year as well as future international BritBox expansion plans, also exemplify the Board's considerations regarding longer term investment opportunities for ITV. The Board also considers long-term factors when setting the dividend policy – see page 229 for factors that influence the proposed dividend and dividend policy.
- **Employees:** Our employees are key to our success. For the Board's workforce engagement, please refer to page 93; on how the Board engages and takes our workforce into consideration in its discussions and decision-making page 92; and page 50 for more information on 'Our People' and ITV's commitment to their interests, including increasing diversity and inclusion.
- **Business relationships – suppliers, customers:** The Board is committed to fostering the Company's business relationships with suppliers, customers and other stakeholders. Please refer to pages 89 to 92 regarding our engagement with our key stakeholders, including viewers, consumers and partners (including suppliers), and the Board's focus on the Modern Slavery Act (page 91) and

our processes in place on anti-bribery and corruption (page 65).

- **Community & environment:** The Board takes ITV's responsibility, as a public service broadcaster with the power to reflect and shape the communities that we reach, very seriously. Please refer to page 91 on citizen stakeholder considerations, as well as our Social Purpose section on pages 44 to 49 which illustrates how the Board has regard to the impact of ITV's operations on the community and environment. On the environment, the Board has nominated the Group CFO to lead (on behalf of the Board) the Group's business climate-related agenda, including risks and opportunities, and driving the required behaviours to focus the business on climate change-related issues. The governance structure for considering climate change issues, of which the Board is an integral part, is set out on page 62 and the environmental targets reviewed and approved by the Board are set out on pages 46 and 47.
- **High standards of business conduct:** Our intention is to ensure that we and our colleagues operate the business in an ethical and responsible way. A healthy corporate culture is the cornerstone of

high standards of business conduct and governance. The Board's commitment to, and promotion of, these facets, and how it monitored and assessed culture during the year, is reflected on page 94. Our commitment to high standards of business conduct is also enshrined in our Code of Conduct available on our website. ITV's culture also pervades our business dealings with stakeholders outside of the organisation, as exemplified by our work on suppliers in relation to modern slavery (page 65) and our membership of the Prompt Payment Code.

- **Capital providers:** We recognise the importance of our various capital provider groups – individual retail shareholders, institutional shareholders and our debt investors. Our stakeholder relationships are also valuable to us. Like any business, there may be times when we have to take decisions that adversely affect one or more of these groups and, in such cases, we always look to ensure that those impacted are treated fairly. See pages 89 to 92 for the various ways in which we engage with our different shareholder and stakeholder groups.

Section 172 case study: our strategy meeting and follow-up strategy sessions

In June, the Board held their annual two-day strategy meeting. The main purpose of the meeting was to focus on the strategic direction of the Company with a view to its **long-term success**. As part of this meeting, the Board held a session on '**Viewer journeys**', reviewing and reflecting on the results of in-depth qualitative and quantitative research which had been commissioned regarding current and potential future viewing behaviour amongst different demographics, and what ITV's positioning and strategy should be with regard to its programming and distribution. The Board also held a session reviewing five year advertising revenue scenarios and their implications. As part of these analyses the Board discussed the impact of regulatory changes and the need for further engagement with **regulators**, and our responsibilities around regional broadcasting and **communities**. The session also crystallised the importance of building constructive **business relationships** with

partners in order to deliver our strategic plan. The Board heard from external speakers who provided an independent perspective on the most significant changes in the media landscape. These included artificial intelligence, gaming, data and analytics and creating a culture of innovation in established businesses. The Board also discussed the plan for communicating the output of the strategy session to its **employees and shareholders**, and recognised the importance of bringing them on the journey of an evolved strategic vision. At a follow-up strategy session, the Board set the Company's purpose statement (see page 9), which amongst other things, threaded ITV's unique relationship with **people (workforce and viewers)** throughout. The Chief Executive also hosted 19 employee roadshows across ITV's offices, including internationally, to ensure that the strategic vision, purpose and what each colleague should do to deliver the vision was embedded throughout the business. The Chief Executive was clear that colleagues continuing to apply **high standards of business conduct and ethical values** is critical to our ability to deliver on this vision.

Non-Financial Information Statement

The table below, and the information it refers to, sets out our position on non-financial reporting requirements in accordance with sections 414CA and 414CB of the Companies Act 2006. The description of our business model can be found on pages 24 to 25.

Policies	Due diligence in pursuance of policies	Outcomes of policies and impacts of activities including related KPIs	Related principal risks (pages 70 to 78)
Environment			
<ul style="list-style-type: none"> Our Environmental Management Policy sets out our commitment to reducing our greenhouse gas emissions, reducing our waste, and sourcing sustainably from all our suppliers. We are a signatory to the Task Force on Climate-related Financial Disclosures (TCFD). 	<ul style="list-style-type: none"> We evaluate and monitor climate change through our governance structure and via the ITV Green Team (page 62). Progress against our environmental targets are reported to the Management Board three times a year, and annually to the Board. 	<ul style="list-style-type: none"> Reducing our impact on the environment is one of the four priorities of ITV's Social Purpose strategy (see pages 46 and 47 for our environmental activities and achievements in 2019). Refer to page 46 for our greenhouse gas emissions data. We are members of the albert directorate and consortium, and committed to reducing the impact of production by ensuring all the programmes we produce and commission are albert certified. 	Climate change is not currently recognised as a principal risk, but is recognised as an emerging risk. This categorisation is kept under regular review by the ITV Green Team (see page 62).
Social matters			
<ul style="list-style-type: none"> Social Purpose is a core part of ITV's overall strategy. We use ITV's scale and creativity to shape culture for good. We have set and published ambitious targets which align to the United Nations Sustainable Development Goals. 	<ul style="list-style-type: none"> We evaluate and monitor all our Social Purpose campaigns and progress against our four goals. Progress against our targets and the impact of our campaigns are reported to the Management Board three times a year, and annually to the Board. 	<ul style="list-style-type: none"> Our Social Purpose strategy has four priorities relating to Better Health, Diversity and Inclusion, the Environment and Giving Back (see pages 44 to 49). Through our Social Purpose strategy we are able to make a difference to issues that are important to our viewers and to society. 	Social matters are not considered to be a principal risk.
Colleagues			
<ul style="list-style-type: none"> Our Code of Conduct promotes the highest standards of ethical business, underpinning our values and corporate culture. It reinforces the importance of maintaining high standards of safety, and applying good ethics and judgement when making decisions. 	<ul style="list-style-type: none"> All colleagues are required to complete mandatory training aligned with the Code of Conduct, and systems are in place to enable employees to identify and raise issues, including suspected wrongdoing, fraud or malpractice in the workplace. The Code of Conduct is reviewed and updated regularly. 	<ul style="list-style-type: none"> Our annual engagement survey addressed employee engagement and culture, the results of which have informed Board discussions (see page 96). 	We do not regard employee conduct and ethics to be a principal risk. However, we regularly monitor and assess potential risks through our HR processes.

Policies	Due diligence in pursuance of policies	Outcomes of policies and impacts of activities including related KPIs	Related principal risks (pages 70 to 78)
<ul style="list-style-type: none"> Our Diversity and Inclusion strategy is aligned with and supports our business strategy. Our employment and recruitment policies are based on equal opportunities and non-discrimination, and set out our commitment to an open and inclusive culture. ITV's Duty of Care Charter sets out our commitment to the care we take for the physical and mental health and safety of employees and others we work with including contractors, those participating in our productions and visitors to our premises. ITV has a 'speaking up' framework for employees and freelancers to raise concerns and grievances in confidence (and if they wish anonymously), as well as a freelancer complaints procedure. This includes our bullying, harassment and dignity at work, and grievance policies, which cover bullying, harassment and grievances in any work-related setting. As part of the 'speaking up' framework, our Whistleblowing policy provides a mechanism to enable colleagues and others acting on behalf of ITV to voice concerns in a responsible and effective manner. 	<ul style="list-style-type: none"> The ITV Inclusion Council chaired by the Chief Executive drives the diversity and inclusion agenda throughout the organisation. The Nominations Committee monitors progress against diversity targets regularly, with diversity on the Board agenda annually. The Audit and Risk Committee reviews the Group's health and safety procedures at least annually, and receives regular reports on duty of care from the Duty of Care Operating Board. Within all our health and safety activity, we use best practice methodology to engage with the business, building out understanding of the effectiveness of safety management, enabling us to continually improve and refine our approach. Our whistleblowing arrangements and the wider 'speaking up' framework are monitored and reviewed annually by the Audit and Risk Committee, which provides feedback to the Board. 	<ul style="list-style-type: none"> Diversity and Inclusion is one of the four priorities of ITV's Social Purpose strategy (see page 49). Our Diversity and Inclusion plan is aligned with and supports our business strategy (see page 13). In 2019 we launched a new reporting tool that enables all colleagues and freelancers to report incidents and share observations. During 2019, ITV Studios Group won the International Institute of Risk and Safety Management (IIRSM) Risk Excellence award. 	<p>Failure to deliver our Diversity and Inclusion plan is a risk area which remains under review, monitored by the Nominations Committee. Failure to extend an adequate duty of care or a major health and safety incident is recognised as a principal risk (Risk 11).</p>

Anti-corruption and anti-bribery

<ul style="list-style-type: none"> Our Anti-Bribery Policy sets out our responsibilities and provides information and guidance on how to deal with bribery and corruption issues. Those working for or with us must observe and uphold the Policy. We also have in place a Sanctions Policy to ensure the business complies with all relevant international and financial sanctions in force at the time by the UN, EU or UK government. 	<ul style="list-style-type: none"> Compliance with the policy is kept under review by the ITV Management Board. The policy and policy compliance is reviewed at least annually by the Audit and Risk Committee. 	<ul style="list-style-type: none"> We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships wherever we operate, as well as implementing and enforcing effective systems to counter bribery and corruption. 	<p>Legal and regulatory non-compliance (including the Bribery Act 2010) is recognised as a principal risk (Risk 12). We have a compliance programme in place to mitigate the risk of bribery, and which is articulated in our Anti-Bribery Policy.</p>
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Human rights

<ul style="list-style-type: none"> ITV is fully committed to ensuring that we do not participate in the violation of human rights and we expect the same of our suppliers. We are a founding member of the TV Industry and Human Rights Forum set up to identify and proactively address labour rights issues in the television industry and raise awareness beyond it. ITV's Modern Slavery Statement sets out the steps taken by ITV to identify, address and prevent modern slavery and human trafficking in our business and supply chain. 	<ul style="list-style-type: none"> Ultimate oversight belongs to the Board. ITV's Modern Slavery Steering Committee is responsible for identifying and addressing modern slavery issues at ITV. Our Modern Slavery Statement is reviewed by the Board on an annual basis. 	<ul style="list-style-type: none"> No incidences of human rights abuse or modern slavery have been identified. This year ITV worked closely with an independent modern slavery expert consultant, which enabled ITV to undertake an objective review of our business activities and processes in greater detail and in so doing develop a thorough risk assessment across the business. 	<p>This area is not regarded as a principal risk. However, we regularly assess areas that may be susceptible to risk through our risk management processes.</p>
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Risks and Uncertainties




ITV operates in an increasingly complex business environment and the level of uncertainty we face continues to evolve. Risks are impacting more quickly and more significantly than in the past and our continued success is dependent on how well we understand and respond to these risks. ITV's risk management framework is designed to provide the tools to identify, manage and continually review our risks.

Risk management framework



The key objective of our risk management framework is to support the achievement of our strategic goals. Our risk management framework seeks to drive accountability and proactivity in managing our risks. We have defined Management Board ownership for each of our principal risks and have established reporting and escalation procedures to provide the Board with the insight required to continually monitor our risk management and internal control systems.

In 2019, we have undertaken an exercise to review the existing risk management framework and identify opportunities where we can do things differently to better support our teams in managing risks. As an outcome of this review, we will be introducing a series of enhancements to the enterprise risk management framework during 2020 that are designed to increase confidence in our capability to understand and respond effectively to key risks and opportunities.

-  Direction and Management
-  Mitigation and Reporting
-  Advice and Oversight

Risk governance structure

Board

- Sets strategic objectives
- Identifies and evaluates principal risks and uncertainties

- Sets our strategy on risk and establishes tolerance levels and risk appetite

- Continually monitors the risk management framework and internal control systems

Management Board

Has responsibility for:

- The development and operation of the risk management framework and systems of internal control, including:
 - Risk identification and assessment and establishing controls and procedures to monitor and mitigate risks

- Reviewing and monitoring the effectiveness of internal controls and putting in place remedial plans where required. Serious control weaknesses (if any) are reported to the Board and action is taken as appropriate
- Routinely reviewing and challenging risks and mitigations, including relevant reports or other performance indicators

- Continuously reviewing risk exposure and ensuring that decisions taken are in line with the organisation's risk appetite and within the defined tolerance levels
- Identifying and reporting emerging risks

Audit and Risk Committee

Has responsibility for:

- Overseeing and advising the Board on risk exposures and future mitigation strategy
- Reviewing the effectiveness of the risk management framework and internal control systems
- Conducting in-depth reviews of high-risk business areas or processes
- Setting the internal audit plan to ensure key risks are covered in respect of providing assurance
- Reviewing implementation of internal audit actions
- Overseeing and monitoring the business' compliance with the risk appetite set by the Board

Details of risk reviews undertaken during the year are set out in the Audit and Risk Committee Report on page 112.

Divisional Boards and Central Functions

Have responsibility for ensuring appropriate risk management within their business area, including:

- Routinely reviewing and challenging risks and mitigations, including relevant reports or other performance indicators
- Reviewing local policies and monitoring the local

- implementation of key group policies and procedures
- Identifying and reporting emerging risks through the risk management framework

Group risk

Has responsibility for:

- Maintaining the risk management framework and supporting management in its adoption

- Coordinating all risk identification, reporting and governance forum activity

- Supporting and advising the business on the development of risk management solutions

Three lines of defence

The three lines of defence model represents a core component of our risk management framework. We operate a three lines of defence model to gain ongoing assurance over the effectiveness of our approach to managing our most critical risks.

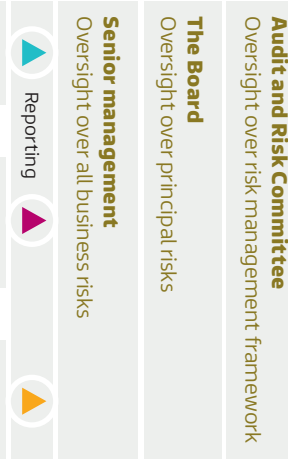
Business Operations and Divisions: The Divisions and Central functions are ultimately responsible for identifying, assessing and managing their risks. This includes operation and maintenance of the internal control framework to mitigate key risks.



Group Risk and Central Functions: Where relevant, Group Risk and Central Functions support the business in their risk management activities. They are responsible for setting policies related to their remit, monitoring application of policies within the business and advising the business on risk mitigations.



Internal Audit: Internal Audit provides independent assurance over the operation of the Group's internal control systems and risk management processes. The Internal Audit plan is driven from ITV's risk management framework and is aligned to auditable elements of the Group's principal risks.



Risks and Uncertainties continued

Principal risks

The recent review of our risk management framework included refreshing our principal risks and updating the way they are presented and defined. We took a blank sheet, top down approach with stakeholders across the business to better define existing risks and also identify potential emerging risks. The Divisional Boards and Management Board then took part in a series of externally facilitated workshops to assess and prioritise these risks. The outcome of this exercise is our refreshed principal risks, which have been reviewed and approved by the Board.

Categories

We have also refreshed the manner in which we categorise our risks. These categories support us in determining the approach we take to managing our risks.

- **Strategic/External** – external environmental risks, including macroeconomic, socio-political or market changes, that may impact ITV's strategic vision or ability to deliver the strategic initiatives
- **Change** – internal risks, including culture and capability, that may impede the achievement of strategic and/or operational change goals
- **Operational** – risks that could impact our operational and business as usual activities
- **Emerging** – risks from known or previously unconsidered sources, which may significantly impact our business now or in future but which are not clearly understood, visible or possible to fully assess

All principal risks have been assigned ownership to a Management Board member, with responsibility for ongoing monitoring and mitigating of the risk.

Key changes in our principal risks

Our principal risks currently fall into the strategic, change and operational categories. Key changes to our principal risks as a result of our refresh exercise are:

- We have identified four new principal risks, which are all driven by changes in the external market and continual evolution of our strategy. These risks relate to platform relationships, BritBox growth, cultural change and leadership/ways of working

- We have separated the risk relating to the macroeconomic environment and the pension deficit into two risks, taking into account the broader implications a macroeconomic or political crisis may have on our business model
- The previous risk relating to legacy technology systems has been incorporated into a broader risk relating to strategic delivery and digital transformation
- We have downgraded the risk of a major failure in complex broadcast system chains, as we continue to review and improve our technological infrastructure and resilience systems. This risk continues to be tracked and managed through our internal risk management processes but is no longer considered a principal risk
- The wording and presentation of our remaining principal risks has been refined in order to improve clarity and understanding

Risk appetite

Our risk appetite has been defined at a category level and approved by the Board. Our risk appetite helps inform our decisions with respect to our strategy and supports us in determining the most appropriate way to manage each of our principal risks.

- **Strategic/External** – we have a neutral appetite for risk with respect to the external environment. We monitor the external environment and continue to identify areas where we can adapt our approach to respond to external threats
- **Change** – the industry environment is evolving rapidly and we have to take a 'test and learn' approach, including some calculated risks, in order to respond sufficiently quickly
- **Operational** – we have a lower appetite for risk with respect to operational or regulatory failure. We seek to manage these risks to the lowest possible level and mitigate through our controls

As part of our activities to further enhance our enterprise risk management framework in 2020, we will be refining and improving the articulation of our risk appetite.

Emerging risks

We define emerging risks as uncertainties which originate from known or previously unconsidered sources, but which are not clearly understood, visible or possible to fully assess. These risks could impact over a longer period and have the potential to significantly impact our business model and/or operations.

Emerging risks are identified by the business on an ongoing basis and are escalated through risk management processes and reporting. ITV's Group Risk team supports the business in identifying and highlighting emerging risks to the Board. They do this through undertaking horizon scanning, maintaining ongoing dialogue with the business and keeping up to date with wider market and environment movements.

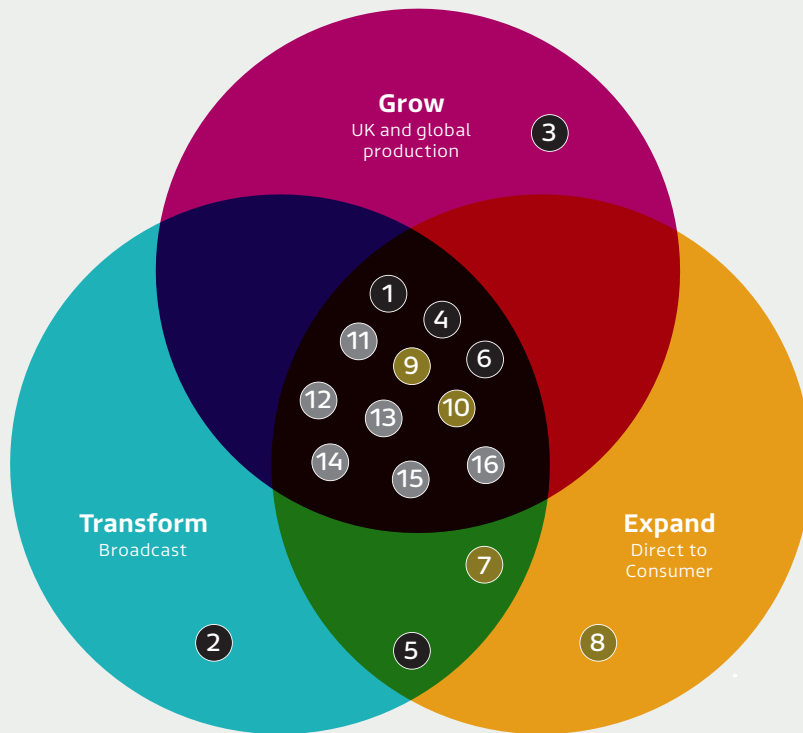
As part of our efforts to redefine our principal risks this year, we also considered emerging risk areas. We have undertaken exercises to analyse emerging risk areas in order to determine whether they should be promoted to principal risks and monitored as part of our existing risk management processes. Where the risks have not been assessed as principal risks they have been categorised as emerging risks, have been reviewed by the Board, and will continue to be periodically reported and reviewed internally.

Climate change

Climate change is not currently reported as an ITV principal risk, however, it has been recognised as an emerging risk and remains an area we keep under regular review through our risk management process. ITV's climate change risks fall into two categories. The first relates to threats to our business model, as a result of changes in regulation or consumer attitudes with respect to climate change. The second relates to the potential impact climate change may have on business as usual operations.

We are committed to reducing the impact our business has on the environment and have implemented Group-wide targets for reducing carbon emissions in line with a 1.5 degree warming scenario. The Group CFO has been nominated to be responsible for the organisation's climate change agenda. Please see page 62 for further information on risk management in this area.

Risks mapped to strategy



Many of our principal risks are intrinsically connected, and in certain cases were a risk to change or materialise this may have an impact on risks in another area of our business. For example the changing nature of viewer habits (Risk 1), is a driver for changing demand in the advertising market (Risk 2) and the content market (Risk 3).

Due to the interconnectivity and the importance of all our principal risks, we do not individually rank our principal risks based on severity and likelihood. Instead we recognise that all of these are the most critical risks facing our business, many of which could have a direct impact on our strategic priorities, and therefore should be regularly scrutinised by our senior leadership. As a result, we focus on ensuring we understand how our principal risks are connected and the potential impact they may have on all areas of our business, in order to develop a joined up strategy to manage these.

Principal risks

Strategic/external

- 1 Changing viewer habits
- 2 Advertising market changes
- 3 Evolving demand in the content market
- 4 Pension deficit increase
- 5 Platform relationship risk
- 6 Macroeconomic and geopolitical risk

Change

- 7 Commissioning pipeline risk
- 8 Insufficient BritBox growth
- 9 Strategic and digital transformation risk
- 10 Insufficient cultural change

Operational

- 11 Duty of care and health and safety incident
- 12 Legal and regulatory non-compliance
- 13 Cyber attack or data breach incident
- 14 Recruitment and retention of talent risk
- 15 Leadership and ways of working risk
- 16 Unfavourable legal dispute

Risks and Uncertainties continued

Principal risks and mitigations


Link to Strategy

 **Grow**
UK and global production


 **Transform**
Broadcast

 **Expand**
Direct to Consumer

Risk direction of travel (after current mitigations)

 Risk is increasing

 Risk remains static


 Risk is reducing

Strategic/external risks

1. Changing viewer habits


Link to strategy



Description	Context	Mitigating activities	Direction
<p>A failure to anticipate or respond to fast changing viewer habits and behaviours may impact total viewing and the success of our productions.</p>	<ul style="list-style-type: none"> Content is now available across many different devices and platforms, which is impacting how viewers consume video Viewers are watching less linear television and more digital content, in particular through video-on-demand services Consumers are also increasingly engaging with alternative content, moving away from long-form video, in particular short-form content and gaming A faster than anticipated shift towards digital viewing and alternate content would impact the total audience and reach of ITV and therefore the advertising revenue we are able to realise <p>Changes in direction of travel</p> <ul style="list-style-type: none"> This risk continues to trend upwards, as viewing continues to fragment across platforms and devices. There is also an increasing propensity to watch short-form content, particularly amongst younger viewers 	<ul style="list-style-type: none"> Our strategy includes strengthening our digital viewing proposition, to better serve evolving audience preferences, both in advertising video-on-demand (AVOD) and subscription video-on-demand (SVOD) In AVOD, this involves making all our linear content available on digital platforms, whilst continuing to invest in the ITV Hub product. We also take a commercially balanced view with respect to the content we make available in short-form on partner platforms. In SVOD, we have developed and released BritBox, in partnership with the BBC, and will continue to invest in this product and consider suitable international markets for expansion We also continue to invest in sports, entertainment and other events. This maximises live viewing, including amongst harder to reach audiences We also have a dedicated Research team, focused on developing a better understanding of our audience. Insight from this team is used to pre-empt viewer behaviours and support the continual development of our linear, AVOD and SVOD products 	<p></p>

2. Advertising market changes

[Link to strategy](#)

Description	Context	Mitigating activities	Direction
<p>Continued changes in the advertising market may result in a decline in ITV's advertising revenue.</p>	<ul style="list-style-type: none"> The current overall economic environment is uncertain which may impact advertising spend and demand for ITV's advertising products Changing viewer habits have resulted in an increased proportion of advertising budgets being spent on digital and mobile offerings. This could impact the value and volume of deals advertisers make with ITV. In addition, an increasing number of viewers are using advertising-skipping technology on linear products, reducing revenue There is an increasing number of diverse participants entering the advertising market, which could adversely impact our market share. These participants have advertising products with advanced audience attribution, which makes them very appealing to clients. They often have large sales teams who are increasingly dealing with digitally native Chief Marketing Officers Certain sectors are either already or may become subject to regulatory advertising restriction <p>Changes in direction of travel</p> <ul style="list-style-type: none"> Increased uncertainty in the economic environment in 2019 along with the continued change in viewing habits has meant this risk is trending upwards 	<ul style="list-style-type: none"> We closely monitor the potential impact of an economic downturn on advertising revenues We also continue to demonstrate the benefits of advertising on ITV to existing and prospective clients across all sectors, whilst seeking to increase awareness within faster growing sectors. This has involved creating a Client Strategy and Planning team, who work closely with our advertising clients to ensure we are better aligned with their objectives As part of our strategy to grow our digital viewing and reach of ITV content across all platforms, we seek to serve advertising wherever our viewers consume our content. This includes working with partners and platforms to investigate methods to minimise the financial impact of ad skipping We are also focused on developing our addressable advertising capability. Our Planet V initiative is designed to provide advertisers an easy to use, self-service platform to deliver highly targeted adverts We continue to monitor the regulatory landscape and understand the potential impact on our advertising revenues 	

3. Evolving demand in the content market

[Link to strategy](#)

Description	Context	Mitigating activities	Direction
<p>Fundamental changes in the content market may result in reduced opportunities for and/or profitability of ITV Studios content.</p>	<ul style="list-style-type: none"> While there continues to be increasing demand for content, driven by new platforms with high-content budgets, there is a risk that they will increasingly use their scale to produce content in-house and/or to seek better terms on pricing and rights The increasing demand for content and the arrival of influential new buyers in the market is driving the cost of production up, which may impact our profitability The increasing complexity of the rights market and the increased influence of our SVOD customers may result in us being unable to secure all of the most valuable rights <p>Changes in direction of travel</p> <ul style="list-style-type: none"> This risk continues to trend upwards, as we are seeing increasing instances of SVOD players producing in-house and using their growing scale to seek better terms on price and rights 	<ul style="list-style-type: none"> We continue to invest in attracting and retaining world class creative talent to ensure we can provide quality content to local and global buyers We maintain relationships with a diversified set of customers, with varied business models, including SVOD and over the top (OTT) platforms. We also continue to build relationships with new potential customers, in order to demonstrate the value of the content we produce We have processes in place to drive continued efficiency in our production. These include robust procurement procedures, maximisation of tax credits and analysis of data relating to production filming, providing opportunities for improvements We have created a Global Entertainment team, focused on developing a centrally coordinated approach to rights commercialisation, management and protection. This includes developing standard rights packages and content management processes, which are focused on protecting and exploiting existing rights 	

Risks and Uncertainties continued

4. Pension deficit increase

[Link to strategy](#)


Description	Context	Mitigating activities	Direction
<p>A financial crisis or macro-economic change could impact the value of pension scheme investments and increase the deficit.</p>	<ul style="list-style-type: none"> Changes in credit spreads could result in material movements in the Group's defined benefit pension scheme A major change in longevity, investment values or in the discount rate affecting the value of liabilities could have a material impact on the net pension liability ITV may need to cover an increase in the deficit in such an event and update the schedule of contributions <p>Changes in direction of travel</p> <ul style="list-style-type: none"> This risk remains static, with increased uncertainty in the macroeconomic environment having been offset through our diversified investment approach 	<ul style="list-style-type: none"> The pension schemes assets are invested in a diversified portfolio, with a significant amount of the fund held in bonds We have worked with the pension trustees to limit the potential deficits by a series of asset backed arrangements. In addition, we have removed some of the mortality risk from the scheme with a longevity swap and hedging a portion of inflation and interest rate variability We have reduced some of our exposure through the purchase of a bulk annuity policy (a 'buy-in' policy) for a section of the scheme. This contract matches the pension liabilities covered by the policy and, therefore, removes the investment, interest rate and inflation risks associated with those liabilities. In order to mitigate the risk of not being able to meet our liabilities as they arise, we have reviewed our cash matching and hedging strategies We also have regular communication with the pension trustees 	

5. Platform relationship risk

[Link to strategy](#)


Description	Context	Mitigating activities	Direction
<p>An inability to maintain adequate negotiating positions with major platform providers may result in reduced brand prominence and disproportionate value extraction by platforms.</p>	<ul style="list-style-type: none"> Video content is viewed across a wide variety of platforms and devices. Our commercial arrangements with these platforms are increasingly complex and multi-faceted. Platforms are commonly customers, suppliers and partners in co-creation activities Within the linear EPG grid we are guaranteed prominence in the UK. However, as linear viewing declines, we must form strong relationships with major platform providers, under mutually favourable terms, to ensure we maintain our UK prominence Our aim is to maintain a strong negotiating position with these platforms in order to fully monetise our content <p>Changes in direction of travel</p> <ul style="list-style-type: none"> As viewing continues to shift away from linear and onto other platforms and devices, these platforms have increasing negotiating power, resulting in this risk trending upwards 	<ul style="list-style-type: none"> We have a dedicated team who have developed relationships with all the major TV platforms and device manufacturers in the UK. We are therefore in a position to negotiate the presence and prominence of ITV's content on their platform/ devices We have also established a strategic partnership framework that dictates how we engage with these industry partners and how this is governed internally. Progress and challenges in dealing with these partners is discussed at the Management Board quarterly We also continue to have an active dialogue with Ofcom and government, regarding regulation related to PSB prominence on platforms (and the modernisation of that regulation) 	

6. Macroeconomic or geopolitical risk

Link to strategy



Description	Context	Mitigating activities	Direction
Macroeconomic or geopolitical conditions could adversely affect our business.	<ul style="list-style-type: none"> The current position with regard to the consequences of Brexit is uncertain and could impact the overall economic environment and demand for our services and products Political uncertainty in a number of our core global markets may lead to significant, legislative or regulatory change, which could adversely impact our global operations <p>Changes in direction of travel</p> <ul style="list-style-type: none"> This risk is on an upward trend as a result of ongoing uncertainty with regard to Brexit and the wider geopolitical environment 	<ul style="list-style-type: none"> Macroeconomic and geopolitical risks, including consideration of potential downturns in certain markets and geographies, have been actively factored into our strategic planning processes Funding and capital requirements are considered during the annual budgeting process, overseen by Group Finance, and are continuously monitored throughout the year We have a Brexit working group in place which meets regularly to consider the implications of different scenarios for Brexit. Plans have been developed in conjunction with teams across the business and are designed to mitigate the impact of Brexit and to identify any opportunities We undertake ongoing horizon scanning to monitor potential policy, legal and regulatory developments. We have a systematic approach to analysing the impact of potential regulatory changes and are proactive in putting forward our position and views as part of regulatory consultation processes 	

Change risks

7. Commissioning pipeline risk

Link to strategy




Description	Context	Mitigating activities	Direction
Failure to sustain a diversified content pipeline, that is both resilient and financially viable, may reduce profitability.	<ul style="list-style-type: none"> Our revenues are largely dependent on ITV's continued ability to anticipate and adapt to changes in consumer taste We must ensure that our content pipeline is both resilient to changes in consumer preferences and habits, as well as being financially viable, in order to prevent declines in total viewing, advertising and secondary distribution markets Commissioners are becoming increasingly more risk averse in response to tightening regulation and changing public attitudes, making it harder to create profitable IP <p>Changes in direction of travel</p> <ul style="list-style-type: none"> This risk remains static and ongoing. As viewer habits change, ITV continues to need to deliver compelling content wherever our viewers are choosing to watch it 	<ul style="list-style-type: none"> We continue to invest £1.1 billion annually into our UK broadcast programming budget in order to develop content that is relevant and appealing to our viewers Our focus is on developing the creative pipeline and identifying programmes and formats which have national appeal, as well as the potential to travel internationally. In order to increase the resilience of our pipeline and reduce our reliance on historically successful programmes, we also continue to invest in new premium formats In addition to our own Studios business, we have strong relationships with independent studios, both in the UK and internationally, from whom we commission content We also have a dedicated Research team, focused on understanding our audience preferences and reporting on the success of programmes. We use this insight to adapt our commissioning strategy 	

Risks and Uncertainties continued


8. Insufficient BritBox growth

[Link to strategy](#)

Description	Context	Mitigating activities	Direction
<p>Subscribers to BritBox do not grow at the pace required to deliver the desired strategic or financial outcomes.</p>	<ul style="list-style-type: none"> We have launched BritBox in a SVOD market which is already highly competitive, both in the UK and globally We will be detrimentally impacted if we are unable to attract new customers, convert them to paying subscribers and subsequently retain them The success of BritBox is reliant on maintaining strong relationships with other UK broadcasters to ensure we have the option to license all suitable content <p>Changes in direction of travel</p> <ul style="list-style-type: none"> This is a new risk as we launched BritBox UK in 2019. Additional UK market entrants in late 2019 and 2020 (including Apple, Disney and NBC) create more competition in the market and result in this risk trending upwards 	<ul style="list-style-type: none"> We continue to invest in an extensive marketing campaign to increase market awareness of the product and scale and increase subscriber growth. In order to maximise reach, we have developed distribution deals with hardware and software providers in order to make the BritBox product available on all major platforms and devices in the UK In order to increase BritBox's appeal and optimise customer retention we continue to engage with partners around additional content for BritBox. We continue to invest in product capability and development in order to increase customer satisfaction and retention We also track and evaluate the performance of Britbox through an extensive suite of KPIs. Root cause analysis is performed on subscriber growth and customer churn data, in order to drive continual improvement. Performance of the BritBox platform is also reported to the Management Board and the PLC Board on a ongoing basis 	

9. Strategic and digital transformation risk

[Link to strategy](#)

Description	Context	Mitigating activities	Direction
<p>Failure to successfully deliver key components of our strategy and digital transformation, due to the speed and extent of change required.</p>	<ul style="list-style-type: none"> We must be able to operate at pace to achieve our strategic objectives. This requires significant alignment and effort across the whole Group Failure to transition to be a digitally-led business may have a negative impact on our financial position and reputation <p>Changes in direction of travel</p> <ul style="list-style-type: none"> We have introduced additional strategic initiatives in 2019 and this increases our exposure with respect to this risk 	<ul style="list-style-type: none"> Our strategy is articulated by 20 strategic initiatives. Each initiative is sponsored by a Management Board member and led day-to-day by a member of the ITV Executive Leadership Team We have formal processes in place, led by the Group Strategy team, to report monthly on the performance of each of these initiatives to the Chief Executive and Group CFO. This includes details on challenges and interdependencies. The Management Board also reviews progress of strategic initiatives on a monthly basis The strategic initiatives include the digital transformation of ITV, including our front-end (Hub, Planet V, BritBox), as well as our middle and back office. We have initiated the digital transformation of the middle and back office through wider adoption of agile processes on priority projects As part of our efforts to move to a more digitised business, we have also defined and communicated digital principles for the way we expect our colleagues to work 	

10. Insufficient cultural change


[Link to strategy](#)

Description	Context	Mitigating activities	Direction
<p>Failure to evolve the underlying culture of the business may result in an inability to deliver the level of change required to continually evolve.</p>	<ul style="list-style-type: none"> We could be affected if we fail to recognise the cultural change required in order to deliver the strategy and become a digitally-led business Our culture needs to support agility and openness to new initiatives, in order to allow us to continually evolve <p>Changes in direction of travel</p> <ul style="list-style-type: none"> Our evolved strategy in 2019 increasingly requires our staff to be more agile and open to change, causing this risk to trend upwards 	<ul style="list-style-type: none"> During the year we developed and communicated the 'ITV Way'. The ITV Way defines the culture needed to ensure our future success and outlines the behaviours we expect from our staff to support our desired culture. Regular meetings focused on cultural and strategic topics take place with the executive and senior leadership teams We completed a series of ITV Roadshows throughout the year, where the Management Board communicated the importance of the ITV Way and agility to the business We also undertake regular Pulse and employee engagement surveys, which include questions focused around culture. Learnings from these surveys feed into future improvement plans. The Board also undertakes a formal programme of employee engagement (led by our Workforce Engagement Director), in order to obtain insight into culture We also continue to positively reinforce desired behaviours and attributes through direct links to reward and recognition 	

Operational risks

11. Duty of care and health & safety incident

[Link to strategy](#)

Description	Context	Mitigating activities	Direction
<p>Failure to extend an adequate duty of care or a major health and safety incident on an ITV production could result in harm, loss of human life and reputational damage.</p>	<ul style="list-style-type: none"> We have a responsibility to extend an adequate duty of care (DoC) to our employees, contractors, participants on our shows and the general public As we continue to increase production hours, our risks in relation to health and safety continues to increase. We need to consider the DoC across all aspects of productions As we diversify our Direct to Consumer business and launch new propositions, our DoC also becomes broader <p>Changes in direction of travel</p> <ul style="list-style-type: none"> Whilst increases in our production hours means the inherent nature of this risk is increasing, we continue to review and improve our processes with respect to this area. For this reason the risk remains static 	<ul style="list-style-type: none"> We have enhanced our existing DoC processes, which encompass procedures relating to both physical and mental health and safety We have established a Duty of Care Operating Board (DoC Board), with responsibility for monitoring implementation and continuous improvement of our DoC framework and policies. This DoC Board is chaired by the Chief Executive and includes senior representation from our Studios, Broadcast, Legal, HR and Risk areas of the business. The DoC Board meetings are also attended by the Chair of the Audit and Risk Committee on behalf of the Board We also have a central health and safety risk management team with responsibility for developing and implementing our health and safety management system which covers both physical and mental health and safety 	

Risks and Uncertainties continued

12. Legal and regulatory non-compliance

[Link to strategy](#)


Description	Context	Mitigating activities	Direction
<p>Failure to comply with applicable regulation could result in reputational damage, financial penalties or suspension of our licences to operate.</p>	<ul style="list-style-type: none"> We are a global business and are therefore subject to multiple local and international regulatory regimes. These cover areas including: broadcasting and media regulations, anti-trust and competition law compliance, anti-bribery and corruption, data privacy and health and safety We must remain compliant with relevant laws and regulations to avoid reputational damage, financial or operational penalties <p>Changes in direction of travel</p> <ul style="list-style-type: none"> This risk remains static, as there have been no major changes in regulation within the year and our focus remains on ongoing compliance with existing legal and regulatory requirements 	<ul style="list-style-type: none"> We have Group Legal and Business Affairs teams in place, which consist of subject matter experts who oversee and are responsible for ensuring business compliance with all elements of regulatory and legal requirements We have a robust compliance programme in place, which is outlined within our internal policy framework. Internal policies are owned by business leaders, regularly reviewed by the Management Board and the Audit and Risk Committee, and include processes with respect to all compliance areas. Where changes are required or made to reflect improvements in best practice, the compliance and legal team works with the respective business leaders to ensure changes are implemented into business processes Our Regulatory Affairs team regularly engages with regulators such as Ofcom and the Advertising Standards Agency (ASA) in order to understand and interpret changes in policy and compliance requirements We also have a suite of mandatory compliance training and learning in place, which helps drive positive attitudes to compliance across the whole business 	


13. Cyber attack or data breach incident

[Link to strategy](#)


Description	Context	Mitigating activities	Direction
<p>A cyber attack may result in major operational disruption, critical system outage or loss of IP, customer or business data and potentially lead to material financial fines/penalties.</p>	<ul style="list-style-type: none"> We operate in a highly public environment and, due to our reputation, we are at greater risk of attack (than the norm) from well organised threat groups As technology becomes increasingly more complex, we are required to evolve our cyber security procedures in line with the pace of change in order to effectively protect and respond to cyber threats As we continue to grow our Direct to Consumer business and digital product offering, we work increasingly with third-party partners and suppliers. A failure by these partners to implement suitable security processes may result in potential liability or reputational damage for ITV <p>Changes in direction of travel</p> <ul style="list-style-type: none"> As cyber hacking tools become more sophisticated and easier to access, the cyber security risk facing all businesses is on an upward trend 	<ul style="list-style-type: none"> We have implemented a robust cyber security risk management framework across the organisation to address the evolving nature of the cyber security threat landscape. Our framework is designed to be a risk-based approach to cyber security, which is fit for purpose and can operate within the creative nature of our business. Our framework incorporates a variety of technical preventative and detective measures, as well as an extensive training and awareness programme We have implemented standardised processes and controls across the business. This includes managing cyber security risk in our supply chain and undertaking cyber security due diligence assessments on key suppliers as part of procurement activities The strength of our control environment is tested on an ongoing basis by independent security experts and recommendations are implemented in a prioritised manner. We also work with our security partners to undertake cyber simulation exercises at all levels of the organisation to continuously improve our response to cyber attack 	

14. Recruitment and retention of talent risk

[Link to strategy](#)

Description	Context	Mitigating activities	Direction
<p>An inability to attract, develop and retain key creative, commercial, technical and managerial talent could adversely affect our business.</p>	<ul style="list-style-type: none"> The market for talent is extremely competitive We must be able to attract, develop and retain the best creative, technological, commercial and managerial talent in order to successfully grow our business Failure to recognise and respond to skills and experience gaps in a timely manner may result in us failing to deliver our strategic objectives <p>Changes in direction of travel</p> <ul style="list-style-type: none"> Attrition within the business remains stable and the risks in relation to losing talent are offset by our continued understanding of the talent required. Therefore this risk remains static 	<ul style="list-style-type: none"> There is a deep understanding across the business of the skills and capability required to deliver our business objectives. Our HR department works closely with the business in order to ensure those needs are met and to support teams in addressing skills gaps We also continue to strengthen our existing capability, through a combination of learning, development and performance management initiatives Whilst a certain level of attrition is inevitable, we evaluate root causes through exit interviews and declared reasons for leaving. Furthermore, succession plans have been developed and implemented for business critical and management roles (which includes nominated deputies) 	

15. Leadership and ways of working risk

[Link to strategy](#)

Description	Context	Mitigating activities	Direction
<p>The fast pace of change in our operating landscape and transition to our new ways of working will require continual assessment of the Group's necessary skills and experience to deliver the strategy.</p>	<ul style="list-style-type: none"> We must ensure we possess the appropriate skills, knowledge and experience to successfully deliver our strategy Delivering digital transformation poses a new set of challenges to the Group's leadership team We must ensure that we are organised to promote alignment, cooperation and engagement across all our businesses and geographies <p>Changes in direction of travel</p> <ul style="list-style-type: none"> We continue to have to evolve the knowledge base of our leadership team and ensure there is alignment around our strategic initiatives. This is a continuous and ongoing process and as such this risk remains static 	<ul style="list-style-type: none"> Our Nominations Committee has responsibility for reviewing the skills and capability of senior leadership, identifying any potential gaps in light of strategic requirements and identifying approaches to address existing gaps and this review was carried out during the year Our senior leadership team is also subject to performance management and development initiatives in line with the rest of the organisation We have forums in place to reduce risks of siloed working, including the Management Board, the Broadcast Board and the Studios Board. We also create cross functional working groups to address specific topics 	

Risks and Uncertainties continued

16. Unfavourable legal dispute

[Link to strategy](#)


Description	Context	Mitigating activities	Direction
<p>An unfavourable outcome following a major legal dispute may have material reputational, financial or operational consequences for the business.</p>	<ul style="list-style-type: none"> We operate in a public environment and are exposed to a high degree of media interest We are closely associated with all content we broadcast, including that produced by independent production companies We could be impacted by an unfavourable outcome in litigation with any of our production, talent or commercial partners There are financial consequences associated with protracted litigation (even in the event of a favourable outcome) <p>Changes in direction of travel</p> <ul style="list-style-type: none"> Our exposure and the nature of potential legal disputes are in line with previous years, therefore this risk remains static 	<ul style="list-style-type: none"> The in-house Group Legal and Business Affairs teams monitor and manage potential legal disputes. Where necessary these teams are supported by a panel of external counsel, selected for relevant jurisdictional and subject matter expertise Oversight is provided by the Audit and Risk Committee ('ARC'). Material legal disputes are formally reported to the ARC at each meeting, with regular ad hoc reports as required We have financial provisions and a Group insurance programme in place to mitigate the financial impact of unfavourable outcomes At an operational level the Group Legal and Business Affairs teams ensure that robust and appropriate contractual arrangements are in place with all our third parties, in order to mitigate the risk of a dispute arising 	

Viability Statement

What is the process ITV follows?

The Board continually assesses ITV's prospects and risks at its meetings. Amongst other topics, the Board reviews the five year financial plan, which is based on our strategic priorities. In 2019, we continued to update the strategy to highlight the opportunities for ITV and also the challenges we need to address. Pages 22 to 25 of the Annual Report provide detail of ITV's prospects in the Strategy and Business Model sections.

What is the assessment period for viability?

In its assessment of viability, the Board reviewed the planning horizon and is of the view that a three year period to 31 December 2022 continues to be most appropriate. The factors the Board considered in adopting this timeframe were as follows:

- Visibility over ITV's broadcast advertising business is relatively short term, as advertising remains cyclical and closely linked to the UK economic growth impacted by Brexit and the uncertain UK macroeconomic climate
- The commissioning process and life cycle of programming gives the ITV Studios division more medium term outlook. However, while non-returning brands are replaced with new commissions, over time there is less visibility as programmes can experience changes in viewer demand or come to a natural expiration
- Technology in the media industry continues to change the demand for content and also how it is consumed
- Pension funding, which is one of ITV's key funding obligations, is also agreed triennially with the Trustees of the pension schemes
- ITV's business model does not necessitate investment in large capital projects that would require a longer-term horizon assessment or returns

Assessment of viability

When considering the longer-term viability of ITV, the Board robustly reviewed each of ITV's Principal risks and, taking into account current operational and financial performance, has in particular analysed the impact of following hypothetical scenarios:

Scenario modelled	Link to Principal risks (pages 70 to 78) or Accounting judgements and estimates (page 165)
<p>Scenario 1: The Broadcast division experiencing a significant downturn as a result of changes in the advertising market, a global macro event or as a result of leaving the EU without an agreed deal.</p> <p>Based on the 2008/09 financial crisis, the scenario assumes total advertising revenues declining sharply for two years (2020: -10%, 2021: -5%) followed by a year of flat revenue.</p>	<p>Advertising Market Changes: Continued changes in the advertising market may result in a decline in ITV's advertising revenue.</p> <p>Macroeconomic or geopolitical risk: Macroeconomic or geopolitical conditions could adversely affect our business.</p>
<p>Scenario 2: A number of key programme brands within the ITV Studios division are not recommissioned.</p> <p>The scheduling decisions of commissioners are made in advance, so we have clear sight on 2020; however, key shows could come to an end at the same time in 2021 impacting approximately a quarter of the division's profits (c. £65 million).</p>	<p>Evolving demand in the content market: Fundamental changes in the content market may result in reduced opportunities for and/or profitability of ITV Studios content.</p>
<p>Scenario 3: A significant change in ITV's pension funding obligations, following the triennial valuation in 2020 resulting in a more than doubling of the current deficit funding payments from £75 million p.a. to £155 million p.a.</p>	<p>Pension deficit increases: A financial crisis or macroeconomic change could impact the value of pension scheme investments and increase the deficit.</p>
<p>Scenario 4: The scenario assumes better performance within our acquisitions portfolio that results in the payouts significantly increasing for our larger acquisitions.</p>	<p>Accounting judgements and estimates: Acquisition-related liabilities or performance-based employment-linked earnouts are estimated amounts payable to previous owners. These are highly sensitive to forecast profits as they are based on a multiple.</p>

We have considered the impact of climate change and do not believe it would have a significant impact on the business in the time period outlined.

The viability review involved flexing the underlying strategic forecast for the above impacts, both individually and concurrently. The underlying strategic forecast assumed: business as usual operational and capital spending; the ongoing availability of the financing facilities and the Group maintains the stated dividend policy. The current bank facilities are secured until June 2021 and December 2023. Our model assumed both facilities will be available for the full period under review. In addition, we have an accordion option in our revolving credit facility, under which ITV has the ability to request an increase in the size of the facility of up to £250 million, subject to the banks' consent, on the same terms as the existing £630 million. This potential additional liquidity is not factored into our model.

The scenarios used are hypothetical and severe but plausible and are considered appropriate to model risks that could impact the viability of the Group. In the events that these scenarios occur, there are reasonable options at the disposal of the Board to maintain liquidity and continue operations, such as reducing M&A activity and non-essential operational and capital expenditure as well as reviewing the Group's dividend policy.

Viability statement

Based on the results of this review, the Board has a reasonable expectation that ITV will be able to continue operations and meet its liabilities as they fall due over the three year-period ending 31 December 2022. The assessment has been made with reference to ITV's strategy and the current position and prospects.

The Strategic Report was approved by the Board and signed on its behalf by:

Chris Kennedy
Group CFO
5 March 2020

Chairman's Governance Statement



Sir Peter Bazalgette
Chairman

Dear Shareholder

On behalf of the Board, I am pleased to present our Corporate Governance Report for 2019. The Board remains committed to maintaining effective corporate governance and integrity, enabling us to deliver our strategy for the long-term benefit of all our stakeholders.

Engaging with our stakeholders

We place a huge amount of importance on our relationships with, and our responsibilities and statutory duties to, our stakeholders and I have dedicated my statement in the Strategic Report on pages 6 and 7 to setting out the ways in which we engage and work with them to support delivery of our strategy and business sustainability. Pages 89 to 92 set out our key stakeholders, forms of engagement with them, their specific interests relating to ITV, and how they and their interests have been considered in Board discussions and decision-making. The Board and the Group will continue to listen and be responsive to the views of all our stakeholders.

Our colleagues are particularly important to us and Edward Bonham Carter, our Senior Independent Director, took on the role of Workforce Engagement Director this year, attending a number of meetings and lunches with our Ambassador network in Leeds, Manchester and across two of our sites in London. Through Edward's regular feedback, the Board has gained a deeper insight into the views and concerns of our colleagues. As part of its Manchester

visit, the Board held a buffet lunch with senior managers based there, the Non-executive Directors also hosted a dinner with senior leaders in Manchester and the Audit and Risk Committee met with the leadership team from, and toured the offices of, the Business Services Centre. For further information on Edward's role and work, and the Board's workforce engagement activities, please refer to pages 93 and 94.

Culture

It is the Board's responsibility to ensure that the Company's purpose, values and strategy are aligned with its culture and ITV is justifiably proud of its open and collaborative culture. We have a deep sense of purpose, borne out of being a public services broadcaster. With the refreshing of the Company's strategic vision and purpose during the year, the Board recognised that the organisation's values, behaviours and mindset had to follow and drive this reinvigorated perspective on the Group's strategy. To this end, the Board encouraged and informed the approach the Chief Executive and other members of the Management Board took in investing their time and efforts in leading 19 roadshows in five locations during the autumn. The key objective of the roadshows was to explain our updated strategic vision and purpose (including the Social Purpose element), and also to inspire our people to take accountability, be innovative, welcome change and continuously seek out improved and more efficient ways of working to deliver that vision and fulfil our purpose.

Governance

With the application of the revised UK Corporate Governance Code (the Code) from this 2019 financial year, we have spent some time reflecting on our own governance framework and initiatives. This included, amongst other things, corporate culture, our sustainability, safety and wellbeing processes, and stakeholder engagement. This will continue to be an area of focus for us in the year ahead. As part of the review of our governance framework, we implemented the following changes:

- The Nominations Committee membership was refined to four members to enable the Nominations Committee to take on more delegated responsibility from the Board and meet more regularly. The Board is focused on the progress being made with the organisation's diversity and inclusion initiatives (one of the four priorities of the Social Purpose strategy) and will monitor this closely through the Nominations Committee.
- The Duty of Care Operating Board was established to ensure appropriate governance was in place for clear and accountable reporting to the Board (via the Audit and Risk Committee) on ITV's continually evolving duty of care processes (see page 90). The Chair of the Audit and Risk Committee attends meetings of the Duty of Care Operating Board.
- We have implemented a clear governance structure around the Company's business climate-related agenda, as the Company works towards compliance with the Task Force on Climate-related Financial Disclosures (TCFD) recommendations, and nominated the Group CFO as having responsibility in this important area (see page 62). Our commitment is also demonstrated by our public support via TCFD's website.
- We have also reviewed and refreshed the terms of reference of all Board Committees ensuring consistency, clarity and compliance with the revised Code.

Board composition

Following an in-depth review of the Board's composition, including its skills, experience, diversity and knowledge, the Board decided to undertake a search for a Non-executive

Director who would bring deep experience of digital transformation with a disruptor mindset. A search for a new Non-executive Director is underway and we expect to announce the appointment of a new independent Non-executive Director in the first half of 2020.

Committees

I also want to highlight one key achievement (of many) for each of the Board Committees during the year:

- The Audit and Risk Committee led a robust competitive tender process for the appointment of a new external auditor (see page 115).
- The Remuneration Policy is due for approval by the Company's shareholders in 2020 and the Remuneration Committee worked closely with the Group and its advisers to put forward a policy that promotes the sustainable long-term success of the business (see page 121).
- The Nominations Committee has been leading the search process for a new Non-executive Director (see page 100).

Effectiveness and evaluation

As Chairman, I am responsible for providing leadership to ensure the operation of an effective Board. For the year under review we conducted an externally facilitated Board performance evaluation, the findings of which and the Board's response (including agreed actions) are set out on page 98. I am pleased that the review was positive overall and found there to be an effective, open and collaborative Board, and that the individual contribution from each Non-executive Director is seen to be strong by all the Board members. The evaluation has identified some opportunities for improved performance by the Board and I will continue to work with my fellow Directors to seek enhancements to the Board's effectiveness and create further focus on those areas that the Board believes will make the greatest difference to the Company's continuing success.

Sir Peter Bazalgette
Chairman

5 March 2020

The 2018 UK Corporate Governance Code (the Code)

The Board considers that during 2019 the Company has complied with the principles and provisions of the Code. In respect of provision 38 of the Code, the steps intended to be taken to ensure more effective alignment of incumbent Executive Director pension contributions to those available to the workforce are set out on page 136.

The Code (July 2018), issued by the Financial Reporting Council (FRC), and associated guidance are available on the FRC website at www.frc.org.uk

Taking each of the main headings of the Code:

Board Leadership and Company purpose

The Board's ultimate objective is the long-term sustainable success of the Company. Read more about our strategy in the Strategic Report and how the Board achieves this through, amongst other things, stakeholder and workforce engagement (pages 89 to 94) and establishing a clear and aligned Company purpose, strategy and values (page 94). See pages 94 to 96 for how the Board assesses and monitors culture.

Division of responsibilities

The Board is made up of two Executive Directors, seven independent Non-executive Directors and the Non-executive Chairman, who was considered independent on appointment to the Board. As stated in last year's Annual Report, the Chairman was Executive Chairman for a six-month period until the Chief Executive joined the business in January 2018. For Board meeting attendance, please see page 87. Additional external appointments by Board members during 2019 received prior Board approval. The Directors' other time commitments are in line with the key institutional investor and investor body guidelines.

Composition, succession and evaluation

The Nominations Committee report (pages 99 to 101) sets out its activities this year, including information regarding succession planning and progress on achieving the Board diversity objectives. Read more about the external Board evaluation which took place during the year on pages 97 and 98 and Board composition on page 87.

Audit, Risk and internal control

The Audit and Risk Committee report (pages 102 to 115) describes the work of the Committee and how it discharges its roles and responsibilities. See page 115 regarding the external audit tender which took place in 2019. The Board completed a robust assessment of the Company's emerging and principal risks during the year and has well established procedures to manage risk, enhanced during the year. The Company's disclosures regarding principal risks are on pages 66 to 78.

Remuneration

The Remuneration Committee report (pages 116 to 143) describes the work of the Committee during the year, and sets out how executive remuneration is aligned to the Company's purpose, values and strategy and how workforce remuneration and related policies have been considered in its decision-making regarding executive remuneration.

Board of Directors

Carolyn McCall

Chief Executive

Appointed: January 2018

Key skills and experience: Carolyn joined ITV in 2018 as Chief Executive. Previously she was Chief Executive of easyJet plc for seven years and spent over 20 years at the Guardian Media Group holding a number of senior roles including nine years as Chief Executive. She has previously served as a Non-executive director of Lloyds TSB plc, Tesco plc and New Look Group plc. In 2008, Carolyn was awarded an OBE for services to women in business and in 2016 received a Damehood for services to the aviation industry. She has an impressive track record in business, including digital and change leadership and running international operations. She has clear strategic acumen and a strong record of driving operational excellence and delivering value to shareholders. Carolyn has been developing the ITV strategy which she is responsible for executing with her experienced leadership team.

Current external appointments: Non-executive Director and member of the Audit and Nominations committees, Burberry Group plc; Non-executive Director, Department of Business, Energy and Industrial Strategy; Trustee of the Development Board of the Royal Academy of Arts.

Sir Peter Bazalgette

Chairman, Chair of the Nominations Committee



Appointed: June 2013

Key skills and experience: Peter joined ITV in June 2013 and was appointed Chairman in 2016. He is also a member of the Remuneration and Nominations Committees, chairing the latter. He has over 40 years' extensive media experience having served as Chairman of the Arts Council, President of the Royal Television Society, and Chairman of Endemol UK Ltd as well as the Chief Creative Officer of Endemol where he created successful television formats that were exploited globally. In 2017 Peter led the Independent Review of the Creative Industries for the government and outlined key recommendations for how the creative Industries can underpin the UK's future economic growth. He has a track record of successfully managing creativity in television and tremendous knowledge and commercial experience of the global content business, deep commercial skills with wide knowledge and understanding of the creative industries. Since his appointment he has demonstrated strong and decisive leadership and has been instrumental in working with the Executive Directors in establishing the ITV strategy.

Current external appointments: Chairman, Lovecraft Collective Ltd; Non-executive Director of UK Research and Innovation; Member of Advisory Board for YouGov plc and Bartle Bogle Hegarty.

Chris Kennedy

Group CFO

Appointed: February 2019

Key skills and experience: Chris joined ITV as Group CFO in February 2019. Previously he was Chief Financial Officer of Micro Focus International plc, ARM Holdings and easyJet plc where he spent five years and was voted FTSE100 CFO in 2015. He has a strong media background, holding senior management positions over a 17 year career at EMI. His experience in executing and driving strategy play an important role in the delivery of the ITV strategy and driving a rationalisation/ cost savings initiative.

Current external appointments: Non-executive Director, Chair of the Audit Committee and member of the Nomination Committee Whitbread plc; Non-executive Director of the Great Ormond Street Hospital for Children NHS Foundation Trust; Trustee of the EMI Group Archive Trust.

Margaret Ewing

Non-executive Director, Chair of the Audit and Risk Committee



Appointed: October 2017

Key skills and experience: Margaret joined ITV in October 2017 and was appointed Chair of the Audit and Risk Committee in May 2018 having served as a member of the Committee since October 2017. She has extensive experience in financial accounting, corporate finance, strategic and corporate planning having served as a Managing Partner of Deloitte LLP and Chief Financial Officer of BAA plc and Trinity Mirror plc. Margaret also held Non-executive Director and Audit Committee positions with Standard Chartered plc and Whitbread plc and was an external member of the Audit and Risk Committee of the John Lewis Partnership. Margaret's skills and experience give her substantial insight into the Company's reporting and risk management processes.

Current external appointments: Non-executive Director and member of the Audit and Compliance Committee of International Consolidated Airlines Group, S.A.; Senior Independent Director, Chair of the Audit and Risk Committee and member of the Nominations, Remuneration and Corporate Responsibility Committees of ConvaTec Group plc; Trustee of the Board and Chair of the Finance and Audit Committee of Great Ormond Street Hospital Children's Charity.



Carolyn McCall



Sir Peter Bazalgette



Chris Kennedy




Margaret Ewing



Edward Bonham Carter

Committee membership

- A** Audit and Risk
- N** Nominations
- R** Remuneration

 Terms of engagement for the Non-executive Directors and job descriptions for the Chairman, Chief Executive and Senior Independent Director are available on our website: www.itvplc.com/investors/governance



Salman Amin



Duncan Painter



Mary Harris



Anna Manz



Roger Faxon

Edward Bonham Carter

Senior Independent Director



Appointed: October 2018

Key skills and experience: Edward joined ITV in October 2018. He is our Senior Independent Director, Workforce Engagement Director and a member of both the Audit and Risk and Nominations Committees. He is currently Vice Chairman of Jupiter Fund Management plc (2014). He joined Jupiter in 1994 as a UK fund manager and held the position of Chief Investment Officer from 1999 to 2010 and Group Chief Executive until 2014. He started his career at Schroders as an investment analyst before moving to Electra Investment Trust where he was a fund manager. He brings to the Board a wide range of City experience and invaluable insight in the understanding of stock markets and investor expectations.

Current external appointments: Vice Chairman, Jupiter Fund Management plc; Senior Independent Director, Land Securities Group plc; Senior Independent Director, The Investor Forum CIC; Trustee, The Esmée Fairbairn Foundation; Member of the Strategic Advisory Board, Livingbridge; Non-executive Director, Netwealth Investments Ltd.

Salman Amin

Non-executive Director



Appointed: January 2017

Key skills and experience: Salman joined ITV in January 2017 and is a member of the Remuneration and Nominations Committees. He is Chief Executive Officer of food group Pladis. Previously he was COO, Global Commercial Division at SC Johnson & Son, and has held positions at Procter & Gamble and PepsiCo. He brings to the Board a wealth of experience in global businesses having worked for over 30 years managing global brand advertising and media spend.

Current external appointments: Chief Executive Officer, Pladis.

Duncan Painter

Non-executive Director



Appointed: May 2018

Key skills and experience: Duncan joined ITV in May 2018 and is a member of the Remuneration Committee. He is currently Chief Executive Officer of Ascential plc and a Board Adviser to Investis Digital. Previously he was an executive at BSkyB and Global Product Leader at Experian plc following its acquisition of ClarityBlue, a consumer intelligence company which he founded. He brings to the Board a broad range of experience particularly in digital media, consumer intelligence systems and targeted advertising.

Current external appointments: Chief Executive Officer, Ascential plc; Board Adviser, Investis Limited.

Mary Harris

Non-executive Director, Chair of the Remuneration Committee



Appointed: July 2014

Key skills and experience: Mary joined ITV in July 2014, and became Chair of the Remuneration Committee in May 2017 having served on the Committee since May 2016. She is also a member of the Audit and Risk and Nominations Committees. She is a former partner at McKinsey & Company, where she worked primarily with retail and consumer clients in China, South East Asia and Europe. She brings to the Board extensive experience in executive remuneration, business management consulting, sales and marketing, mergers and acquisitions, media, television and interactive media investments and digital rights management.

Current external appointments: Non-executive Director and Chair of the Remuneration Committee, Reckitt Benckiser Group PLC; Vice-chair of the supervisory board and Chair of the Remuneration Committee of Unibail Rodamco Westfield SE; Member of Remuneration Committee, St Hilda's College, Oxford University.

Anna Manz

Non-executive Director



Appointed: February 2016

Key skills and experience: Anna joined ITV in February 2016 and is a member of the Remuneration and Audit and Risk Committees. She is currently Chief Finance Officer at Johnson Matthey plc and prior to that held senior strategy and financial roles at Diageo plc, both in the UK and internationally. She brings over 20 years' consumer, financial and strategic experience to her role on the Board and the Committees on which she sits.

Current external appointments: Chief Finance Officer, Johnson Matthey plc.

Roger Faxon

Non-executive Director



Appointed: October 2012

Key skills and experience: Roger joined ITV in October 2012. He has extensive experience in international media and digital rights management having held roles at EMI for nearly 20 years, including Chief Executive Officer of EMI Group and Chairman of EMI Music Publishing. Roger has broad unmatched experience of the adaptation of media and rights management business to the digital world bringing insight into his roles on the Board and Remuneration Committee.

Current external appointments: Director, The John Hopkins University.

Management Board

Julian Bellamy

Managing Director, ITV Studios

Appointed: February 2016

Experience: Julian joined ITV in 2014 as Managing Director of ITV Studios in the UK. He was promoted to Managing Director of ITV Studios and appointed to the Management Board in February 2016. He has responsibility for running ITV's global production and distribution business that creates, produces and sells finished programmes and formats in the UK and internationally. Julian's previous roles included Creative Director and Head of Commissioning at Discovery Networks International, Head of Programming at Channel 4 and prior to that he ran BBC3 and E4. He also spent time as Channel 4's Head of Factual Entertainment and was a commissioning editor of Channel 4 News and Current Affairs.

David Osborn

Group HR Director

Appointed: October 2014

Experience: David joined ITV as the HR Director for ITV Studios in 2011. He was promoted to Group HR Director and appointed to the Management Board in 2014. He has responsibility for formulating and implementing ITV's global HR strategy and policies. Prior to joining ITV David gained substantial experience in both the UK and internationally whilst working in a variety of businesses, including EMI Music, Vodafone, Visa Europe and Marks & Spencer.

Carolyn McCall

Chief Executive

Appointed: January 2018

Experience: Biography on page 82.

Kevin Lygo

Director of Television

Appointed: August 2010

Experience: Kevin joined ITV as Managing Director of ITV Studios and a member of the Management Board in 2010. He became Director of Television in February 2016. He has responsibility for running ITV's family of channels, the ITV Hub and BritBox, commissioning popular programming in order to drive share of viewing. Kevin's previous roles included Director of Television and Content at Channel 4, Director of Programmes at Channel 5 and a number of positions at the BBC, including Head of Independent Commissioning for Entertainment.

Rufus Radcliffe

Chief Marketing Officer and Director of Direct to Consumer

Appointed: April 2017

Experience: Rufus joined ITV as Group Marketing and Research Director in 2011. He was promoted to Chief Marketing Officer and appointed to the Management Board in 2017. In 2019 he took additional responsibility for the Direct to Consumer division. He has responsibility for brand and marketing, digital products including the ITV Hub, the Direct to Consumer business (which includes ITV Hub+, gaming, live events, merchandise and competitions) and the development of ITV's data insight strategy. Before joining ITV, Rufus spent ten years at Channel 4, and prior to that held various positions at McCann Erickson and JWT.



Julian Bellamy



David Osborn



Carolyn McCall



Kevin Lygo



Rufus Radcliffe



Chris Kennedy

Chris Kennedy

Group CFO

Appointed: February 2019

Experience: Biography on page 82.



Kelly Williams

Kelly Williams

Managing Director, Commercial

Appointed: December 2014

Experience: Kelly joined ITV in 2011 as Group Commercial Director. He was promoted to Managing Director, Consumer and appointed to the Management Board in 2014. He also sits on the board of Thinkbox TV; is Vice Chairman of the Advertising Association; is a member of the BARB Strategy board; and sits on the RTL Adconnect board. He has responsibility for all commercial advertising deals across the ITV family of channels. Prior to joining ITV, Kelly was the Sales Director at Channel 5 and prior to that held various positions at UKTV, Sky and Thames Television.



Mark Smith

Mark Smith

Group Chief Technology Officer

Appointed: September 2018

Experience: Mark joined ITV in 2011 as a member of the technology management team. He was promoted to Chief Technology Officer in 2015, before taking on the Group Chief Technology Officer role and joining the Management Board in 2018. He has responsibility for all technology and related operational matters across the Group, including leading on the digital transformation strategy. Prior to joining ITV, Mark held senior technology positions at the BBC, BBC Worldwide and Sky. Over the past 15 years Mark has specialised in digital transformation and has led the design, build and delivery of industry leading VOD platforms. Mark started his career as a software engineer at BT.



Kyla Mullins

Kyla Mullins

General Counsel and Company Secretary

Appointed: January 2019

Experience: Kyla joined ITV as General Counsel and Company Secretary and a member of the Management Board in 2019. She has responsibility for legal, company secretarial, compliance and regulatory matters across the Group. Prior to joining ITV, Kyla held senior legal positions in the media, entertainment, strategic outsourcing and aviation sectors. She was General Counsel and Company Secretary at easyJet plc and Mitie Group plc; Global General Counsel of EMI Music; and Group Legal Director at ITV plc and Granada Media. Kyla is currently Chair of Independent Television News Limited (ITN).

Paul Moore

Group Communications and Corporate Affairs Director

Appointed: June 2018

Experience: Paul joined ITV as Group Communications and Corporate Affairs Director and member of the Management Board in 2018. He has responsibility for all Group communications, including corporate and internal communications, public affairs, programme publicity and the recently launched Social Purpose strategy. Prior to joining ITV, Paul was the Communications and Public Affairs Director at easyJet plc for eight years and before this worked for FirstGroup and also Virgin Atlantic Airways for ten years as Director of Corporate Affairs. Paul first started his career as a civil servant and worked for the Department of Transport.



Paul Moore

Corporate Governance

Our Governance structure

Shareholders

Chairman

Leads the Board and is responsible for its overall effectiveness. In doing so promotes a culture of openness and debate, and ensures that ITV maintains effective and regular engagement with its shareholders and stakeholders.

The PLC Board

Responsible for providing leadership to the Group's business, including setting the Group's purpose, strategy and values and promoting its long-term sustainable success.

Board Committees

The terms of reference for each Committee are documented and agreed by the Board. These terms of reference are reviewed annually and are available on our website: www.itvplc.com/investors/governance/terms-of-reference.

Nominations Committee

See the Nominations Committee Report on page 99.

Remuneration Committee

See the Remuneration Report on page 116.

Audit and Risk Committee

See the Audit and Risk Committee Report on page 102.

Duty of Care Operating Board

Consisting of key Management Board members including the Chief Executive, the Operating Board sets the Group's duty of care processes, and monitors and assesses the processes in place to ensure they continue to evolve as appropriate. The Audit and Risk Committee Chair also attends meetings.

Disclosure Committee

Consisting of the Chairman of the Board, Chief Executive, Audit and Risk Committee Chair, Group CFO, General Counsel and Company Secretary, and Director of Investor Relations. The Committee signs off and approves the release of RNS announcements relating to financial results or other material information. It also makes inside information determinations, including approving the disclosure (or delay in disclosure) of any inside information, and supports the Board in drawing up and maintaining procedures and controls for the identification, treatment and disclosure of inside information.

Chief Executive

Responsible for the day-to-day running of the Group's business and performance, the development and implementation of strategy and promoting our culture and standards.

Management Board

Led by the Chief Executive, the Management Board members are collectively responsible for overseeing and driving the overarching Group financial and operational performance against strategic initiatives set by the PLC Board. The Management Board balances the needs and resources of the business divisions to make decisions based on what's best for ITV as a whole.

Studios Board

Responsible for developing and implementing strategic objectives and operational plans for the ITV Studios business, monitoring operational and financial performance, and assessing and managing risk, in line with the Group's risk management framework.

Integrated Broadcast Board

Responsible for developing and implementing strategic objectives for the Integrated Broadcast business (including the Hub, Hub+ and Direct to Consumer), monitoring operational and financial performance, and assessing and managing risk, in line with the Group's risk management framework.

BritBox Operational Committee

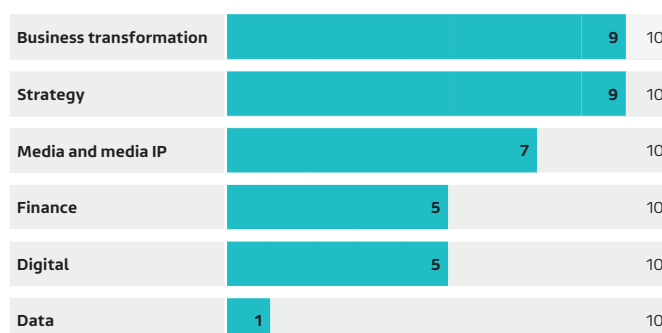
An ITV Executive Committee responsible for making and implementing operational and commercial decisions relating to the BritBox business, in accordance with the BritBox governance framework established together with the BBC.

Board composition

Gender diversity



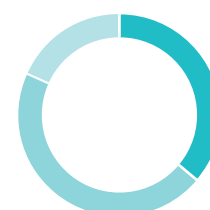
Skills and experience



Board tenure



Age



Board and Committee membership and attendance

Board and Committee membership and attendance at scheduled meetings in 2019 is set out below.

	Status	Notes	Date of appointment to the Board	Date elected by shareholders	Attendance at scheduled meetings			
					Board ¹	Nominations Committee ⁶	Remuneration Committee	Audit and Risk Committee
Current								
Peter Bazalgette	Chairman	2	1 June 2013	14 May 2014	8/8	3/3	6/6	6*
Salman Amin	Independent		9 January 2017	10 May 2017	8/8	3/3	6/6	–
Edward Bonham Carter	Independent (SID)		11 October 2018	8 May 2019	8/8	3/3	–	6/6
Margaret Ewing	Independent	3	31 October 2017	10 May 2018	8/8	–	3*	6/6
Roger Faxon	Independent		31 October 2012	15 May 2013	8/8	–	6/6	–
Mary Harris	Independent		28 July 2014	14 May 2015	8/8	3/3	6/6	6/6
Chris Kennedy	Executive	4	21 February 2019	8 May 2019	7/7, 1*	–	4*	6*
Anna Manz	Independent		1 February 2016	12 May 2016	8/8	–	6/6	6/6
Carolyn McCall	Executive		8 January 2018	10 May 2018	8/8	3*	3*	4*
Duncan Painter	Independent	5	1 May 2018	8 May 2019	8/8	–	5/5, 1*	

* Indicates where a Director has attended a Board or Committee meeting by invitation (i.e. when not a member or prior to being a Director). The Executive Directors did not attend parts of any Committee meetings where to do so would result in a conflict of interest.

1. In June a series of Board meetings were held over a full two day strategy offsite meeting. For the purposes of this table this offsite is counted as one meeting.
2. Peter Bazalgette was invited and attended all Audit and Risk Committee meetings during the year.
3. Margaret Ewing was invited and attended three Remuneration Committee meetings during the year.
4. Chris Kennedy joined the Board on 21 February 2019, however he attended the January meeting by invitation.
5. Duncan Painter was appointed to the Remuneration Committee on 1 February 2019. He was invited and attended the meeting in January, and then all meetings after this date as a Committee member.
6. Membership of the Nominations Committee was formalised in May 2019, with three meetings held after this date. Prior to this all Non-executive directors had been Committee members.

Focus for 2020

Strategy and operations

- Strategy implementation progress
- Deep dives on strategic initiatives
- Data strategy
- Brexit and regulatory issues

- Digital transformation and innovation
- Total advertising
- BritBox UK growth

Governance

- Deep dives into key risks
- Monitoring and assessing culture
- Stakeholder engagement
- Duty of Care

Corporate Governance continued

Key matters considered in 2019

Stakeholder Groups

S Shareholders **C** Colleagues **P** Partners **CZ** Citizens **PP** Programme participants **VC** Viewers and consumers **LR** Legislators and regulators

	2019 activity	Link to principal risks	Link to key stakeholders
Strategy and performance	Continued evaluation of the ITV strategy, impact of external forces, technological trends, threats and opportunities	Links to all principal risks	S P C VC LR
	Refresh of ITV's strategic vision to 2023 and purpose, ensuring alignment of purpose, values, strategy and culture	Principal risk 9	
	Review of existing five year plan	Principal risk 9	S C
	Succession planning and organisation design – reviewed proposals to reorganise resource more efficiently and effectively to enable delivery of the renewed strategy	Principal risks 10, 14 and 15	S C P
	Investor insights and dividend policy	–	S C
Transform Broadcasting	Addressable advertising – consideration and approval of a licensing deal with Amobee enabling ITV to launch a premium advanced advertising platform Planet V	Principal risk 2	P
	Viewer journeys – understanding how viewer and customer needs are changing and how this affects ITV's strategy	Principal risk 1	P VC
Grow UK and global production	Commercialisation project – consideration and approval of proposals to improve the structure, direction and integration of the ITV Studios business to maximise IP value	Principal risks 3 and 7	S C
	Review of prior acquisitions performance	–	S
	Five year US strategy plan	Principal risk 9	S C
Expand Direct to Consumer	BritBox pre-and post launch updates with regular updates on research, risks and challenges	Principal risks 1 and 8	S P VC C
	Data and analytics strategy – reviewed plans for enhancing data analytics A more in-depth data strategy will be considered in 2020	Principal risk 9	S P
	Digital transformation – considered how to develop a commercial and innovative mindset	Principal risks 9 and 10	S P C
Other	Brexit and regulation – continued to review key policy and regulatory issues, including Brexit, CRR and advertising restrictions, PSB review. This continues to be kept under review together with other issues that could have a potential long-term impact on the business	Principal risks 6 and 12	S LR
	Property portfolio – agreed the sale of the Southbank site in November 2019 for £145.6 million	–	S C
	Pension funding	Principal risk 4	S C
	Duty of Care – leading an internal review of production processes and establishing the Duty of Care Operating Board and updating Duty of Care Charter	Principal risk 11	P VC C PP CZ LR
	Social purpose strategy	–	S C CZ VC LR PP
	Stakeholder and employee engagement, culture	Principal risks 10 and 14	S C CZ P VC LR PP

For further information on principal risks please see pages 66 to 78.

Engaging with our stakeholders

Why it matters: We believe that the successful delivery of our strategy, the continued achievement of our purpose and ultimately the long-term success of our business depends on effective Board decision-making and debate which, in order to be holistic, and relevant, must take into consideration the views of all key stakeholders. We recognise that it is fundamental that the Board understands the issues relating to our stakeholders so their views are taken into account in Board deliberations, and that building and maintaining successful relationships with a wide range of stakeholders will serve to

deepen that understanding. All Board decisions are made with ITV's success in mind, and stakeholder considerations and views are therefore an important part of that.

The Board's approach: Through its engagement mechanisms and at various levels of the organisation, the Board seeks to enrich and verify its understanding of what matters to stakeholders and keep it current.

The Board considers stakeholders throughout the year and at every meeting through information provided by management and also by direct engagement with stakeholders.

The General Counsel and Company Secretary provides support to the Board in ensuring that due consideration is given to stakeholder issues. We interact with many stakeholders at different levels of the organisation and not all information is reported directly to the Board. However, the information will inform business-level decisions, with an overview of developments being reported on a regular basis to the Board or a Committee. Key engagement mechanisms are set out in the table below and focuses on those that are reported up to the Board or Board Committees and enable the stakeholder voice to be heard in the Boardroom.

Shareholders (Individual and Institutional), Bond Holders and other Providers of Debt and Analysts

What's important to them	Forms of engagement	How considered in Board discussions and decision-making
<ul style="list-style-type: none"> Financial and operating performance, creating shareholder value, sustainable cash flows and delivering shareholder returns Company's strategy and investment plans and delivery against strategic and financial targets and KPIs Environmental, social and governance (ESG) performance Confidence and belief in the Company's leadership 	<p>Over the year, the Executive Directors held over 70 meetings with investors representing around 70% of the Company's share capital and potential investors across the UK, US and parts of Europe. These meetings were part of roadshows and conferences in Europe and the US, and ad hoc meetings, including post-results engagement. Senior management also met with investors and sell-side research analysts. The Chairman was available to meet with investors and met with investors holding approximately 3% of the Company's share capital.</p> <ul style="list-style-type: none"> At the Annual General Meeting (fully attended by the Board), all our shareholders were given the opportunity to ask our Board members questions and interact more informally before and after the meeting. All shareholders, investors and analysts are also able to access our results, reports, presentations and webcasts on the ITV plc website ITV hosted two site visits for institutional investors and analysts, offering the opportunity to visit ITV sites and meet the wider management team. This included the 'Meet the ITV Management' event in November Consultations with our top institutional shareholders and investor bodies were held this year on the external audit tender, by the Chair of the Audit and Risk Committee; and the proposed Remuneration Policy for approval in 2020 and the 2019 and 2020 LTIP targets, by the Chair of the Remuneration Committee Meetings were held between the Group CFO, senior managers and prospective debt investors in the UK and Continental Europe to discuss our bond issue and tender offer as part of a three day deal roadshow The Executive Directors undertook other investor engagements during the year, including a senior fund manager dinner and attendance at four conferences which included the Citi, JP Morgan and Barclays media conferences in London and the Morgan Stanley conference in Barcelona 	<p>In decision making, the Board remains cognisant of a director's duty to promote the success of the Company for the benefit of its members. In order to achieve this, understanding investor (equity and debt) views and interests is invaluable.</p> <p>Investor feedback is presented to the Board through regular reports on key shareholder engagement activities undertaken by the Chief Executive, Group CFO and the IR team, any significant changes in investor holdings since the previous report, and regular summaries of sector research notes and broker notes, allowing the Board to understand the key opinions being communicated to investors by sell-side analysts. The Board also ensures that it seeks investors' views from outside management, including receiving presentations from the Company's brokers. For example, in assessing the going concern and viability statements, the Board and Audit and Risk Committee also received assurance from analyst commentary and thereby took into account information and assertions from the market that had not been provided by management regarding views on the Group's future financial performance and viability.</p> <p>A sub-committee of the Board was tasked with overseeing the bond issue and tender offer that took place during the year. As part of this transaction, the views of prospective bond investors gathered during the deal roadshow were fed back to the Committee from the Group CFO and senior managers in advance of pricing.</p> <p>The Board uses the feedback from the Company's shareholder engagement to inform, amongst other things, its long-term strategy, five year plan, and approach to governance issues. Some issues of focus this year were the increasing importance of environmental, social and governance (ESG) matters to investors, particularly climate change.</p> <p>Of real benefit to the Board in its deliberations and discussions is the valuable investor perspective shared by Edward Bonham Carter as Vice Chair of a large fund management group.</p>

Corporate Governance continued

Programme participants

What's important to them	Forms of engagement	How considered in Board discussions and decision-making
<ul style="list-style-type: none"> Trusting that we take our duty of care to them very seriously, knowing we will do the right thing to safeguard their physical and mental health and wellbeing 	<ul style="list-style-type: none"> The Duty of Care Operating Board approved the ITV Duty of Care Charter enshrining its commitment to programme participants and others which is published on our website From February 2020, the Board will receive feedback from ITV's Mental Health Advisory Group, which will provide guidance and support on all aspects of ITV's approach to mental health and wellbeing among its people, production teams, participants in its shows and audiences The Board is regularly updated on duty of care processes and issues 	<p>The Board has been updated regularly during the year on the steps management has taken to further enhance processes and guidance for producers to support programme participants before, during and after production, and on issues relating to ITV's response to the DCMS Select Committee inquiry into reality television.</p> <p>The Chief Executive also established the Duty of Care Operating Board, whose members include the Chief Executive and General Counsel and Company Secretary, with the Audit and Risk Committee Chair being a standing invitee who has attended and reported back to the Board, via the Audit and Risk Committee, on the Operating Board's discussions and activities. The Board has received assurance from the additional governance and reporting that has been implemented that ITV is maintaining best existing practice and continuing to evolve and shape new thinking on mental health, as well as physical health and safety, which helps ITV prioritise changes or improvements.</p>

Viewers, Customers and Subscribers

What's important to them	Forms of engagement	How considered in Board discussions and decision-making
<ul style="list-style-type: none"> ITV broadcasting and producing high quality programmes appealing to viewers from a wide range of backgrounds and regions, and reflecting a modern society Having a trusted and impartial source of information for national, international and regional news Bringing awareness of key social and topical issues Representative on-screen diversity 	<ul style="list-style-type: none"> Viewer and customer shareholders have an opportunity to meet the Board at the Annual General Meeting. Every year shareholders at the meeting ask us questions about our programming in their capacity as viewers The Management Board receives monthly reports on viewer ratings and channel (including the Hub) performances including updates on all research, data and insight work streams Our viewer services team handles viewer feedback and escalates any issues to the relevant senior managers as necessary. The Chief Executive and other Management Board members review and, as appropriate, discuss a selection of viewer comments and concerns regularly. The Executive Directors, as members of the Integrated Broadcast Board, receive regular compliance reports detailing viewer or regulator concerns As part of her CEO report, the Chief Executive will report to the Board at every meeting on viewing figures including for broadcast series performance 	<p>The Board recognises the evolution of ITV's relationship with viewers and customers and how this needs to be considered as part of the Company's strategy. This relationship is becoming increasingly direct through the launch of BritBox UK during the year, and through our growing Direct to Consumer business including ITV Hub+, but also viewer behaviours are changing with a shift particularly from younger viewers, from linear television viewing to more IP streaming of content.</p> <p>Extensive viewer research was commissioned and carefully considered during the year as part of the Board strategy offsite deliberations.</p> <p>With the launch of BritBox UK this year, the Board regularly had presentations from the BritBox management team and sought assurance regarding the call centre services and data security in relation to subscribers.</p>

Partners (including Suppliers, Advertisers, other Broadcasters and Platform Owners)

What's important to them	Forms of engagement	How considered in Board discussions and decision-making
<ul style="list-style-type: none"> • Maintaining strong and mutually beneficial opportunities • Building capability and expertise • Responsible, transparent and fair procurement, trust and ethics • Alignment of values in developing best-in-class work practices, including digital and operational improvements • HSE performance and appropriate duty of care processes • Management and mitigation of social and environmental impacts 	<ul style="list-style-type: none"> • The Executive Directors have met with and attended conferences and engagements to foster relations with key suppliers and partners • The Executive Directors are on the BritBox Partnership Board with their BBC counterparts and other senior managers • ITV benefits from well-established supplier governance processes in place with the key supplier relationship owners engaging directly with suppliers on key issues to ensure its values are upheld throughout the supply chain • During the year, further engagement with suppliers identified as being within potentially high-risk categories took place. Further details of our work to identify, address and prevent modern slavery throughout our supply chains and operations are available in our 2019 Modern Slavery Statement, which is available on our website, and also set out on page 65 	<p>The Board annually reviews and approves the Modern Slavery statement, and we have continued to increase the depth and breadth of our work across the whole of ITV's business in the area of preventing labour rights issues well before they reach the threshold of modern slavery, ensuring that we have in place effective oversight of and mitigations to potential risk.</p> <p>Strategic partnerships are presented and discussed at least quarterly at the Management Board, and the Chief Executive reports on key partner relationships at every Board meeting as part of her CEO report. The Board considers and approves high value or otherwise significant contracts with suppliers or partners in accordance with the Group Approvals Framework. This year this included, amongst others, the BritBox Memorandum of Understanding with the BBC and the subsequent agreements for the launch of BritBox UK and a renewed carriage agreement with Sky.</p> <p>The Audit and Risk Committee has also been focused on reviewing supplier practices and processes, including ITV's payment practices reporting, and the procedures in place to safeguard both ITV and suppliers from fraud.</p> <p>The Board discussions benefit from Salman Amin's experience in the consumer packaged goods sector. Salman provides valuable insight into the advertisers' mindset and how advertisers might be impacted by an external situation or Board decision.</p>

Citizens

What's important to them	Forms of engagement	How considered in Board discussions and decision-making
<ul style="list-style-type: none"> • Harnessing our unique mass reach platform and the power of our programmes to raise awareness of issues and matters that are important and help shape culture for good • Our sustainability • Our contribution to wider society in other ways, including charitable giving and volunteering • Representative on-screen diversity 	<ul style="list-style-type: none"> • Being a public services broadcaster, we both strive to remain in touch with and reflect public sentiment and national conversations. Our engagement in this stakeholder category is an integral part of our Social Purpose strategy. Please refer to page 44 for our work in this area. For information regarding our charitable giving and volunteering, please refer to page 48 	<p>The Board reviewed and endorsed the new Social Purpose strategy prior to launch, including the better health campaigns to be run during 2019. The Company's Social Purpose was considered in the context of the Company's wider refreshed purpose, and ensuring that it also aligned with the Company's strategy and values.</p> <p>The Board also spent time reviewing and discussing ITV's diversity targets both on-screen and at various levels of the organisation and is focusing on ensuring ITV and the Board reflects the UK's rich diversity.</p> <p>On sustainability, the Board committed to setting ambitious environmental targets, signing up to, and reporting on its progress in complying with the TCFD recommendations, as set out on page 62.</p>

Corporate Governance continued

Legislators and Regulators

What's important to them	Forms of engagement	How considered in Board discussions and decision-making
<ul style="list-style-type: none"> Our conduct as a UK public service broadcaster and delivery of our PSB obligations Constructive engagement around the policy and regulatory agenda Our conduct as a UK listed company Trust and ethics Governance and transparency Sustainability performance Regulatory compliance (including tax) 	<ul style="list-style-type: none"> Dedicated policy/regulatory and public affairs teams undertake frequent meetings, lunches and dinners with MPs, government ministers, civil servants, government advisers as well as regulators such as Ofcom in relation to policy and legislation of specific and generic relevance to ITV The ITV All Party Parliamentary Group, which met twice during the year, provides a forum for parliamentarians to consider and discuss the role and contribution of ITV in broadcasting in the UK and regulatory issues During the year we interacted with the Competition Markets Authority regarding the proposed BritBox partnership with the BBC. We also engage in relevant CMA consultations ITV maintains an open communication with the ICO to keep them updated on our approach to data privacy as well as complying with any mandatory reporting requirements. ITV also engages in relevant ICO consultations, often along with other broadcasters The Group CFO, General Counsel and Company Secretary and senior management met with the pension trustees, and the General Counsel and Company Secretary met with the Pensions Regulator during the year The Chief Executive met with a number of ministers in 2019, through her ITV activities as well as Co-chair of the Prime Minister's Telecom, Media and Technology Business Council as a non-executive board member of the Department for Business, Energy and Industrial Strategy (BEIS) Senior leaders engage on consultations and new initiatives with government and with regulators. These types of interaction frequently involve the Chief Executive and other senior ITV employees 	<p>Regulatory and governmental issues were discussed at every Board meeting during the year, not least given the outcome of the Brexit referendum and the difference in stance on policy issues between the two major parties, which could have had a significant macroeconomic and legislative effect on the UK economy.</p> <p>Other policy and regulatory matters that the Board discussed included updates regarding the government's HFSS food and drink advertising consultation, discussion of Select Committee hearings relating to the reality TV inquiry, and the proposed approach to the expiry of the Public Services Broadcasting licence in 2024.</p> <p>All Board members also attended a creative arts industries network drinks reception in Manchester and engaged directly with journalists, politicians and industry-related influencers. The Chief Executive and Chairman also hosted a dinner for senior MPs the same evening and the matters arising from both these events were discussed at the subsequent Board meeting.</p>

Colleagues

What's important to them	Forms of engagement	How considered in Board discussions and decision-making
<ul style="list-style-type: none"> Reward Development and career progression Workplace culture, including flexible working patterns and work environment Diversity and inclusion Employee engagement and communications Brand and reputation Talent pipeline and retention HSE performance 	<ul style="list-style-type: none"> We run an Ambassador network across all our offices with which our Senior Independent Director, Edward Bonham-Carter, liaises closely as our designated Board link to our workforce. Management Board members also regularly attend Ambassador meetings During the year, the Chief Executive led 19 roadshows across five locations to give our colleagues the opportunity to hear directly from and question her and the management team A full employee engagement survey was launched to give everyone the opportunity to provide their feedback anonymously The Management Board attend and coordinate regular senior leader events to ensure that senior leaders understand the views of the Board and Management Board and have the opportunity to provide input into the strategy they are instrumental in implementing The Board held a set of meetings at ITV's Manchester offices in October and had lunch, dinner and a meeting with local senior leaders on this visit Management uses numerous channels to communicate and engage with employees, including regular newsletters, monthly managers' bulletin, Chief Executive's vodcast and podcast, and the Chief Executive's Ask Carolyn email address 	<p>Management Board engagement with colleagues is reported to the Board in the CEO report, keeping colleagues at the forefront of Board considerations and decision-making. Key topics discussed at Board level in connection with colleagues included: our refreshed purpose and values, strategy and how to communicate this to colleagues, talent development and people strategy (at the Nominations Committee), colleague pay and recognition (at the Remuneration Committee), and steps taken to drive further diversity and inclusion at ITV.</p> <p>Edward Bonham Carter, as Workforce Engagement Director, provides feedback to the Board on employee topics of interest and/or concern following meetings with the Ambassador network. He reports annually on a more formal basis on the insights gained from this engagement and on any outcomes or proposed recommendations that arise (see page 93 for specific outcomes in 2019).</p> <p>The feedback and results from the 2019 employee engagement survey were presented to the Board in January 2020 with findings, trends and actions discussed and agreed by the Board and the divisional boards.</p> <p>Please refer to page 93 for further information on employee engagement by the Board and page 94 for how employees were actively engaged to refresh our purpose.</p>

Workforce engagement

To ensure effective engagement with the workforce, the Board uses two of the methods stipulated under the Code: Edward Bonham Carter, our Senior Independent Director, is the designated Workforce Engagement Director and we also utilise a formal workforce advisory panel, our Ambassador network. As well as these mechanisms, the Board recognises the benefits of personal interaction and informal discussion in learning more about day-to-day operations, the practical execution of strategy, and gathers direct insights into workforce sentiment. Set out below are the key instances of the direct engagement the Board members have had with our employees.

Our Ambassador network represents all parts of the business and was established in 2015 to represent employee interests, share information and help inform our culture by giving our employees a voice. Each Ambassador represents about 50 colleagues from their business area, called their constituency. Some larger constituencies have more than one Ambassador, while smaller departments have been grouped together within a single constituency. There are approximately 75 Ambassador constituencies. The Ambassadors are organised through five groups: Manchester, Leeds, London Waterhouse Square offices, London Grays Inn Road offices, and our International offices. The Ambassadors meet in their groups four times a year and they also participated in an all Ambassador conference in 2019. The Ambassadors meetings allow good engagement regarding business issues affecting colleagues. For example, during 2019, Ambassadors were instrumental in feeding back on flexible working and providing an insight into colleague understanding of the ITV strategy. Management Board members, including the Executive Directors, also regularly attend Ambassador meetings to provide updates from their business areas and hear feedback and themes from the Ambassadors.

Our designated Workforce Engagement

Director, Edward Bonham Carter, has attended a number of meetings and lunches with Ambassadors across our sites in Leeds, Manchester, and two of our London sites, as well as meeting the Ambassador Chairs separately. Through active two-way dialogue, these meetings have provided Edward with the opportunity to share insights into external factors affecting ITV and the Ambassadors then share this insight back with their constituents. Edward's feedback has also highlighted to the Board the importance of issues which are key to employees and either accelerated or informed outcomes (see his quote on this page). Where there have been Ambassador meetings since the previous Board meeting, Edward has had time on the Board agenda to feedback on employee views or any issues that employees have wanted to raise.

The Board and ITV's Management Board use a number of **other arrangements for direct workforce engagement**. This includes, for example:

- As well as the usual engagement that the Board has with the members of the Management Board, through regular dinners with the Management Board and at the Board's strategy sessions, plus interactions outside the Boardroom with other senior leaders, the Board met with employees at the AGM
- The Board held its October Board and Committee meetings in Manchester. The Board's employee engagement on the visit is referenced on page 80
- The Chairman and Roger Faxon visited the New York offices of ITV Studios America. The Chairman is present in the ITV offices for a full day at least once a week and during this time is visible in the workplace and meets with senior leaders
- The Executive Directors hold frequent Executive Leadership Team and Senior Leadership Team sessions (made up of approximately 40 and approximately 200 of the top senior leaders respectively). The Chief Executive also delivers regular vodcasts and podcasts to update colleagues on developments and encourages direct contact through her Ask Carolyn email address



Edward Bonham Carter



Attending the Ambassador meetings has been an invaluable opportunity to hear directly from my fellow colleagues, who in turn have proactively sought out views, from their colleague constituents, on how they feel about life at ITV.

Not only do I feel I have a good understanding of the range of topics close to the hearts of our workforce, I am able to raise the profile of those issues – our constructive two-way dialogue on flexible working and understanding the ITV's strategy have informed the approach to the Smart Working Initiative and the employee roadshows during the year.

As part of my role in ensuring that information flows both ways, I also shared the Board's views on the challenging external environment and the impact this has on the FTSE 100 share index.

Edward's activities as Workforce Engagement Director

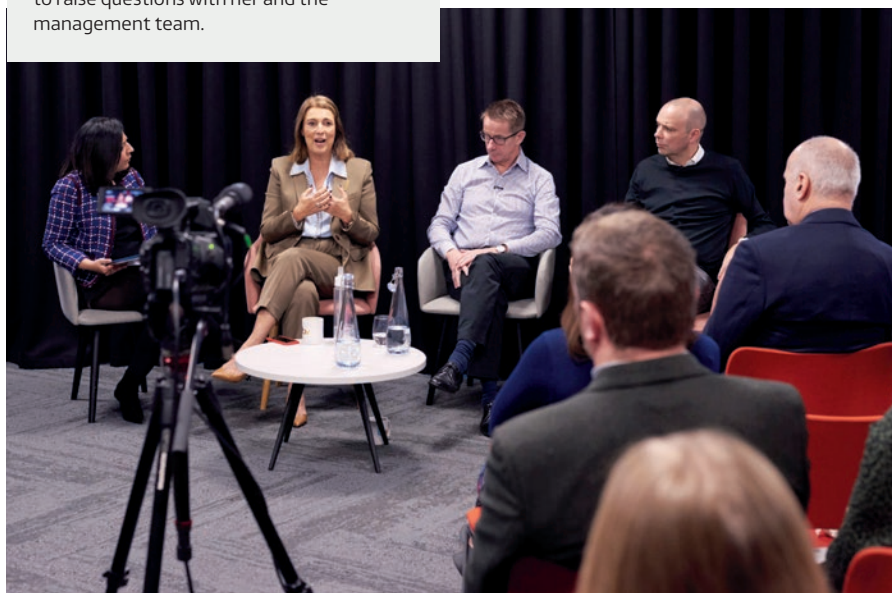
- Attended four Ambassador meetings in Leeds, Manchester and two London sites
- Held formal introductory meeting with Ambassador Chairs
- Hosted informal lunches with Ambassadors in Leeds and Manchester
- Filmed short clip regarding his role and availability played at Ambassador conference in May and for intranet
- Gave three verbal updates to Board on activities
- Presented one formal paper regarding activities and outcomes to the Board

Corporate Governance continued

- This year the Chief Executive led, together with the Management Board members, 19 roadshows across five locations to give our colleagues the opportunity to hear directly from and question her and the management team, and also to enable employees to understand ITV's Strategy and the role that they would play in delivering that strategy.

The mechanisms above relate to engagement with our employees and not freelancers, to avoid conflict with our responsibilities under HMRC contract and compliance requirements. For all our colleagues, including freelancers, we have our 'speaking up' process that includes a reporting tool (AVA), as well as a freelancer complaints procedure, both of which enable freelancers to raise concerns around inclusion and culture at ITV. Through the trade unions, the Directors UK forum and the Producers Alliance for Cinema and Television (PACT), we gain feedback from the freelancer perspective which helps us address other issues and concerns that may be raised by this group.

▼ **Employee Roadshows** During the year the Chief Executive led 19 roadshows across five locations giving colleagues the chance to raise questions with her and the management team.



Values in action – understanding and monitoring our culture

To support the creation of long-term value for the mutual benefit of stakeholders, we recognise the importance of building and promoting a culture of openness and integrity, where inclusion and diversity are valued. Our culture also extends to consideration of our dealings with all our stakeholders (including the interaction with our partners) and our Social Purpose initiatives. In our unique position, where we have the opportunity to shape society, start conversations and encourage action on things that matter through the millions of people we reach, it is even more fundamental that our organisation's culture reflects the values that we promote more widely.

In discharging its duty in monitoring and assessing culture, and ensuring that the culture of openness, inclusivity and integrity continues to pervade through all levels and divisions of the organisation, in the UK and internationally, the Board seeks evidence-based assurance of the right behaviours representing the organisation's values being reflected in systems and people. This includes interaction with our colleagues and stakeholders giving us direct cultural insights, further illustrated in the 'Workforce engagement' (page 93) and 'Stakeholder engagement' (page 89) sections.

This year the refresh of the Company's strategic vision and purpose has been established by the Board with the clear embodiment of ITV's cultural values in mind. The Board is very supportive of the significant Management Board time and resource invested in extensive employee roadshows and manager training. This has ensured that our employees understand and embrace the updated strategic vision and purpose, and their roles in continuing to apply responsible, inclusive and ethical behaviours, underpinned in the 'ITV Way', to deliver our purpose, strategy and vision. Next year the Board will continue to focus on cultural alignment, particularly across the international offices and within each business division. This follows some significant changes to the business structure during the end of 2019, including the deeper integration of the Talpa business, the digital transformation and Smart Working initiatives being embraced throughout the organisation, all of which are creating a shift in cultural mindset.

During 2019, the Board and/or its Committees sought assurance in the following key ways in assessing, monitoring and upholding our culture, and ensuring that there is consistency and, therefore, authenticity between what is said, done and prioritised. Through discussion of relevant observations, the Chief Executive's focus on people and culture in her Board reports, and the Board discussions and reviews noted below, culture is covered, whether implicitly or explicitly, at every Board meeting.

- The Board oversaw management's **development of the purpose and strategic vision**, which was achieved through colleague collaboration. For the purpose, 15 employee focus groups, selected to represent a breadth of roles, skills, divisions and locations, were instrumental in developing our commercial purpose statement. Similarly, a series of Executive Leadership team workshops established and evaluated the potential strategic options leading to the finalised strategic vision. These processes served to ensure that our strategic vision and purpose genuinely represent what we stand for and what we are driving to deliver.

Our ITV values underpin the culture at ITV and these are embedded through our Code of Conduct:

- **Creativity** – without fear or caution
- **Collaboration** – working together at pace
- **Inclusion** – respecting and embracing differences

The ITV Way encapsulates the values that underpin the culture at ITV:

- **Make it Brilliant** – creativity for everyone, without fear or caution
- **Make it New** – openness to change, with no barriers
- **Make it Together** – collaborating, respecting and embracing differences

98%

completion rate of Code of Conduct annual training

Silver award

in Mind Workplace Wellbeing Awards

75%

of colleagues told us in an all employee survey that ITV is an inclusive place to work

- In May the Board reviewed and endorsed the Company's **Social Purpose** and its priorities including, amongst other things, diversity and inclusion and campaigning for better mental and physical health (see page 44). In this session, the Board discussed the importance of the Social Purpose dovetailing with the shift in strategic vision and the wider purpose and continued to keep this in mind when setting these latter strategic components later in the year. The Board also expressed the importance of ensuring the Social Purpose priorities, while being promoted externally, were also embraced and reflected credibly within the organisation. On **diversity and inclusion**, the Board is keeping the pressure on meeting, if not exceeding, our diversity targets through discussion regarding the activities of the ITV Inclusion Council chaired by the Chief Executive. The Nominations Committee is also monitoring progress against diversity targets regularly, with diversity on the Board agenda annually.
- The Board is very supportive of the **focus on mental health** in ITV's Social Purpose campaigns, which is an issue which we seek to promote awareness and acceptance of very broadly, as demonstrated by our continued commitment to our evolving duty of care processes and the wellbeing initiatives we have in place for our colleagues and programme participants. Through ITV's new Mental Health Advisory Group, consisting of a panel of independent leading advisers with expertise in the field, ITV is doing its part in creating a culture which supports the mental health of one another. From 2020, the Board and its Committees will receive ideas, feedback and practical advice on mental health from the Advisory Group to consider reflecting in our policies and decision-making regarding our processes, programmes, and external campaigns. The Duty of Care Operating Board, which reports to the Audit and Risk Committee, focuses on continuing to optimise ITV's **duty of care processes** and the processes we expect from our partners producing shows for broadcast on ITV. It will draw on the expertise of the Mental Health Advisory Group to ensure ITV remains at the leading edge of best practice. This helps us ensure that we promote the acceptance, importance

and safeguarding of mental wellbeing and that our culture, both organisationally and in what we broadcast, embraces social inclusion.

- As well as mental health, we are focused on physical health and safety. The Audit and Risk Committee reviews the systems in place to enable all employees, suppliers and programme participants, and all others involved in our production business to identify and raise **health and safety issues**, as well as duty of care concerns.
- **Internal audit reports and findings** take into account culture where considered relevant. The Audit and Risk Committee has specifically considered culture in the context of the embedding of ITV's culture into systems and processes the cultural alignment across international offices and business divisions. During 2019 this has included a review of the internal audit findings relating to the business services centre operations in Manchester and certain other ITV production companies and subsidiaries (UK and international). The Committee has been satisfied with the findings on such cultural aspects during the year. For 2020, the Audit and Risk Committee and Group CFO will continue to request observations and commentary from internal audit on culture to help understand why certain behaviours occur and any pressures that might be driving behaviour.
- **Consideration of the conclusions of external audits on subsidiary accounts** has also supported the Audit and Risk Committee's assurance on positive cultural behaviours within subsidiaries, including production and overseas companies.
- As part of the **external Board evaluation** during the year, a deep dive was undertaken on, amongst other things, culture and purpose. The Board evaluation report noted that the Board feels there is a common understanding of the strong purpose and values that ITV wishes to uphold.

Corporate Governance continued

- Site visits to enhance understanding of day-to-day operations, observe the practical execution of strategy and gather insights into the cultural context in which employees work are fundamental to deepening the Board's understanding of culture and assessing culture first-hand. Please see page 93 for the ways in which the Directors have **engaged with the workforce** this year. Also of value is the Board's **engagement with our key stakeholders** and understanding how, through our dealings with them, they perceive our culture.
- In their conduct inside and outside the Boardroom, **Directors strive to lead by example**, reinforcing the cultural tone and promoting the right behaviours. Cultural fit with the principles of integrity, openness and inclusion is a pre-requisite for the appointment of any new Board member by the Board and Nominations Committee.
- The Audit and Risk Committee monitors and reviews the effectiveness of the Group's **whistleblowing** arrangements annually, as well as the wider '**speaking up**' framework of raising concerns and grievances, and provides feedback to the Board. The Audit and Risk Committee Chair is named, with her contact details, in the internal whistleblowing policy as the nominated Board director for final escalation of a concern. The integrity of these processes is an important part of our governance arrangements and in 2020, on the Audit and Risk Committee's recommendation, management will undertake further work in embedding the speaking up framework so that it also joins-up the escalation of concerns from a health and safety and duty of care perspective and the processes in place for dealing with employees whose behaviour falls short of required standards.
- A **dedicated Board session on culture** was held in January 2020 following the closing of the employee engagement survey in December 2019. Matters considered by the Board included:
 - a **cultural KPI dashboard** which allowed the Board to benchmark key indicators of our organisational culture with external measures in a tangible way;
 - output from the all employee survey (see bullet point immediately below);
 - an analysis of the Company's culture through issues raised through the **feedback from the 19 employee roadshows** led by the Chief Executive during the year;
 - a review of **ITV's Code of Conduct** and how it promotes the highest standards of ethical business underpinning our values and corporate culture;
 - a review of how the Company supports understanding and embedding of the Code of Conduct and related policies and standards, through a **programme of targeted training**, including mandatory annual e-learning modules and practical training sessions, and frequent communications regarding, and reviews of, its content; and
 - a review of the reinforcement of the 'ITV ways of working' through the Company's recruitment and selection processes, new joiner inductions, management and all colleague development, performance reviews, and colleague remuneration.

As part of this session, the Board satisfied itself that the policies, practices and behaviour throughout the Group are aligned with ITV's purpose (including the Social Purpose element within this), vision, values and strategy.
- As part of the Board culture session, the outputs from this year's **employee engagement survey** were reviewed. The Board considered both the positive and more challenging aspects revealed by the survey. The Board will continue to take a keen interest in such surveys and will review, in due course, the actions to be taken forward to address areas of employee focus. The Board will also consider whether to request specific pulse surveys to seek feedback from employees on key matters.
- The Board is conscious of the role that **remuneration**, and setting performance goals, has on promoting the right behaviours and the need to align incentives and rewards with culture. Please refer to the Remuneration Report for further details on how the Remuneration Committee has been effecting this (which includes its amendment of malus and clawback provisions, the use of discretion in ensuring executive pay is appropriate from a cultural context, and making pay decisions in light of what is going on in the rest of the organisation by considering, for example, the CEO pay ratio and pension contributions).

Board evaluation

In 2019, the Board undertook an externally facilitated self evaluation, following the last external review in 2016. The review was conducted by No 4, an independent advisory firm. No 4 has no other connection with the Company or individual directors and has not previously facilitated Board reviews for the Company or the Chairman.

No 4 evaluated the performance of ITV's Board and Committees through a formal and rigorous review of its composition, diversity, and members' contribution, both individually and together, and through an assessment of the Board's effectiveness in meeting its strategic objectives and leading the business. The evaluation found that the Board and its Committees continue to operate to a high standard. The Directors work effectively together and value each other's contributions at Board and Committee meetings. The process, outcomes and follow-up actions are described in more detail on the following two pages, all of which were agreed with No 4.

2019 External evaluation process

No 4 was selected to conduct the evaluation through a process overseen by the Nominations Committee. The General Counsel and Company Secretary proposed a shortlist of five potential external evaluators. Out of the shortlist, two candidates, endorsed by the Nominations Committee, were interviewed by the Chairman, Senior Independent Director and General Counsel and Company Secretary. The appointment of No 4 as the external evaluator was approved by the Nominations Committee.

The Chairman and General Counsel and Company Secretary met with No 4 in advance to agree the objectives and scope of the evaluation. Our areas of focus were also agreed (see next page).

Phase
01
Selection

Phase
02
Planning

Phase
04
Findings

Phase
03
Insight

The findings of the evaluation were presented to the Board in January 2020, and the Board discussed the points raised by the review and recommendations on follow-up actions. The Board further discussed the evaluation at the Board in February 2020, and reviewed and endorsed the action plan proposed by the General Counsel and Company Secretary.

The Senior Independent Director also led a separate Chairman evaluation with the Non-executive Directors to appraise the Chairman's performance.

The General Counsel and Company Secretary coordinated the evaluation and provided No 4 with the necessary access and resources, including recent Board and Committee papers, and other relevant information to enable No 4 to undertake a thorough review of the Board. No 4 held face-to-face confidential interviews with each Director and the General Counsel and Company Secretary, as well as certain other Management Board members. ITV's remuneration advisers and the external auditor were also interviewed to seek their views on the Board's effectiveness. No 4 also gathered insight into the Board's dynamics, culture, leadership and individual director contribution through observing Board and Committee meetings held in October and December.

Corporate Governance continued

2019 External evaluation outcomes and actions

We covered a broad range of areas including:

Strategy and performance delivery	Stakeholders	Purpose, values and culture	Risk	Governance	Board composition and succession planning	Board dynamics and individual contribution	Meetings and organisation	Committees
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What we focused on:

Strategy and performance delivery

The Board is appropriately involved with overseeing strategy formulation and execution. The strategy offsite during the year was considered insightful as to the opportunities and challenges facing the business and effective in progressing the evolution of the Company's strategy. The Board is aligned on the strategic priorities of the business.

Risk

The Board, with the support of the Audit and Risk Committee, effectively assesses and manages risk through its controls framework.

Strategic and reputational risk issues were a focus for the Board during the year, and the Board was fully supportive of the swift actions taken by management to address the issues that arose.

Board composition and succession planning

The Board has good diversity of both background and thought and effective succession planning is in place.

The evaluation confirmed the Nominations Committee's analysis of Board composition in the context of Board succession planning – that the Board would benefit from additional expertise in the digital landscape.

Meetings and organisation

Board meetings are well led; the Chairman promotes a culture of openness and debate, and facilitates constructive Board relations.

The organisation, information and agenda are all felt to be good.

Our key follow up actions:

KPIs supporting monitoring of performance delivery progress to be kept under review.

Deep dives of certain principal risks to be tabled at the Board in addition to the Audit and Risk Committee in order to encourage debate of our most critical risks at the highest level of governance.

Continued focus on Board composition and succession planning.

Give further guidance to presenters and paper contributors to the Board and Committees regarding clarity on the Board output sought, appropriate level of detail and consideration of stakeholders.

The General Counsel and Company Secretary is responsible for driving the actions forward. She compiled an action plan listing specific actions to address the findings of the evaluation and further enhance the Board's effectiveness. The Board will monitor the implementation of the follow-up actions and No 4 is due to come back to the Board later in 2020 to review progress against the recommendations.

Progress against 2018 actions:

Action

Nominations Committee structure and process to be reviewed to enable more time to consider succession planning and skills gaps for the Board and succession planning for the senior executives and put appropriate action plans in place.

Outcome

The Nominations Committee structure was refined this year with more meetings, together with more focus on Board composition and succession planning (see page 100).

Action

Review terms of reference of the Committees and review the job descriptions of the Chairman, Senior Independent Director and Chief Executive to ensure alignment with the 2018 UK Corporate Governance Code.

Outcome

All Committee terms of reference were updated during 2019 and the job descriptions of the Chairman, Senior Independent Director and Chief Executive were updated in 2020.

Action

Review and consider approach and programme for continuing professional development, as part of the external evaluation exercise.

Outcome

Following feedback from the Board, a workshop on addressable advertising was held for Non-executive Directors during the year. The Remuneration and Audit and Risk Committees have been receiving regular market practice updates from external advisers. The Audit and Risk Committee discussed a paper tabled by the Committee Chair regarding training, education and skills needs.

Nominations Committee Report



Sir Peter Bazalgette
Chairman



In this report:

The purpose of this report is to highlight the invaluable role that the Nominations Committee plays in ensuring that the Board has the appropriate balance of skills, experience, knowledge and background to give us the breadth, depth, diversity of thinking and perspective needed to effectively deliver long-term sustainable success.

Who is on the Committee

The Committee is composed entirely of Non-executive Directors.



The current members are:

- Sir Peter Bazalgette (Chair)
- Salman Amin
- Edward Bonham Carter
- Mary Harris



Full details of attendance at Committee meetings can be found on the table on page 87.



Detailed biographies can be found on pages 82 and 83.

Our role

Following each meeting, the Committee communicates its main discussion points and findings to the Board.

The Committee's terms of reference can be accessed on our website.



www.itvplc.com/investors/governance



The main role of the Committee is to:

- Regularly review Board composition and the balance of skills, knowledge, experience and diversity
- Determine when appointments and retirements are appropriate, and lead on any Director searches
- Give full consideration to succession planning and oversee the development of a diverse pipeline for succession, at Board and senior management level
- Set measurable objectives on Board diversity and monitor progress on these objectives, as well as reviewing Company-wide targets

Meetings in 2019

In addition to Committee members, the Chief Executive, Group HR Director and General Counsel and Company Secretary regularly attended meetings.



June

- Terms of Reference
- Board succession planning
- Diversity
- Board evaluation

July

- Board succession planning (including short-term cover)
- Board evaluation process
- Director time commitments

October

- People strategy review (including review of executive succession plans)
- Non-executive Director search

Annual review

An annual review of the performance of the Committee is conducted each year.



In 2019 an independent Board evaluation was undertaken, which included a review of the Committee. The results are summarised on page 98.

Overall, the evaluation concluded that the Committee is working effectively and responding appropriately to its terms of reference.

The Committee discussed the evaluation of the Committee and its findings at its meeting in February 2020.

Nominations Committee Report continued

Board diversity

40%

female Board representation

4th

in the 2019 Hampton-Alexander review's 'Top Ten Best Performers' with **42.1%** female representation on the Combined Executive Committee and direct reports

10%

BAME Board representation

Key areas of focus for the Committee during the year

Board composition and succession planning

Composition: During the year, the Committee undertook an analytical review of Board composition, assessing the range and balance of skills, experience, diversity, knowledge and independence to identify any gaps and to consider the need to refresh the Board. A breakdown of the Board's skills, experience and certain diversity measures are set out on page 87. In the context of the digital transformation and shift in our strategic vision to becoming a digitally led entertainment and media company, the Committee recommended to the Board that a search be commenced for a Non-executive Director who would bring deep experience of digital transformation with a disruptor mindset.

Non-executive Director succession planning: The Board also reviewed succession planning for each of the Chairman, Senior Independent Director, Committee Chair and Workforce Engagement Director roles, and identified either where internal candidates are appropriate, or an external search may be needed, for both emergency and longer-term succession. Given the Chairman will have been on the Board for nine years as at June 2022, it is the Committee's intention to start a search process, also taking into account internal candidates, in 2021.

Executive Director and Management Board succession planning: During the year, the Chief Executive and Group HR Director reported on the succession planning measures in place for the Management Board (including the Executive Directors), as well as the Executive Leadership Team (the top 40 senior leaders in the organisation). This included Management Board and Executive Leadership Team bench strength analysis for each role identifying short and medium-term successors and the diversity of the pipeline. The Committee was satisfied that the Company has effective executive succession planning processes in place, and was able to understand in what areas external candidates may need to be

considered. The Committee also had a session on improving the strength, depth and diversity of our talent. Board members also have the opportunity to meet potential succession candidates for senior, business critical roles when they present to the Board or at Committee or, more informally, at dinners or lunches.

Non-executive Director search

During the year, the Committee commenced a Non-executive Director search. It is expected that the appointment of a new Non-executive Director will be announced in the first half of 2020.

Search process being undertaken for a new Non-executive Director

- **Selection of recruitment consultants:** Founders Keepers were selected for the recruitment consultant role given their specialism in transformative digital and technology talent. Their appointment was approved by the Committee. Other than the provision of recruitment services, Founders Keepers has no other connection with the Company or any individual director, with the exception of Duncan Painter, who was similarly recruited to ITV by the firm.
- **Candidate specification:** The specification for candidates was discussed at the Committee, setting out the agreed key skills and character profile being sought to fit with the current balance, membership and dynamics of the Board. As in prior years, the Committee continued to seek diversity as part of the overall selection of the highest calibre candidates for appointment to the Board, based on merit and objective criteria.
- **Potential candidates:** A longlist of candidates meeting the specification was identified by the search firm through their network, database and deep market research. In accordance with the Board's Diversity Policy this included a diverse range of backgrounds and a gender balance. These were finessed by the Chairman and Chief Executive, who suggested some other potential candidates for contacting. Founders Keepers then assessed and vetted those potential candidates via their network in digital and technology.

- **Interviews:** A shortlist of candidates has been interviewed by members of the Nominations Committee (including the Chairman) and the Chief Executive and Group CFO. Candidates will be meeting other Directors on the Board as appropriate prior to Board approval for the appointment being made.

Board diversity policy

Our objective of driving the benefits of a diverse Board, senior management team and wider workforce is underpinned by our Board Diversity Policy. Our belief is that diversity at all levels makes business sense as it allows the organisation to harness the benefit of differences in skills, experience, culture, personality, background and work style. We are proud of our commitment to driving further diversity Company-wide, as exemplified by diversity being one of our four priorities in our Social Purpose strategy. Please refer to page 49 for further information including our Company-wide diversity targets.

 A copy of the policy can be found on our website www.itvplc.com/investors/governance/directors

Set out below are the objectives of our Board Diversity Policy, and how we are doing against them. These objectives ensure that both appointments and succession planning support developing a diverse pipeline.

Ensure ITV has a development pipeline of high calibre senior executive candidates and encourage senior executives to obtain external board experience

The ongoing development of senior leaders to ensure we retain the best talent and to broaden their skillsets and experience to prepare them for future senior roles is important, and the Committee held a session on succession planning at the senior executive level during the year. ITV runs a high potential leadership programme, building a pipeline of diverse talent for senior level roles and launched a Returners Programme in 2019, identifying senior external female talent that have potential to move into roles at ITV.

Bespoke development is in place for identified senior successors and this is identified based on the development need and could include:

- External executive coaching, with clear coaching objectives (including 360 feedback where relevant);
- Psychometrics such as the Hogan Leadership series that identifies leadership strengths, derailers and values;
- Mentoring by a Non-executive Director;
- Business School executive education programmes; and
- Non-executive Director and Trustee appointments where there is a suitable match and development support for those interested in these opportunities. One of our senior leaders has secured a place on the Deloitte BAME on Boards programme.

Maintain at least 30% female Directors on the Board over the short to medium term

During 2019, the Board had a 40% female representation, including one Executive Director and two Committee Chairs, and therefore we have gone beyond this target as well as the Hampton-Alexander target of 33% representation by 2020. Whilst the Board recognises that an effective Board with broad strategic perspective requires diversity, ultimately the Board appoints candidates based on merit and assesses Directors against measurable, objective criteria.

Our principles for Board diversity also apply to our Management Board and senior management below this level. We are therefore pleased to be ranked fourth in the Hampton-Alexander 2019 review for female representation on the Combined Executive Committee and Direct Reports, with female representation of 42.1%.

We are cognisant that diversity is more than gender. Our Board already complies with the recommendation of the Parker Review to have at least one director of colour by 2021.

Use search firms who have signed up to the Voluntary Code of Conduct on gender diversity

The Board supports the provisions of the Voluntary Code of Conduct for Executive Search Firms. During the year, our work on Non-executive Director recruitment was supported by Founders Keepers, an independent executive search agency. Although Founders Keepers is a recently established firm, and is still in the process of signing up to the Voluntary Code of Conduct for Executive Search Firms, it fully complies with the code's provisions and its spirit. Founders Keepers is closely allied to the 'AccelerateHer' initiative, part of their wider corporate group's mission to champion and support women working in technology and break down the barriers that deter women from entering the sector.

Ensure Non-executive Director shortlists include at least 50% female candidates

Given our strong female Board representation on the Board, the Board determined that other diversity elements including ethnicity, should also be a focus in this year's Non-executive Director search. The long list of candidates consisted of 50% female candidates. This list was reviewed and refined based on measurable, objective criteria, to come to a short list made up of 50% diverse candidates (female and BAME).

Ensure the Non-executive Director search pool is sufficiently wide and covers candidates from BAME backgrounds and candidates with a wide range of expertise, skills and backgrounds

As part of the Non-executive search, the Committee worked closely with Founders Keepers in compiling long and shortlists of candidates from various backgrounds and industries, including BAME backgrounds. 30% of the longlist consisted of BAME candidates. Candidates were identified, interviewed and measured against pre-determined criteria.

Audit and Risk Committee Report



Margaret Ewing
Chair, Audit and Risk Committee



In this report:

The purpose of this report is to highlight areas that the Audit and Risk Committee has reviewed, considered and discussed during the year. We report to shareholders on the significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements. Also highlighted is how the Committee has assisted the Board in reviewing the Company's internal control and risk environment. We also explain the Committee's approach to reviewing the effectiveness of our internal and external auditors.

Dear Shareholder

I am pleased to present the Audit and Risk Committee Report, which provides an overview of the role of the Committee and the matters considered during the year.

The membership of the Committee has remained consistent during this last financial year. I and the Board believe we have the right mix of skills and experience represented on the Committee to provide independent and robust challenge to management and our internal and external auditors to ensure there are effective and high-quality controls in place and appropriate judgements are taken. Chris Kennedy joined ITV as Group CFO in February 2019 and the Committee and the auditors have established an open and constructive working relationship with him since his appointment.

This year, the Committee led a competitive tender process for the appointment of a new external auditor. A case study of the external audit tender process can be found on page 115. As announced in November, and subject to shareholder approval in 2021, PriceWaterhouseCoopers LLP (PwC) has been proposed as the external auditor to take effect from, and including, the 2021 financial year. Due to KPMG LLP's (KPMG) length of tenure, ITV was required to conduct a tender process for the 2022 financial year end onward. With the current audit partner required to rotate from the audit following the 2020 financial year end, we decided to tender the audit for the 2021

financial year onwards. We undertook the tender process this year to ensure there is a smooth and orderly transition starting during 2020 and to allow PwC to resolve any conflicts of independence and objectivity well ahead of the proposed appointment. KPMG will continue to be ITV's external auditor for the 2020 financial year.

The second matter to highlight relates to our considerable focus on the enhancement of the Group's enterprise risk management framework and processes. In order to increase line of sight over emerging risks and gain greater confidence in the management of our ongoing key organisational risks, ITV has completed a thorough exercise to review and refresh the identification of the Group's principal risks and undertaken a series of comprehensive interviews with senior management across all aspects of the Group to identify further emerging risk areas. The Company also reviewed its existing risk management approach and identified a series of improvement opportunities designed to further strengthen the framework. These improvements will be implemented and further embedded during 2020.

In addition to routine business, during 2020 the Committee will have the following areas of focus:

- Monitor and evaluate the embedding of the enhanced Enterprise Risk Management model and framework and ensure that they are operating effectively;

- Support management in undertaking a thorough review of the Group's framework of financial reporting and internal controls (including financial, operational and compliance controls) to ensure they are designed, documented and operating effectively and robust monitoring processes are in place;
- Continue to monitor and assess the impact of regulatory changes affecting the audit industry and how this will impact ITV and the work of the Committee;
- Undertake a competitive tender process for the appointment of internal auditor, having concluded with management during 2019 that an outsourced model for internal audit is the optimum solution for the Group; and
- Oversee the preparation for the transition from KPMG to PwC, ensuring that it is smooth and orderly and that PwC is well prepared to embark on the 2021 audit.

I hope that you find this report informative and can continue to take assurance from the work undertaken by the Committee this year. We seek to respond to shareholders' expectations in our reporting and, as always, welcome any feedback from shareholders, including engaging directly with shareholders in meetings.

Margaret Ewing
Chair, Audit and Risk Committee
5 March 2020

Who is on the Committee?

Definition

The Committee is composed entirely of independent Non-executive Directors.

The current members are:

- Margaret Ewing
- Edward Bonham Carter
- Mary Harris
- Anna Manz

 Full details of attendance at Committee meetings can be found on the table on page 87.

 Detailed biographies can be found on pages 82 and 83.

The Committee members have between them a wide range of business and financial experience. For the purposes of the Code, the Board considers that Margaret Ewing (a chartered accountant, previous FTSE 100 CFO and, until 2012, an executive member of the Board of Deloitte LLP) and Anna Manz (a chartered accountant and currently a Chief Financial Officer of a FTSE 100 company) have recent and relevant financial experience. Edward Bonham Carter, as Vice Chair of a large fund management group, provides valuable investor insight and challenge to the Committee's deliberations. In addition, Mary Harris has had executive sector experience as a management consultant with experience in media, television and interactive media investments. The Committee, therefore, as a whole has financial expertise and considerable competence relevant to the sector in which the Company operates (particularly as certain of the members have been Non-executive Directors of ITV for a number of years).

Our role

The main role of the Committee is set out below.

Following each meeting, the Committee Chair communicates its main discussion points and findings to the Board.

The Committee's terms of reference, updated in July 2019, can be accessed on our website.

The main duties of the Committee are to:

Financial Reporting

- Monitor the integrity of published financial information and review and challenge significant financial reporting issues and judgements.
- Review the appropriateness of accounting policies and practices.
- Provide advice to the Board on whether the Annual Report and Accounts are fair, balanced and understandable and the appropriateness of the going concern statement and the longer-term viability statement.
- Provide advice to the Remuneration Committee on financial reporting matters and related judgements as they affect executive remuneration performance objectives.

External audit

- Review the quality and effectiveness of the external audit and the procedures and controls designed to ensure auditor independence and objectiveness.
- Review and make recommendations to the Board on the tendering of the external audit contract, and the appointment, remuneration and terms of engagement of the external auditor.

Risk management and internal control

- Assist the Board to establish and articulate overall risk appetite and oversee and advise the Board on specific strategic risk exposures and mitigations. Review the risk identification and assessment processes and undertake deep dives into high-risk business areas or processes.
- Review the effectiveness of the internal control and risk management processes.
- Oversee appropriate whistleblowing and fraud prevention arrangements.

Internal audit

- Monitor and review the effectiveness and independence of the internal audit function.
- Review and approve the internal audit plan and monitor its implementation.
- Oversee the tendering of the internal audit contract and approve the appointment of the internal auditor and the remuneration and terms of engagement.

Annual review

The annual review of the performance of the Committee during 2019 was considered as part of the external Board evaluation undertaken by Jan Hall at No 4 (please refer to page 97 for further details on the 2019 Board and Committees evaluation). The Committee also held a separate evaluation session and, in addition to feedback from the members of the Committee, input was sought from the Director of Group

Finance, and members of the external and internal audit teams. The evaluation concluded that the Committee had performed effectively.

Following the Board and Committee evaluation, it was agreed that deep dives of certain principal risks would be tabled at the Board in addition to the Committee in order to encourage debate of our most critical risks at the highest level of governance.

Audit and Risk Committee Report continued

Meetings in 2019		February	April
<p>In addition to Committee members, the Chairman of the Board, Executive Directors, Director of Group Finance, General Counsel and Company Secretary, Head of Internal Audit, Director of Tax and external audit partner regularly attend meetings. The Committee meets regularly with the external audit partner and Head of Internal Audit without executives present.</p> <p>2019 key matters considered at each main meeting of the Audit and Risk Committee (in addition to topics covered at every meeting indicated in the furthestmost right-hand column on page 105 included those shown in the table opposite. The Committee also addresses specific queries referred to it by the Board or Remuneration Committee.</p> <p>As well as topics mentioned in this table, which are relevant to all businesses, ITV reviewed the following matters specific to the business:</p> <ul style="list-style-type: none">• Deal debt*: see page 108 for further detail.• Acquisition earnout liabilities*: see page 107 for further detail.• BritBox accounting treatment and controls relating to subscriber personal data: BritBox was launched in November and is operated through a subsidiary majority-controlled by ITV. The Committee reviewed the costs capitalised in developing the BritBox service, the revenue streams and recognition under IFRS 15 and the controls in place to safeguard subscriber personal data and to record subscription revenue.• Deficit financing: as part of our strategy to expand our content portfolio, significant investment in high-end drama is made. The Committee reviews the accounting implications, including revenue recognition and recoverability of the amounts invested. The structure of content deals and the associated accounting can be complex. <p>Areas of significant issues considered by the Committee (set out in further detail on pages 106 to 111) are indicated with an asterisk (*) in this table.</p>	<p>Review programme relating to external audit quality, effectiveness, independence and objectivity (see page 114 for further details)</p> <p>Financial disclosure and judgements</p> <p>External audit (see page 113 for further details)</p> <p>Internal controls and audit (please also refer to the risk management and internal controls section on page 112)</p> <p>Risk (please also refer to the risk management and internal controls section on page 112)</p> <p>Governance and other</p>	<ul style="list-style-type: none">• Review of external audit quality framework• Recommendation to reappoint KPMG at AGM• External auditor’s independence, quality and effectiveness assessment <ul style="list-style-type: none">• Year end financial reporting issues, including estimates, judgements and exceptional items• Draft Annual Report and Accounts review, including review and assessment of whether they are fair, balanced and understandable and the underlying assumptions of the viability statement* (including related disclosures)• Review of FY18 results announcement and attached financial statements to ensure consistency with Annual Report and Accounts <ul style="list-style-type: none">• Meeting with the external auditor in the absence of management• KPMG’s report on the external audit conclusions and findings• Auditor opinion <ul style="list-style-type: none">• Internal audit independence and service framework <ul style="list-style-type: none">• Principal risks and uncertainties and risk mitigations <ul style="list-style-type: none">• Bonus and share plan outcomes for FY18• 2018 Committee evaluation and 2019 Committee priorities	<ul style="list-style-type: none">• External audit scope and materiality, identification and agreement of significant audit risks• External auditor engagement letter• External auditor’s independence quality and effectiveness assessment <ul style="list-style-type: none">• Review of Q1 trading update announcement• Early consideration of known half year financial reporting issues and judgements <ul style="list-style-type: none">• External audit strategy for 2019 and half year review plan• Review of external audit tender plan <ul style="list-style-type: none">• Meeting with the internal auditors in the absence of management• Review of procedures for the detection and prevention of fraud*• Material litigation report <ul style="list-style-type: none">• Consideration of skills and training requirements for Committee members

July	October	December	At every scheduled meeting this year, the Committee also reviewed:
<ul style="list-style-type: none"> External auditor's independence, quality and effectiveness assessment Approval of the external auditor engagement letter 	<ul style="list-style-type: none"> External auditor fees approval External auditor's independence, quality and effectiveness assessment Revised External Auditor Independence policy approved 	<ul style="list-style-type: none"> 2019 external audit strategy update (including audit risks and scope) External auditor's independence, quality and effectiveness assessment Permitted non-audit services (provided by external auditor) review 	
<ul style="list-style-type: none"> Review of draft half year results announcement Review of policy on exceptional items* 	<ul style="list-style-type: none"> Review of Q3 trading update announcement 	<ul style="list-style-type: none"> Year end planning 	<ul style="list-style-type: none"> Report from the ITV Group Finance management. During the year this report regularly covered, amongst other things: <ul style="list-style-type: none"> Accounting judgements and estimates Developments in financial reporting Lease accounting (IFRS 16) Acquisition earnout liabilities * Goodwill impairment Appropriateness of Alternative Performance Measures Litigation provisions* London property sale* Pension accounting* Tax (including IR35* and employment status)
<ul style="list-style-type: none"> Meeting with the external auditor in the absence of management KPMG interim review findings and conclusions External audit tender process discussion and recommendation to the Board 	<ul style="list-style-type: none"> Review of incoming external auditor transition arrangements 	<ul style="list-style-type: none"> Known full year financial reporting issues and judgements KPMG interim controls review findings 	<ul style="list-style-type: none"> Reporting from the external auditor, including audit findings, progress and independent audit opinion and independent review reports The ongoing independence of the external auditor and the evidence of quality and effectiveness in the delivery of the audit
<ul style="list-style-type: none"> Insurance renewal and programme update Pensions and tax updates (including tax strategy for approval and publication) 	<ul style="list-style-type: none"> Post acquisition reviews of recent Studios' business acquisitions, including acquisition earnouts and related accounting* Anti-bribery and corruption procedures review 	<ul style="list-style-type: none"> Meeting with the internal auditor in the absence of management Effectiveness of internal audit Review and approval of the 2020 internal audit plan Annual tax, pensions and treasury reviews, including controls and policies Whistleblowing process, statistics, themes, learning and status Supplier payment practices review 	<ul style="list-style-type: none"> Reporting from the internal auditor, including a review of activity and status report on action plans and regulatory and programme compliance. See page 112 for examples of the controls and projects reviewed by the Committee
<ul style="list-style-type: none"> Principal risks half year review 	<ul style="list-style-type: none"> Risk management framework progress update Technology modernisation and cyber security update, including controls 	<ul style="list-style-type: none"> Health and Safety update, including review of Duty of Care* Risk management framework review 	
<ul style="list-style-type: none"> Review and approval of revised Committee Terms of Reference, including in relation to duties regarding the external auditor 	<ul style="list-style-type: none"> Governance and audit reform developments and investor views update 		<ul style="list-style-type: none"> Minutes and actions from previous meetings

Audit and Risk Committee Report continued

Significant financial reporting issues considered by the Audit and Risk Committee

In planning its own agenda, and reviewing the audit plans of the internal and external auditors, the Committee takes account of significant issues and risks, both operational and financial, that may have an impact on the Company's financial statements and/or the Company's execution and delivery of its strategy.

During 2019, after robust challenge and debate, there were no topics where the conclusion resulted in significant disagreement between management, the external auditor and the Committee, or unresolved issues that needed to be referred to the Board. Set out in the tables below is information on the significant issues considered during the year.

Significant issues relating to financial statements are detailed below.

Review of legal cases

Issue	Action taken by Committee	Outcome/future actions
ITV is currently subject to ongoing litigation where the outcome of the proceedings is not certain, including the Box Clever litigation.	<p>The Committee reviewed the material litigation report and discussed the key cases, including Box Clever, with the General Counsel and Company Secretary. In addition, the Committee Chair met with external legal advisers on key litigation matters, such as Box Clever, to discuss the litigation status and views on likely timetables and outcome.</p> <p>Following the Supreme Court's refusal to hear the Group's appeal on the legal dispute with the Pensions Regulator in respect of the Box Clever Pension Scheme, the Committee held private meetings with the external auditor and management separately to understand the uncertainty around the quantum of the liability and seek assurance around the treatment of this as a contingent liability.</p>	<p>The Committee agreed that adequate provision and/or disclosure has been made for all material litigation and disputes, based on the currently most likely outcomes or unknown positions.</p> <p>See note 5.2 to the financial statements.</p>

Acquisition earnout liabilities

Issue	Action taken by Committee	Outcome/future actions
<p>The complexity and potential scale of the expected earnouts of our acquisitions results in the potential total liability for earnouts being a significant business liability.</p>	<p>The first of the significant acquisition earnouts payable in 2020 is Talpa. The Committee received updates from management throughout the year regarding the Talpa earnout liability. External advisors were also involved to support the estimated range. In October and December the Committee held discussions with the external auditor on the year end audit plan for this liability, including understanding the focus of the lead partner's visit to the Talpa offices in the Netherlands with the Group CFO in January. The Committee assessed the audit plan related to the audit procedures to be undertaken in relation to this topic.</p>	<p>The Committee was given an in depth understanding of the issues and was satisfied with the level of accrual for the earnout liabilities and the related disclosures. Please refer to notes 3.1.4 and 3.1.5 to the financial statements.</p>

Pensions

Issue	Action taken by Committee	Outcome/future actions
<p>The Group's net defined benefit pension deficit increased by £58 million during 2019 to £145 million at 31 December (2018: £87 million deficit) primarily due to a decrease in discount rates.</p> <p>The asset-backed pension funding arrangements with the Pensions trustee relate to the London Television Centre (LTVC) on the South Bank and SDN. The LTVC was sold in November, and SDN's multiplex licence expires in 2022.</p>	<p>The Committee reviewed the elements and amounts driving the increase in net deficit, as well as the key assumptions (as detailed in note 3.7 on page 195) applied in determining the net liability at 31 December. The Committee also sought assurance from the external auditor whose view was that the financial assumptions applied in estimating the net deficit were considered to be appropriately balanced when compared to KPMG benchmarks, and that the reasonableness of the assumptions applied were appropriate.</p> <p>The Committee reviewed the impact of the sale of the LTVC and the upcoming expiry of the SDN licence on ITV's asset-backed pension structures and reviewed alternative pension funding structures.</p>	<p>The Committee concluded that the assumptions applied in determining the net liability of the pension was appropriate, and the net deficit correctly reflected evidenced market values of the assets held in the schemes at 31 December.</p> <p>The Committee also concluded management had robust plans in place to provide alternatives to the existing asset-backed pension funding arrangements in due course.</p> <p>See note 3.7 to the financial statements.</p>

Audit and Risk Committee Report continued

London properties

Issue	Action taken by Committee	Outcome/future actions
ITV completed the sale of the London Television Centre on the South Bank to Mitsubishi Estate London in an all-cash transaction for £145.6 million in November.	Further to the assessment of the accounting treatment in the previous year, the Committee reviewed the accounting impact of the sale and the related disclosures in the financial statements.	See note 3.2 to the financial statements.

Deal debt

Issue	Action taken by Committee	Outcome/future actions
Taking into account the current and recent trading position in respect of the delivery of advertising value to customers, management's approach in estimating the over or under delivery of advertising value to agencies and method of determining the provisions were reviewed.	The rationale for the provision was discussed by the Committee, taking into account the views of the external auditor.	<p>The Committee was comfortable with the deal debt provision recognised at 31 December (within Total Advertising Revenue).</p> <p>Management reviews the deal debt provision as part of the wider negotiations with the agencies and any future changes in the provision level will be discussed by the Committee.</p> <p>See note 2.1 to the financial statements.</p>

Exceptional items

Issue	Action taken by Committee	Outcome/future actions
During 2019, there were acquisition-related costs, reorganisation and restructuring costs, exceptional property costs and disposal profit and non-routine legal costs to consider classifying as exceptional items. (See an explanation of the exceptional items policy on page 52).	The Committee re-assessed the policy in light of the FRC guidance, considered the classification of the exceptional items in the financial statements with reference to the policy, and took into account the views of the external auditor.	<p>The Committee concluded that the approach taken was appropriate and had been consistently applied in line with the policy.</p> <p>The Committee noted that it would continue to review the exceptional items policy and definitions regularly to ensure that the classification of the items as exceptional continues to be appropriate, particularly in relation to acquisition-related costs and reorganisation and restructuring costs.</p>

Other significant issues

Highlights of key matters which the Committee considered outside of its financial reporting responsibilities are set out below. For the Committee's work during 2019 in relation to the audit tender and the risk management framework please refer to page 115 and 112 respectively.

Tax – IR35

Issue	Action taken by Committee	Outcome/future actions
From April 2020 the responsibility for undertaking IR35 employment status assessments, and where necessary withholding PAYE and paying NICs, will pass to the engager, rather than remain with individuals and their personal service companies.	The Committee considered updates from management on the implications for ITV, and the steps being taken to ensure the Company is ready to apply the legislation. The Committee received updates on IR35 readiness at four of the five Committee meetings in the year.	The Committee will continue to keep this under review as the Company prepares for the introduction of the new rules. Internal audit will attend the relevant IR35 Readiness programme board meetings to ensure all related risks are being adequately identified and addressed.

Post-acquisition review of production businesses

Issue	Action taken by Committee	Outcome/future actions
ITV Studios has a portfolio of acquired production companies which are important to the financial and strategic performance of the ITV group.	<p>The Committee requested that management undertake a post-acquisition review of a sample of acquired production companies, particularly as the structure of each acquisition is different but normally includes an element of deferred consideration (which is based on future earnings) or a put and call option.</p> <p>Management provided an analysis of the financial performance of three significant production company acquisitions, each nearing the end of the initial buyout term and being considered for renewal of contract with the vendors or key creative personnel. The analysis included a comparison of the initial business case (including forecasts) against which the decision to acquire the companies was made with the performance to date and forecast.</p> <p>The Committee reviewed the analyses and discussed each acquisition in turn and considered its financial performance against expectations and its integration into the Group.</p>	<p>The Committee was assured from this session that each of the acquisitions had strengthened ITV Studios' overall production position in key markets and genres.</p> <p>The Committee will continue to retain oversight of how acquired production companies are performing financially and ensure there is clear accountability for their financial performance against the acquisition value.</p>

Audit and Risk Committee Report continued

Fraud procedures

Issue	Action taken by Committee	Outcome/future actions
There has been an increase (not specific to ITV) in supplier-related fraud attempts in recent years.	<p>The Committee undertook a deep dive in reviewing the key controls in place that were designed to prevent and detect fraud.</p> <p>The Committee reviewed the measures taken to combat fraud and the internal audit findings in relation to the key controls at the Group's business services centre in Manchester. The Committee also discussed the fraud procedures in place directly with the senior managers in the business services centre when they visited Manchester in October.</p>	The Committee will continue to monitor fraud and internal controls carefully, and has requested a review be undertaken by an independent third party of the design, effectiveness and documenting of internal controls and processes to ensure that the framework around internal controls is operating appropriately and will be ready for any potential audit reform in this area.

Health and Safety, including Duty of Care

Issue	Action taken by Committee	Outcome/future actions
The health and safety of our employees, contractors and those participating in our productions is one of our highest priorities. ITV continuously evolves its duty of care processes, particularly given the increasing popularity of reality programmes such as Love Island and the increased social and media attention on participants.	<p>The Duty of Care Operating Board (Operating Board) was established during the year, reporting to the Committee (on behalf of the Board). The Committee Chair is a standing invitee and has attended the Operating Board meetings and reported back to the Committee.</p> <p>The Committee also reviewed the health and safety risk management processes in place more widely in the organisation and those required from content suppliers. Specific documents reviewed as part of this included the ITV Duty of Care charter, the assessment process for auditing shows and the ITV Studios' procedures policy document regarding the mental health of programme participants.</p> <p>Committee members asked the Director of Operational Risk, reporting on the topic, a number of questions around the assessment and aftercare of programme participants, the qualifications and independent status of Dr. Paul Litchfield (who works with ITV to evolve and enhance our processes and oversee our duty of care) and the physical health and safety procedures.</p>	<p>The Committee satisfied itself that the processes in place were robust and fit for purpose.</p> <p>Given the importance of this topic, the Committee will continue to review the Group's health and safety procedures and record on a regular basis, and receive regular reports on duty of care from the Operating Board.</p>

Viability and going concern assessments

Issue	Action taken by Committee	Outcome/future actions
In light of recent collapses, the Committee felt it was important to continue to ensure a thorough assessment of the management assumptions, stress testing and scenario analyses supporting the going concern and viability statements, as well as seeking impartial external views on ITV's viability.	<p>The Committee (and the Board) reviewed the Group's going concern and viability statements, including the parameters applied in stress testing and scenario analyses, and the assessment reports prepared by management in support of such statements. The Committee also reviewed the external auditor's findings and conclusions on this matter.</p> <p>In reaching its view, the Committee reviewed analyst commentary to understand the wider market and views on the Group's future financial performance and viability.</p>	<p>Following this thorough assessment, the Committee considered the level of the assessment appropriate and recommended the draft viability statement and related disclosures (for inclusion in the 2019 Annual Report and Accounts) for approval by the Board.</p> <p>The Committee will continue to monitor the Group's viability assessment going forward.</p>

The Committee's stakeholder engagement

Information regarding the Board's stakeholder engagement is set out on pages 89 to 92. During the year, the Committee also ensured it took account of the views of the Company's key stakeholders and considered their interests in its discussions and decision-making. Some examples of how the Committee did this are set out below.

Suppliers

Reviewed the Group's supplier payment practices reporting to ensure that ITV's supplier practices were fair and reasonable, and reviewed the procedures in place to safeguard both ITV and suppliers from fraud (see page 110).

Customers/viewers

Asked internal audit for, and received, assurance on the security of the payment mechanisms in place for BritBox subscribers.

Programme participants

Reviewed the duty of care and health and safety processes in place (see page 110).

Regulators

Received regular updates from the external auditor regarding FRC developments and proposed regulatory changes, as well as knowledge sharing between Committee members attending relevant briefings on such topics.

Investors

Received a report from the Director of Investor Relations on, and discussed with her, investors and analysts views in relation to ITV's accounting policies, risks and disclosures. This report identified some potential improvements to our financial reporting, which the Committee discussed and requested be implemented in this Annual Report. The Committee also wrote to its top institutional investors and key investor associations at the beginning and towards the end of the audit tender process to seek investor input. We received only one response, which was supportive of the process adopted.

Employees

At the Board's visit to ITV's Manchester office, the Committee had a presentation session with the senior managers of the business services centre based there. The session was a two-way dialogue between the Committee members and the senior managers, which enabled the Committee to understand first-hand the activities and focus on continuous improvement of the business services, and the key issues of importance to the business service centre employees.

Audit and Risk Committee Report continued

Risk management and internal controls

Risk management

During the year, the Committee continued to consider the process for managing risk within the business and assisted the Board in relation to compliance with the 2018 UK Corporate Governance Code and FRC guidance. Further information on our risk management approach, including details of our principal risks and our processes for identifying and responding to principal and emerging risks are set out on pages 66 to 78.

Development of the enterprise risk management framework was an area of focus for the Committee in 2019, with the Committee providing challenge and guidance as appropriate.

ITV operates in an increasingly complex business environment and the type, level and speed at which risks are impacting our strategy and business operations are different to past experience. Recognising the challenge this brings to the business, management has undertaken an exercise to thoroughly review the existing risk management framework and identify opportunities where we can do things differently to better help and support our management teams. As an outcome of this review, the business will be introducing a series of changes to the risk management framework during 2020 that will improve business capability to better identify and understand risks, examine how key risks are being managed and help management respond more effectively to key risks and opportunities.

The Committee reviewed a number of risk topics during the year, including technology and digital modernisation, cyber security, health and safety, fraud, data privacy, anti-bribery and corruption, Airtime Sales system implementation and the readiness to record and screen live the Japan Rugby World Cup. The Group's principal risks reflect those inherent within the annual budget and five year plan, whilst also taking into account developments in the markets in which we operate and in society generally.

Internal controls

The Board has overall responsibility for the Group's framework for internal control and for regularly reviewing the effectiveness of internal controls. The Committee supports the Board in assessing the effectiveness of the framework. The primary responsibility for the operation of the framework is delegated to management. The framework can only provide reasonable and not absolute assurance against material misstatement or loss. Key control procedures are designed to manage rather than eliminate risk.

The Committee satisfies itself that internal controls are operating throughout the year. This is principally based on a programme of internal audit reviews, reviews of the effectiveness of internal controls, including fraud and anti-bribery, reviews of balance sheet checklists certified by local management, 'deep dive' sessions with relevant management on the management of certain key risks and controls and through a suite of automated analytics that monitor financial transactions in our systems. In addition to the internal audit programme, there are a number of exception reports that cover transaction processing. For those subsidiaries not covered by exception reporting software, a monthly self-assessment takes place, which is subject to independent internal review.

During the year, the Committee also received reports from the treasury, legal, pensions, technology, information security, tax, financial reporting, and health and safety functions. These reports gave the Committee an overview of the controls in place to mitigate key risks within each of these functions.

The Committee also reviewed the governance for key projects, changes (which it approved) to the Group Approvals framework, use of the core international controls framework and assessment of controls effectiveness through the Group Finance Assurance Plan. The Committee noted the continuing enhancements to processes, procedures and controls at the business services centre. The Committee also reviewed the fraud prevention framework (see page 110) and interaction with external and internal audit.

As part of our internal control process an annual strategy review, including preparation of a rolling five year financial

plan, is undertaken by management and reviewed and approved by the Board. The five year plan feeds into the annual budget cycle. The Executive Directors (along with the other members of the Management Board) review formal forecasts, detailed budgets, strategies and action plans and the Board approves the overall Group budget as part of its normal responsibilities. The results of operating units are reported monthly to the Board, along with an update of the Group's performance against strategic KPIs and cash targets. The Committee reviews actual results, compared with budget and forecasts, and key trends and variances are explained and analysed, and the actions taken to address performance variances or emerging issues, which are subsequently reported back to the Committee.

Our auditors

Internal auditor

The Group's internal audit activity is outsourced to Deloitte LLP (Deloitte), who report directly to the Committee. During the year, the Committee considered the internal audit models that ITV could implement, and supported the proposal that the current model of a fully outsourced internal audit function should be continued as it allowed best practice in terms of risk-based approach and auditing techniques, continuous robust and independent challenge, and the use of specialists in high-risk areas and across the various geographies.

The Committee keeps under review the internal audit relationship with Deloitte and the procedures to ensure that appropriate independence of the internal audit function is maintained. The Committee had planned on undertaking a competitive tender process for the appointment of internal auditor during 2019, following the completion of the external audit tender process. However, due to the significant change agenda within the Group, and the quality of the audits and support provided by Deloitte's internal audit team, the Committee concluded that the tender process should be deferred until 2020. Deloitte will be invited to participate in this tender process.

The effectiveness of internal audit is assessed over the year using a number of measures that include (but are not limited to):

- Reports from internal audit on the development and delivery of the internal audit plan and the completion of agreed actions arising from reviews;
- Management feedback from the Chief Executive, Group CFO, Director of Group Finance and other members of senior management;
- An evaluation of each audit assignment completed using feedback from the part/area of the business that has been audited; and
- An annual review that is completed by obtaining feedback from senior management in each division and Committee members.

Having considered the measures above, the Committee is satisfied that the quality, experience and expertise of the internal

auditor is appropriate for the business and the internal auditor remains independent of management.

Prior to the start of the year, the Committee considered and approved the 2019 internal audit plan, which was structured to align with ITV's strategic drivers and principal risks. This included audits across the Group as well as assurance over live projects and readiness assessments, including the airtime sales project, the live screening of the Japan Rugby World Cup and the BritBox UK launch. At every Committee meeting, the Committee received a report from the internal audit team on the progress of the internal audit plan, and reviewed findings from the completed internal audits, the actions taken to implement the recommendations made in the reports and the status of progress against previously agreed actions. All detailed internal audit reports are available to the Committee.

The internal audits performed provided assurance over areas deemed to be of greater risk and relative importance to the Group in 2019. As well as the readiness assessments set out in the previous paragraph, the audits included visits to three of our international subsidiaries as well as reviewing controls in a number of areas including anti-piracy, deficit financing, the business services centre, a UK production subsidiary and user access management. The internal auditor also provides the Committee (and therefore the Board) with valuable insight on the culture across the Group and the reflection of the Group's values by management and other employees. The opportunity to enhance cross-team ways of working was highlighted in a number of the audits during the year, which the relevant management teams are addressing through agreed action plans.

External auditor

The Group's external auditor is KPMG. The table below summarises the process followed to manage the relationship and audit process.

Engagement	Audit tendering and rotation	Independence and objectivity	Reappointment
<p>The Committee considers carefully, before approving the scope of planned audit work, the assessment of risk and materiality on which it is based. The Committee's aim is to support a robust, quality and effective audit with strong reporting lines to the Committee.</p> <p>The Committee discusses the senior resource employed in the audit and the background, relevant sector and other experience of new senior team members. It also considers implications for the audit of new reporting, accounting and governance guidelines and standards.</p> <p>The Committee agrees the terms of engagement, audit and non-audit fees and reviews progress and results throughout the year.</p>	<p>KPMG were appointed as auditor of ITV plc in December 2003 prior to the Company becoming the parent company of the ITV Group on 2 February 2004. Following a competitive tender in 2012, KPMG was reappointed as auditor. The current lead audit partner, Paul Sawdon, has been audit partner since January 2016 and will finish his role following completion of the audit for the year ending 31 December 2020.</p> <p>During the year, the Committee led a tender process for the appointment of the external auditor, effective from 1 January 2021. Please refer to page 115 for further details.</p> <p>We comply with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender and Audit Processes and Audit and Risk Committee Responsibilities) Order 2014.</p>	<p>The Committee seeks to ensure the objectivity and independence of our auditor through:</p> <ul style="list-style-type: none"> • Focus on the assignment and rotation of key personnel • The adequacy of audit resource • Policies in relation to non-audit work <p>The Committee updated its Auditor Independence policy this year, which includes a revised policy on the provision of non-audit services and the hiring of former external auditor employees. See also the non-audit services section on page 114.</p> <p>We monitor relationships with other audit firms to ensure we have sufficient choice for any future appointment.</p> <p>Please also refer to pages 104 and 105 in relation to the review programme the Committee follows during the year to assess external auditor independence and objectivity.</p>	<p>Throughout the year, the Committee considered the audit quality and performance of our auditor, and the level of non-audit work undertaken. This resulted in the Committee recommending to the Board the reappointment of KPMG as the Company's auditor at the AGM in May 2019. Following shareholder approval, KPMG was reappointed.</p> <p>The Committee is recommending the reappointment of KPMG at its 2020 AGM for the 2020 financial year, following which PwC will be proposed for appointment as external auditor in 2021.</p>

Audit and Risk Committee Report continued

Non-audit services

In order to safeguard auditor independence and objectivity, the external auditor does not provide non-audit services unless this is in compliance with the Group's non-audit services policy. During the year, the Committee implemented a revised non-audit services policy contained in ITV's Auditor Independence policy to reflect the FRC's 2019 Ethical Standard. The policy is available on the governance section of ITV's website: www.itvplc.com/investors/governance/policies.

In accordance with this policy, during the year, KPMG undertook work to: (i) review the interim financial information for which the fees were £114,558; and (ii) provide a comfort letter in relation to the Company issuing a new €600 million seven year Eurobond for which the fees were £45,000. The Committee approved this work under the non-audit services policy. The interim review forms an integral part of the overall audit engagement but has to be reported separately under the 2019 Ethical Standard as a closely related non-audit service, and the comfort letter was considered a non-audit service in relation to the capital transaction required under the regulations and usually performed by the statutory auditor. In the 2019 financial year therefore, the Company incurred non-audit services of £159,558 (2018: no non-audit services fees were reported as incurred, however applying the 2019 Ethical Standard, £90,624 was incurred on reviewing the interim financial information). For information on audit fees see note 2.1 on page 172.

External audit effectiveness and quality

Please refer to pages 104 and 105 in relation to the review programme the Committee follows throughout the year to satisfy itself of external audit effectiveness and quality.

The Committee remains focused on audit effectiveness, which is reviewed on an ongoing basis to ensure the quality, rigour and challenge of the external audit process is maintained. The Committee continues to use the Financial Reporting Council's Audit Quality Practice Aid to structure its review of audit quality, including obtaining feedback from management and all Committee members. When making its assessment of audit quality, the factors the Committee focused on included:

Audit scope and strategy	The detailed audit scope and strategy for the year, including the coverage of emerging risks and recent acquisitions and partnerships in all geographies. During the year, the Committee requested a review of issues emerging from statutory audits performed both on the entities within and out of scope for the Group audit. The external auditor provided the Committee with a summary of issues that arose during the statutory audits of all entities within the Group, enabling the Committee to be satisfied that those entities 'out of scope' for a full audit as part of the Group audit would not have impacted the overall Group audit outcome if they had been in scope.
External audit quality reports	The audit strategy for the year addressed thematic concerns that the FRC had highlighted in its annual review of corporate reporting. The Committee also discussed KPMG's latest FRC Audit Quality Review report and the actions it was taking to address the identified issues and the results, and related actions, from any KPMG internal quality review of the audit of ITV.
Auditor interaction with management	Reviewing the auditor's understanding of business progress against the strategy and emerging industry themes, as well as the auditor's discussion with and challenge of management on key judgements and estimates and accounting treatments and disclosures with clear indications of scepticism being applied when appropriate. The Committee Chair also met frequently with the lead audit partner during the year to discuss emerging audit risks or issues and obtain additional insight on quality or performance capability of the ITV finance function.
Auditor's own view of effectiveness	Enquiries regarding: <ul style="list-style-type: none"> • Audit methodology and its effective application to ITV • Robustness of challenges and findings on areas that require management judgement • Whether there had been an internal peer review of the ITV audit and what the findings were • Which element of the audit has taken longer than it should and why this happened • How they gain assurance on the effectiveness of the Group's internal controls • The experience of the senior members of the audit team The Committee referred to, and discussed with KPMG, its 2018 UK Transparency report describing KPMG's audit quality initiatives.
Other Committee assessments	Other assessments included: <ul style="list-style-type: none"> • Group and component levels of materiality • Delivery and execution of the agreed external audit process for 2019 • Quality, knowledge and expertise of the KPMG audit team • The competence with which KPMG handled and communicated the key accounting and audit judgements See also the Engagement section on page 113.

There were no significant findings from the assessment this year and the Committee considers the external audit to have been robust, effective and of a high quality.

External Audit tender in 2019

In 2019, the Committee led a formal, rigorous and competitive tender process for external audit services for the 2021 financial year onwards. The steps that were undertaken as part of the process are set out below:

Investor consultation

The Committee Chair wrote to major investors and key investor associations at the outset of the process to invite them to discuss ITV's proposed approach to the tender process, including details of audit firms to be invited to participate in the tender process. No responses were received so the Committee concluded that investors were satisfied with the proposed approach.

Expressions of interest

ITV management held meetings with the Big Four firms (excluding the current external auditor) as well as two mid-tier firms to capture expressions of interest.

Invitation to tender

ITV issued a formal Request for Proposal to the three firms who had confirmed a willingness to participate in the tender process, detailing the evaluation criteria which would be used by the Committee in informing its decision, which included but was not limited to:

- Quality and clarity of audit approach
- Demonstration of a challenging and sceptical mindset
- Quality record of the firm, lead partner and senior audit personnel
- Appropriate geographical breadth to cover our locations
- The quality of understanding of the audit risk areas
- Demonstration of an ever evolving audit approach, particularly in respect of the use of technology and AI
- Depth of understanding of ITV's business, its industry and the risks in the industry
- Audit team experience, including specialist resource
- Overall quality of the response

Lead audit partner interviews and references

Members of the Committee interviewed two proposed lead audit partners from each firm to enable the Committee to select the lead partner for each firm.

Data room and preliminary meetings

The data room was opened to participating firms who were also granted access to key management and Committee members.

Further engagement

Initial questions/requests for further information were received from the participants. ITV provided detailed responses to these requests to all participating firms, not just the firm that requested the information.

Written proposal

ITV received a written proposal from each of the firms. The firms were also asked to review and comment on the previous year's Annual Report as part of their submission proposals.

References

Independent references for each firm's lead partner were taken by the Committee Chair.

Presentations and Q&A session

At the final stage, the participating firms delivered presentations and their proposed audit plan, followed by a question and answer session. The meetings were attended by the Committee members (with the exception of one Committee member who was unable to attend but who reviewed and provided comments on the proposal documents beforehand). The Chairman of the Board, the Group CFO and the Director of Group Finance also attended the presentations and contributed to the question and answer session.

Evaluation, assessment and Committee recommendation

The Committee's unanimous view was that each firm could perform a quality audit of ITV. However, based on the evaluation criteria above, the Committee discussed and agreed on two final shortlisted firms and unanimously agreed to recommend PwC for approval to the

Board, as they had performed better against the Committee's pre-agreed selection and assessment criteria.

Investor engagement

Prior to obtaining Board approval, the Committee Chair wrote to major investors and key investor associations to inform them of the conclusions at that stage of the tender process and to seek feedback regarding the proposed auditor appointment. Only one response was received, commending the process that had been adopted.

Board decision

The Committee recommended two firms to the Board, with a preference for the tender to be awarded to PwC. The Board endorsed the Committee's recommendation.

Announcement

Once the terms of engagement were finalised, and the Company was clear on transition arrangements, the Company announced the results of the audit tender.

Audit transitional plans

The proposed external auditor, PwC, will start undertaking transitional activity from July 2020 in preparation for the external audit cycle in 2021, by shadowing the outgoing external auditor and attending the Committee meetings from July 2020. This will aid a smooth transition and allow PwC to embark on the 2021 audit as well prepared as possible. PwC will also hold meetings with key members of the senior management team regularly during this period.

In anticipation of this start date and to ensure full auditor independence and objectivity, PwC and ITV management reviewed the non-audit services provided by PwC to ITV in 2019. All prohibited services will have ceased by 30 June 2020.

The Committee will monitor the transition of the auditor throughout the year to ensure the effectiveness and independence of PwC. The Board will seek approval for PwC to be elected as external auditor at the 2021 AGM for the year ending 31 December 2021.

Remuneration Report



Mary Harris
Chair, Remuneration Committee



In this report:

The purpose of this report is to set out for shareholders the principles and policy we apply to remuneration for our Directors and to update you on how we have applied these for the financial year ended 31 December 2019. The report also aims to demonstrate how our Remuneration Policy aligns with our strategy, supports the retention of the Executive Directors and rewards them for strong performance.

Remuneration review	page 118
Committee governance	page 120
Directors' Remuneration Policy	page 121
Annual Report on Remuneration	page 131
Remuneration Policy application 2019	page 131
Remuneration Policy application 2020	page 136
Other disclosures	page 138



We remain committed to taking a measured approach to pay and continue to value the support of our shareholders in this approach.

Dear Shareholder

Over the past year the business has made significant strides in executing the strategy put forward to our shareholders in 2018. The management team has delivered strongly against our strategic goals while delivering a solid set of financial results.

The strategy is focused on creating a stronger, more diversified and structurally sound business to enable ITV to take advantage of evolving viewing and advertising opportunities. ITV is making good progress in each area of our strategy as we become an increasingly digital media and entertainment company, and the investments we are making are vital to deliver this. During the year, the business invested heavily in a number of areas: strengthening our creative talent in ITV Studios; accelerating the growth of ITV Hub; rolling out Planet V, our addressable advertising platform; strengthening our data and technology capabilities; and successfully launching BritBox UK.

There was prolonged economic and political uncertainty in 2019 that impacted on the Group's results. However, given strong operating performance, adjusted EBITA was ahead of internal expectations.

The Studios business delivered another strong year of revenue growth and the cost-saving programmes delivered £5 million more than targeted. In 2019 we also maintained our share of linear TV viewing in the UK, the second highest in a decade and

we continue to deliver significant growth in online viewing as viewers choose to watch our content in different ways. Sustainability is also an increasing area of focus for the Board, and we are pleased to note that ITV is now carbon neutral, with no single use plastics in its major sites.

Overall, the Board is satisfied that the business has delivered a solid operating performance in an uncertain economic and political environment. This has been a year of significant progress as we build a future-facing, truly digital media and entertainment company. Reflecting ITV's continued strong performance, the Board is proposing a full year dividend of 8p for 2019.

Remuneration outcomes for the year

In light of the inherent cyclical nature of the advertising market, the Committee has to adapt targets to ensure that they are realistic but stretching and incentivise management to outperform the market across the cycle.

The performance against targets set at the start of the year, resulted in a strong bonus outcome for both Executive Directors. There was outperformance of expectations on profit, continued solid cash generation and cost savings were delivered ahead of plan. These results were delivered in a year in which significant progress has also been made against our strategic goals. As noted above, the Committee were particularly pleased to see that the business had outperformed the television advertising market.

In line with the UK Corporate Governance Code, the Committee reviewed both the formulaic outcome and overall performance context. Notwithstanding the progress made during the year, the Committee has opted to scale back the outcomes under the financial element of the bonus for Executive Directors by 10%, to reflect the macroeconomic uncertainty which continues to impact the sector and our shareholders. This is the second year in succession that the Committee has exercised negative discretion. The all-colleague bonus award for 2019 will be paid at £1,750 (100% of maximum).

Further details on the bonus for 2019 are set out in the Annual Report on Remuneration on page 132.

Neither Executive Director participated in the 2017 LTIP grant cycle, and therefore did not have any interests in the performance cycle ending 31 December 2019. However it is noted that this award has lapsed in full reflecting the shift in market conditions since the time that the original targets were set.

As disclosed in prior years, Carolyn McCall and Chris Kennedy were entitled to certain buy-out awards on recruitment. While these awards are included in the 2019 single figure, they relate to legacy arrangements implemented by their respective previous employers. No further buyout awards are due for either director.

Policy Review

Our last Remuneration Policy was approved by shareholders in 2017 and therefore under the normal three-year renewal cycle, a new policy is being presented to shareholders for approval at the 2020 AGM. The overall structure of the existing policy remains in line with mainstream FTSE 100 practices, and therefore no major changes are being proposed. The updates largely reflect developments in market and best practice over the last three years.

Under the new policy we have formalised our practice of ensuring that future Board appointments have pension benefits aligned with the wider workforce. This represents a significant reduction from the 25% of salary benefit available under the previous policy.

The pension for Carolyn McCall, which was determined on appointment prior to the publication of the 2018 UK Corporate Governance Code, is currently 15% of salary. The pension for Chris Kennedy is aligned with the current all-employee rate at 9% of salary. The Company is currently undertaking a review of its pension policy for the wider employee base and a further review of director benefits has been deferred until the completion of this review. Our current intention is that pension benefits for both Executive Directors will be aligned with the all-employee rate by the end of 2022.

As part of the review of the policy, the shareholding guidelines for the Executive Directors have been extended, with the guideline for the Group CFO being increased to 225% of salary to align with his annual LTIP grant level. As well as the significant in-post shareholding guidelines, in future years Executive Directors will now also be expected to retain a material number of shares for two years following departure.

Finally shareholders will note that the existing malus and clawback provisions have been further strengthened under the new policy. These updated safeguards will improve the Committee's ability to prevent payments for failure.

For a number of years, the Committee has been kept informed of pay trends in the wider group. This provides important context when determining pay for the most senior levels. While the pay arrangements across the organisation are tailored to reflect the role and seniority of individuals, the Committee is satisfied that there is consistency in the underlying principles which are used in the approach to pay.

Shareholder Engagement and 2020 arrangements

Over recent years, we have engaged with our major shareholders and their representatives on multiple occasions to ensure that investor views are taken into account when formulating our approach to pay. We would like to thank everyone who has taken part in these discussions.

In recent years, a number of our major shareholders have requested that we incorporate a Total Shareholder Return (TSR) metric within the LTIP performance framework. In direct response to this feedback we have added a relative TSR measure for 2020 LTIP awards as part of the assessment of overall Group performance. The Committee consulted with major shareholders regarding the proposed framework prior to adoption by the Committee, and overall feedback from investors was generally positive.

The remaining pay elements remain unchanged for 2020. Salary increases are aligned with the wider workforce and the maximum incentive opportunities will remain unchanged for 2020. The annual bonus will also continue to be based on the same metrics as for 2019.

We continue to be committed to ensuring all colleagues earn at least the Living Wage or greater, and where appropriate we have agreed additional increases. On 1 January 2020, all eligible colleagues received a pay increase of 2.25%.

Further details on all of the matters described above are set out in the main body of the Remuneration Report.

We remain committed to taking a measured approach to pay and continue to value the support of our shareholders in this approach. We hope that you will therefore support both remuneration resolutions at the upcoming AGM.

Mary Harris

Chair, Remuneration Committee

5 March 2020

Remuneration Report continued

Remuneration overview

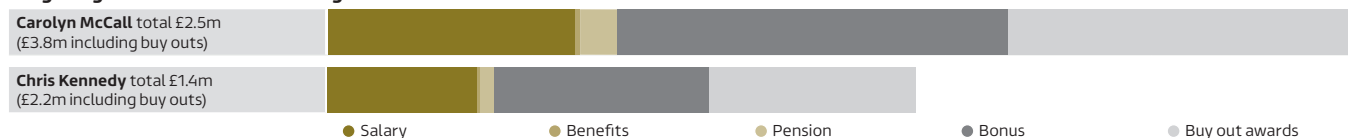
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	
Fixed pay	Paid over financial year	2020 salaries: Chief Executive – £943,256; Group CFO – £674,850					
Annual Bonus	Cash element paid after year end	Deferral into shares for three years (one-third)			2020 Maximum: Chief Executive 180% of salary; Group CFO 165% of salary		
LTIP	Performance period – three years			Holding period – two years		2020 grants: Chief Executive 265%, Group CFO 225% of salary	
Shareholding	Chief Executive: 400% of salary/Group CFO: 225% of salary with additional post-employment requirements						
Safeguards – Annual Bonus	Malus and Clawback apply						
Safeguards – LTIP	Malus and Clawback apply						

How our incentive pay links to our strategy

Our incentive pay structure is designed to align with our strategy. Below we set out how each performance element under our incentive pay links to our three strategic areas.

KPIs are set out on pages 26 to 29	Transform Broadcast	Grow UK and global production	Expand Direct to Consumer
Annual bonus			
ITV adjusted EBITA Key measure of profitability that reflects the underlying performance of the business.	●	●	●
Profit to cash conversion Our measure of effective cash generation used for working capital management.	●	●	●
Cost savings Permanent savings to the business. Managing our cost base is key as we aim to run our business as efficiently as possible and fund investments in line with our strategic priorities.	●	●	●
Individual strategic priorities Specific targets for each Executive Director to deliver on strategic priorities. These are adjusted annually to reflect strategic need.	●	●	●
LTIP			
TSR A measure of the Company's share price performance and dividend payments against certain FTSE 350 companies.	●	●	●
Adjusted EPS Key measure of overall Group performance, capturing performance across all revenue streams.	●	●	●
Total non-advertising revenues Strategic objective to deliver a growing and stable production business and a new scaled and profitable Direct to Consumer business.	●	●	●
Viewing health ITV Family SOV – keeping our free-to-air proposition strong and our audience figures healthy. Online viewing – growing ITV VOD viewing via catch up and other devices.	●		●

Single figure remuneration at a glance



In developing the approach to pay, the Remuneration Committee have discussed the impact of the 2018 UK Corporate Governance Code and a summary of the deliberations is below.

Clarity

2018 provision: Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.

- Performance-related remuneration supports our strategy with targets aligned to key KPIs (see pages 26 to 29). This provides clarity to all stakeholders on the relationship between successful implementation of strategy and how we reward our leadership.
- The Company places great importance on communicating with all of its stakeholders in a timely, transparent and relevant way. Further information on how ITV engages with stakeholders can be found on pages 89 to 92.

Simplicity

2018 provision: Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.

The Company operates a market standard approach to elements of remuneration that is familiar to key stakeholders with three main elements:

- Fixed element: comprising base salary, taxable benefits and a pension scheme allowance.
- Short-term element: an annual performance-related bonus with a selection of financial and non-financial targets measured over the financial year, two-thirds paid in cash and one-third in shares deferred for a three-year period.
- Long-term element: a Long Term Incentive Plan with targets aligned to our KPIs over a three-year period, with awards subject to an additional two year holding period.

Risk

2018 provision: Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that might arise from target-based incentive plans, are identified and mitigated.

A combination of capped reward for short and long-term incentives together with holding periods encourages Executive Directors to deliver long-term sustainable shareholder returns, discouraging short-term decisions.

The Committee retains flexibility to adjust payments through malus and clawback provisions, and an overriding discretion to depart from formulaic outcomes where behaviours may be viewed as inappropriate or criteria on which the award was based do not reflect the underlying performance of the Company.

Predictability

2018 provision: The range of possible values of awards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.

Shareholders are kept fully informed and are consulted on the values that can be earned under the incentive plans for different levels of performance.

The chart on page 126 provide estimates of potential future reward in different remuneration scenarios.

Proportionality

2018 provision: The link between individual awards, the delivery of strategy and the long-term performance of the company should be clear. Outcomes should not reward poor performance.

The Company's incentive plans clearly reward the successful implementation of our Strategy – performance targets are relevant, transparent, stretching and vigorously applied.

The performance periods and subsequent deferral of vested awards ensure that the Executive Directors are fully committed to sustainable long-term performance.

The Committee's overriding discretion over eventual outcomes when they do not reflect good business performance, and/or shareholder experience, ensures that poor performance would not be rewarded.

Alignment to culture

2018 provision: Incentive schemes should drive behaviours consistent with company purpose, values and strategy.

When considering the alignment of incentive schemes and culture the Committee considers the following –

- **Metrics** – ensuring that performance targets used in the incentive schemes are aligned to our culture and do not drive the wrong behaviour.
- **Governance** – ensuring adoption of best practice through a robust malus and clawback policy with a substantial list of relevant trigger events, such as corporate failure and reputational damage. The Committee also retains discretion under the plan rules to override formulaic vesting outcomes and to extend holding periods. These initiatives enable the Committee to satisfy itself that the right steps have been taken to ensure executive remuneration is appropriate from a cultural context.
- **Engagement** – understanding remuneration for the wider workforce and ensuring that pay decisions are aligned across the Group, ensures we maintain an important part of our wider engagement with our stakeholders, including our employees. Further details can be found on page 89 to 92.

Remuneration Report continued

Who is on the Committee

The Committee is composed entirely of independent Non-executive Directors.



The current members are:

- Mary Harris (Chair) – independent on appointment
- Salman Amin
- Sir Peter Bazalgette
- Roger Faxon
- Anna Manz
- Duncan Painter



Full details of attendance at Committee meetings can be found on the table on page 87.



Detailed biographies can be found on page 82 and 83.

Our role

Following each meeting, the Committee communicates its main discussion points and findings to the Board.

The Committee's terms of reference can be accessed on our website.



www.itvplc.com/investors/governance



The main role of the Committee is to:

- Review the ongoing appropriateness, relevance and effectiveness of the Remuneration Policy including in relation to retention and development, whilst taking into account workforce remuneration and related policies, and the alignment of incentives and reward
- Propose to shareholders changes to the Remuneration Policy as appropriate
- Approve the implementation of remuneration arrangements for the Executive Directors, Management Board and other senior executives (together the Senior Executive Group) taking into account arrangements for the wider employee group. Details on employee remuneration can be found on page 129
- Approve the design of the Company's annual bonus arrangements and long-term incentive plans, including the performance targets that apply for the Senior Executive Group
- Determine the award levels for the Senior Executive Group based on performance against annual bonus targets and long-term incentive conditions

Meetings in 2019

In addition to Committee members, the Executive Directors, Group HR Director, Company Secretary, Director of Reward & Pensions and independent adviser Deloitte regularly attended meetings.



January

- Financial performance update
- Indicative bonus outcomes and pay out levels
- Indicative LTIP performance and vesting levels
- Pay review outcomes and changes to Senior Executive Group
- Gender and BAME pay gap reporting and CEO pay ratios
- Adviser independence

February

- Bonus targets considered for current year
- LTIP awards and targets considered for current year in conjunction with strategic review

- Remuneration Report
- Compliance with Remuneration Policy

April

- Market update – including US
- Financial performance update

June

- Performance targets
- Remuneration Policy review
- Committee terms of reference review

October

- Employee reward framework (including review of remuneration and related policies) and remuneration trends

- Review of shareholding guidelines and consideration of post-employment shareholding requirements

December

- Bonus framework and targets
- LTIP performance targets and shareholder consultation
- Review of remuneration consultants
- Annual pay review
- Remuneration Policy renewal and compliance with the 2018 UK Corporate Governance Code

Annual review

An annual review of the performance of the Committee is conducted each year.



In 2019 an externally facilitated Board evaluation was undertaken, which included a review of the Committee. The results are summarised on page 98

Overall, the evaluation concluded that the Committee is working effectively and responding appropriately to its terms of reference

Directors' Remuneration Policy

The following sets out the proposed ITV's Directors' Remuneration Policy (the Policy). The Policy is subject to a binding shareholder vote at ITV's AGM on 24 April 2020 and, if approved, will apply from this date.

In determining the new Policy the Committee followed a robust process. The Committee discussed the detail of the Policy over a series of meetings in 2019 and early 2020. The Committee considered the strategic priorities of the business, evolving market practice and investor guidance. Input was sought from the management team, while ensuring that conflicts of interests were suitably mitigated. External perspective was provided by our independent advisers. The Committee also assessed the Policy against the principles of clarity, simplicity, risk-management, predictability, proportionality and alignment to culture, and consulted with major shareholders and their representatives/proxy bodies.

The previous policy received strong support when adopted by shareholders at the 2017 AGM. The Committee concluded that the overall structure of the policy previously approved by shareholders continues to align with mainstream FTSE practices, remains fit-for-purpose and has broadly operated as intended. Therefore no significant changes have been proposed in respect of the overall pay structure. However, as part of this renewal process the detail of the Policy has been updated to reflect developments in market and best practice, in particular those arising as a result of the changes introduced by the 2018 UK Corporate Governance Code (the Code). Other minor changes have also been made to improve the operation and effectiveness of the Policy.

The key changes between this Policy and the policy which was approved by shareholders at ITV's AGM in 2017 are:

- Reduced retirement benefits – under the previous policy, retirement benefits of up to 25% of salary could be provided to Executive Directors. The current Chief Executive and Group CFO were both appointed with a reduced benefit, and this is reflected in the new Policy.
- Expanded shareholding requirements – the shareholding requirements for the Executive Directors have been extended so that Executive Directors will normally be expected to retain an interest in shares after they step down from the Board.

Executive Director Remuneration Policy Table

Fixed pay policy for Executive Directors

Base salary	
Purpose and link to strategy	Reflects the individual's skills, responsibilities and experience. Supports the recruitment and retention of Executive Directors of the calibre required to deliver the business strategy within the competitive media market.
Operation	<p>Reviewed annually and paid monthly in cash. Consideration is typically given to a range of factors when determining salary levels, including:</p> <ul style="list-style-type: none"> – Personal and Company-wide performance. – Typical pay levels in relevant markets for each executive whilst recognising the need for an appropriate premium to attract and retain superior talent, balanced against the need to provide a cost-effective overall remuneration package. – The wider employee pay review.
Maximum potential payment	<p>Ordinarily salary increases will be in line with the average increase awarded to other employees in the Company. Increases may be made above this level to take account of individual and business circumstances, which may include factors such as: an increase in size or scope of the role or responsibility; or an increase to reflect the individual's development and performance in the role.</p> <p>While there is no maximum, salary levels for each individual are responsibly set taking into account the factors described above.</p>
Performance metrics	None, although overall individual and business performance is considered when setting and reviewing salaries.

Remuneration Report continued

Retirement benefits

Purpose and link to strategy

To provide competitive post-retirement benefits or cash allowance as a framework to save for retirement.

Supports the recruitment and retention of Executive Directors of the calibre required to deliver the business strategy within the competitive media market.

Operation

Executives can choose to participate in the ITV defined contribution scheme, receive a cash allowance or receive payments into a personal pension or a combination thereof.

Contributions are set as a percentage of base salary.

Post-retirement benefits do not form part of the base salary for the purposes of determining incentives.

Maximum potential payment

The maximum benefit will normally be capped at a level comparable to the benefit available to the wider employee base. This is currently 9% of salary.

The benefit for the current Chief Executive is 15% of salary. As noted in the Annual Report on Remuneration, the Committee intends to keep this under review. The benefit for the current Group CFO is 9% of salary.

Performance metrics

None

Benefits

Purpose and link to strategy

Ensures the overall package is competitive and provides financial protection for employees and their families.

Operation

The Company provides a range of market competitive benefits, including travel related benefits, private medical insurance and other insurance benefits.

Additional benefits may also be provided in certain circumstances, if required for business needs. For example (but not limited to), relocation expenses, housing allowance and education support.

Executive Directors are also entitled to participate in any tax-approved all-employee share plans operated by the Company from time-to-time, on the same basis as other employees.

Maximum potential payment

Set at a level which the Committee considers to be appropriately positioned taking into account typical market levels for comparable roles, individual circumstances and the overall cost to the business.

While there is no maximum monetary value for benefits, any benefits provided will be reasonable in the context of relevant market practice, individual circumstances and overall cost to the business.

In addition, the Company may reimburse relocation expenses and/or provide for tax equalization arrangements. Participation in any tax-approved all-employee share plans will be limited by the maximum permitted under the relevant legislation.

Variable pay policy for Executive Directors

Annual Bonus Scheme (Bonus) and Deferred Share Award Plan (DSA)

Purpose and link to strategy	<p>Incentivises executives and colleagues to achieve key strategic outcomes on an annual basis. Focus on key financial metrics and objectives to deliver the business strategy.</p> <p>The element of the Bonus compulsorily deferred into shares rewards delivery of sustained long-term performance, provides alignment with the shareholder experience and supports the retention of executives.</p>
Operation	<p>Measures and targets are set annually, normally based on business plans at the start of the financial year and pay-out levels are determined by the Committee following the year end based on performance against objectives.</p> <p>Paid once the results have been audited. Financial results used for bonus calculation will subject to suitable review (e.g. sign-off by Audit and Risk Committee) before consideration by the Committee.</p> <p>The Committee has the discretion to amend the bonus outcome if any formulaic assessment of performance is considered to be inappropriate taking into account factors such as a balanced view of overall business or individual performance for the year, and the original intentions of the plan.</p> <p>Not more than two-thirds of the Bonus is delivered in cash with the balance deferred into shares under the DSA normally for a period of three years.</p> <p>During the deferral period share awards may be reduced or cancelled in certain circumstances. Further detail is provided on page 125. Dividends or equivalents may be earned on deferred shares.</p>
Maximum potential payment	<p>The maximum Bonus opportunity for any Executive Director will not exceed 200% of salary.</p> <p>The current maximum Bonus opportunities are 180% of salary for the Chief Executive and 165% of salary for the Group CFO. Increases above the current opportunities, up to the maximum limit, may be made to take account of individual circumstances, which may include: an increase in size or scope of the role or responsibility; a change in business circumstances; or an increase to reflect the individual's development and performance in their role.</p>
Performance metrics	<p>Performance measures and targets are set by the Committee each year based on corporate objectives closely linked to strategic priorities of the business. The majority of the Bonus opportunity will be based on corporate and financial measures. The remainder of the Bonus will be based on performance against individual and/or strategic objectives.</p> <p>Details of the performance criteria for the Bonus in 2019 and 2020 are set out in the Annual Report on Remuneration.</p> <p>Up to 20% of the maximum opportunity will be received for threshold performance.</p>

Remuneration Report continued

Long Term Incentive Plan (LTIP)

Purpose and link to strategy

Incentivises Executive Directors to deliver the business strategy and align with the longer-term Company performance and the shareholder experience.

Acts as a retention tool to retain the executives required to deliver the business strategy.

Operation

Awards are made under the shareholder approved LTIP.

Awards are normally made annually with vesting dependent on business performance during the performance period. The performance period will be determined by the Committee, but will not normally be less than three years, other than in exceptional circumstances.

The Committee has discretion to amend the final vesting level if any formulaic assessment of performance is considered to be inappropriate taking into account factors such as a balanced view of overall business or individual performance for the year, and the original intentions of the plan.

Awards will normally be required to be held for an additional two year holding period after the end of the performance period.

During the holding period awards may be reduced or cancelled in certain circumstances. Further detail is provided on page 125. Dividends (or equivalents) may be earned in respect of any vested shares.

Maximum potential payment

In line with the LTIP rules, the maximum annual award that may be granted in any financial year is 350% of salary. Our current operational policy is to make awards of 265% of salary to the Chief Executive and 225% to the Group CFO each year.

Performance metrics

The Committee may set such performance conditions on LTIP awards as it considers appropriate (whether financial or non-financial and whether corporate, divisional or individual). The Committee would seek to set measures which are closely linked to the Company's financial and strategic priorities.

The proportion of each element of the award that will vest for threshold performance against a metric will be not more than 20%.

Information on the 2020 LTIP grant is set out in the Annual Report on Remuneration.

Shareholding guidelines

Purpose and link to strategy

To create alignment between Executive Directors and shareholders both during service and after departure.

Operation

Shareholding guidelines are in place which encourage Executive Directors to build up a holding in Company shares during the course of tenure.

The shareholding guideline for the Chief Executive is 400% of base salary and for the Group CFO 225%.

Executive Directors will normally also be expected to retain an interest in Company shares for two years following departure. The expected holding requirement following departure will be equal to the individual's normal LTIP grant level (or actual holding if lower). The relevant holding requirement will apply to shares acquired from Company incentive plans.

Further details of current shareholdings of the Executive Directors, together with further detail on the operation of the shareholding guidelines are set out in the Annual Report on Remuneration.

Detailed provisions

The Committee may make any remuneration payments and payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above, where the terms of the payment were agreed either: (i) during the term of, and was consistent with, the 2014 or 2017 policy; or (ii) at a time when the relevant individual was not a director of the Company and the payment was not in consideration for the individual becoming a director of the Company.

The Committee may adjust or amend Bonus and share awards only in accordance with the provisions of the relevant plan rules. This includes making adjustment to reflect one-off corporate events, such as a change of control or a change in the Company's capital structure. In accordance with the plan rules, share awards may be settled in cash rather than shares where the Committee considers this appropriate (e.g. to comply with securities law).

The Committee may make minor amendments to the Policy to aid its operation or implementation without seeking shareholder approvals (e.g. for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) provided that any such change is not to the material advantage of the participant.

Malus and clawback

Malus and clawback provisions may be operated at the discretion of the Committee in respect of any cash and deferred share elements of the bonus and awards made under the LTIP. Under malus, unvested share awards (including any LTIP shares subject to a post-vesting holding period) can be reduced (down to zero if considered appropriate) or be made subject to additional conditions. Clawback allows for repayment of bonuses previously paid and/or shares previously received following vesting. Malus/clawback can be operated up to four years following the start of the relevant bonus year for bonuses, and up to six years from the relevant date of grant for LTIP awards.

For awards granted from 2020 onwards, the Committee has the discretion to apply malus and/or clawback in the event of the following circumstances: material misstatement of financial results; gross misconduct; fraud; payments based on an erroneous calculation or data; serious reputational damage or material corporate failure.

Performance measures and target setting

The annual bonus is assessed against financial, strategic and individual targets determined by the Committee. This enables the Committee to reward annual financial performance delivered for shareholders, and performance against specific financial, operational or strategic objectives set for each director, which are closely linked to the strategic priorities of the business.

The Committee sets targets for the LTIPs taking into account external forecasts, internal budgets and business priorities. Targets are set to be appropriately stretching in this context with maximum performance being set at a level which is considered to be the delivery of exceptional performance.

When considering performance outcomes the Committee will look beyond formulaic results to ensure the outcomes align with the overall business or individual performance. The Committee may adjust the targets for awards or the calculation of performance measures and vesting outcomes for events not foreseen at the time the targets were set to ensure they remain a fair reflection of performance over the relevant period. Discretion will be exercised mindful of broader performance, and any change to the outcome will be fully disclosed in the next Annual Report on Remuneration.

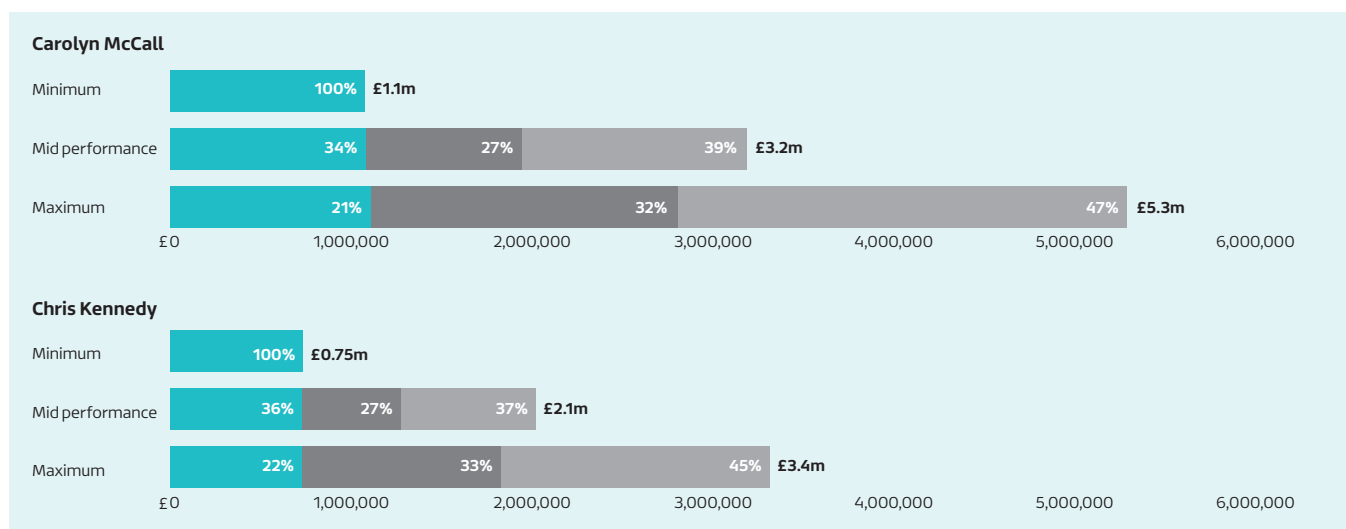
Remuneration Report continued

Application of Remuneration Policy

The chart below provides an indication of the level of remuneration that would be received by each Executive Director under the following three assumed performance scenarios:

Below threshold performance	Fixed elements of remuneration only – base salary, benefits and pension
Mid-performance	Assumes 50% pay-out under the annual bonus Assumes 50% pay-out under the LTIP
Maximum performance	Assumes 100% pay-out under the annual bonus Assumes 100% pay-out under the LTIP

Scenario charts



Notes:

1. Fixed pay is the salary as at 1 January 2020, pension is per the Policy, and the value for benefits is equivalent to that included in the remuneration table on page 131.
2. Annual bonus is based on 180% of salary for Carolyn McCall and 165% of salary for Chris Kennedy.
3. LTIP amount is based on 265% for Carolyn McCall and 225% for Chris Kennedy.

Impact of share price

As LTIP awards are granted in shares, the value of the award can vary significantly depending on the extent to which the performance criteria are achieved and the movement of the share price over the relevant vesting and holding period. For example, if the share price increased by 50% over the relevant vesting and holding period, the maximum values shown in the charts above would increase to £6.5 million for Carolyn McCall and to £4.1 million for Chris Kennedy. Conversely if the share price was to fall by 50%, the maximum values shown in the charts above would reduce to £4.0 million for Carolyn McCall and to £2.6 million for Chris Kennedy.

Recruitment remuneration

When agreeing the components of a remuneration package for a new Executive Director, the Committee will apply the principles detailed below.

The package will be competitive to attract and retain the most suitable candidate for the job. Where possible, the Committee will always seek to align the remuneration package with the Policy outlined above. However, where appropriate, detailed elements of the package may be tailored to the circumstances of the individual upon recruitment. The Committee will ensure that the arrangements are in the best interests of both ITV and its shareholders and remain subject to the overall variable pay limits set out below.

Ongoing remuneration	<p>In determining an appropriate remuneration structure and levels, the Committee will take into account all relevant factors to ensure that they are able to recruit the most appropriate candidate for the job and that the arrangements are in the best interests of both ITV and its shareholders. The Committee will typically seek to align the ongoing remuneration package with the ongoing Policy outlined on pages 121 to 125.</p> <p>Fixed pay will be determined in line with the policy table above. The Committee may also hire a new Executive Director at a lower salary, with more significant increases to salary being awarded as the individual gains experience.</p> <p>The maximum level of variable remuneration which may be granted to a new director upon appointment (excluding any buy out awards for forfeited remuneration) will not be greater than 550% of salary (the sum of the maximum bonus and maximum LTIP opportunities). Within these limits the Committee may tailor the award (e.g. timeframe, form, performance criteria, etc.) based on the commercial circumstances at the relevant time.</p>
Buy out awards for forfeited remuneration	<p>The Committee may make awards to 'buy out' a candidate's remuneration arrangements that are forfeited as a result of joining the Company.</p> <p>In doing so, the Committee will take account of relevant factors, including any performance conditions attaching to forfeited awards, the likelihood of the awards vesting and the form and timing of the awards. The Committee will typically seek to make buy out awards on a comparable basis to those that have been forfeited but, particularly where the performance period is substantially complete, may reflect such conditions in some other way such as through a significant discount to the face value of awards forfeited. Exceptionally, where necessary, this may include a guaranteed or non-prorated annual bonus in the year of joining.</p> <p>In exceptional circumstances, the Committee may grant a buy out award under a structure not included in the policy but that is consistent with the principles set out above (and may rely upon Listing Rule 9.4.2 in structuring such a buy out).</p>

The Committee will take all relevant factors into account (including the candidate's location, the calibre of the individual, external influences, internal relativities and the overall business context) when determining the new remuneration package and seek to ensure that no more is paid than necessary.

In the Remuneration Report following the appointment, the Committee will fully explain to shareholders the remuneration package for the appointed individual and the rationale for such arrangements.

On the appointment of a new Non-executive Chairman or Non-executive Director, the terms and fees will normally be consistent with the fee policy outlined in the Policy.

Service contracts and loss of office

Executive Directors

Executive Directors have rolling service contracts that provide for 12 months' notice on either side. For a new joiner, the contract may commence with a notice period of up to two years reducing to the standard 12 months over time. There are no special provisions that apply in the event of a change of control. Service contracts are available for inspection at the Company's registered office.

A payment in lieu of notice, including base salary, benefits and retirement benefits may be made in certain circumstances, including if:

- the Company terminates the employment of the executive with immediate effect, or without due notice; or
- termination is agreed by mutual consent.

Service contracts normally include clauses requiring departing directors to mitigate losses from termination, balancing the commercial circumstances at the time (e.g. impact on non-compete/non-solicitation clauses, protection of intellectual property).

The Company may also make a payment in respect of outplacement costs, legal fees and the cost of any settlement agreement where appropriate.

Remuneration Report continued

With the exception of termination for cause, Executive Directors may be eligible for a bonus award prorated to reflect the proportion of the financial year for which they were employed and subject to the performance achieved, provided they have a minimum of three months' service in that bonus year.

In accordance with the terms of the relevant incentive plans rules, the Committee retains discretion to determine the treatment of any outstanding awards held by a departing Executive Director. The appropriate treatment will vary depending on the relevant facts and circumstances at the time. The table below sets out the general position and range of approaches in respect of incentive arrangements.

Plan	Good leaver (e.g. ill health)	Bad leaver (e.g. dismissed for cause)	Change of control
Bonus	Executive Directors may be eligible for a bonus award prorated to reflect the proportion of the financial year for which they were employed and subject to the performance achieved, provided they have a minimum of three months' service in that bonus year.	Awards lapse.	Awards would normally continue unless the Committee determined otherwise.
DSA	Injury, ill health, disability or transfer of undertakings. Awards release in full at the leaving date. For other good leavers identified by the Committee, awards release at the end of the deferral period unless the Committee decides to release the shares earlier.	Awards lapse.	Awards release in full at effective date of change.
LTIP – during the performance period	Awards are typically prorated for time served and subject to achievement of the performance conditions during the performance period. Awards become exercisable at end of holding period unless the Committee decides to release the shares earlier.	Awards lapse.	Outstanding awards would normally vest and become exercisable subject to satisfaction of performance conditions and capped based on the time in the performance period since grant, subject to the discretion of the Committee.
LTIP – during the additional holding period	Awards become exercisable at end of holding period unless the Committee decides to release the shares earlier.	Awards are normally retained, and become exercisable at end of holding period unless the Committee decides to release the shares earlier. In the case of misconduct, awards will lapse.	Awards become exercisable at effective date of change.

External appointments

With specific prior approval of the Board, Executive Directors may undertake one external appointment as a non-executive director of another publicly quoted company and retain any related fees paid to them.

Non-executive Directors

The table below summarises the main elements of remuneration for Non-executive Directors.

Component	Approach of the Company	Maximum potential payment
Non-executive Director fees	<p>The Committee determines the fees of the Non-executive Chairman. The Board determines the fees of the Non-executive Directors.</p> <p>Additional benefits may also be provided in certain circumstances. This includes the reimbursement of any travel expenses (and associated tax on those expenses).</p> <p>The fees are set at a level that is considered to be appropriate, taking into account the size and complexity of the business and the expected time commitment and contribution of the role.</p> <p>Additional fees may be payable for membership and/or chair of a committee or other additional responsibilities.</p> <p>Non-executive Directors are not entitled to any performance-related pay or pension.</p> <p>Role-appropriate benefits may also be provided in certain circumstances. This includes the reimbursement of any travel expenses (and associated tax on those expenses).</p>	<p>The aggregate fees of the Chairman and Non-executive Directors will not exceed the limit from time to time prescribed within the Company's Articles of Association (currently £1,500,000 p.a.). The value of benefits (including the reimbursement of travel and other expenses, and associated taxes) provided will be reasonable in the market context and take account of the individual circumstances and requirements of the Company.</p>

Each Non-executive Director, including the Chairman, has a contract of service with the Company. Non-executive Directors will serve for an initial term of three years, subject to election and annual re-election by shareholders, unless otherwise terminated earlier by and at the discretion of either party upon one month's written notice (12 months for the Chairman). The Directors' service contracts and letters of appointment are available for inspection at the Company's registered office.

Employment conditions elsewhere in the Company

The Committee has responsibility for ensuring effective engagement and alignment with the workforce in relation to remuneration and related policies and practices. When setting the policy for Directors' remuneration, the Committee considers the pay and employment conditions of employees to ensure fairness across the organisation. Although it doesn't consult directly with employees in respect of determining the Directors' Remuneration Policy, it receives general feedback from employees via the HR function as part of the output from the employee engagement survey and receives a report on employment practices elsewhere in the Company. Edward Bonham Carter, as our designated Workforce Engagement Director, regularly attends Ambassador meetings to understand any views and concerns colleagues may have on this matter and is responsible for sharing these with the Committee – more information on this can be found on page 93. In her role as Chair of the Committee, Mary Harris will be joining Edward at Ambassador meetings in 2020 in order to share the Committee's approach to remuneration in the wider context.

The approach to determining the compensation for employees globally follows the same principles as for our Executive Directors. Consideration is given to the level of experience, responsibility, individual performance and remuneration paid for comparable roles within the market. The Committee considers data on pay trends and practices, such as gender pay gap information, and the CEO to worker pay ratio.

The principles that apply to the Executive Directors are used throughout the Company. We offer competitive pay and career opportunities in order to attract the best talent. When determining compensation, local managers consider how the employee's pay compares to the local market alongside other factors, such as experience and sustained performance. Incentive arrangements across the Company are tailored based on the nature of the role. Bonuses operate on a wide basis across the Company and long-term share awards are offered to senior management.

Being a great place to work is key to developing our culture. Pay is just one factor used to attract, retain and develop a talented and diverse workforce. The latest employee survey shows that 87% of employees are proud to work at ITV, and more information on this can be found on pages 50 to 51.

Remuneration Report continued

Shareholder views

The Committee maintains regular and transparent communication with shareholders. We believe that it is important to regularly meet with our key shareholders to understand their views on our remuneration arrangements and what they would like to see going forward. We welcome feedback from shareholders at any time during the year.

Where we are proposing to make any significant changes to the remuneration framework or the manner in which the framework is operated we would seek major shareholders' views and take these into account. In recent years, the Committee has consulted with major shareholders regarding the operation of the policy on numerous occasions. The Committee also consulted with major shareholders prior to the renewal of the policy in 2020. Changes made to our approach, for example to the LTIP targets for 2020 awards, have often been made in direct response to investor feedback. We intend to maintain this dialogue in future years.

Annual Report on Remuneration

The sections of the Annual Report on Remuneration that have been audited by KPMG are pages 131 to 135, and pages 139 to 140.

Remuneration Policy application in 2019

The following section provides details of how the current Remuneration Policy was implemented in 2019.

Executive Directors

The table below sets out in a single figure the total remuneration for both Executive Directors for the financial year.

	Notes	Carolyn McCall		Chris Kennedy ¹	
		2019 £000	2018 £000	2019 £000	2018 £000
Salary		923	887	565	–
Taxable benefits		17	17	14	–
Pension		138	133	51	–
Bonus (cash and shares), after discretion	2	1,453	1,175	816	–
Share awards		–	–	–	–
Transitional arrangements					
Buy out awards	3, 4, 5	1,308	1,483	799	–
Total		3,839	3,695	2,245	–
Total (excluding transitional arrangements)		2,531	2,212	1,446	–
Total fixed remuneration		1,078	1,037	630	–
Total variable remuneration		2,761	2,658	1,615	–

1. Chris Kennedy was appointed to the Board on 21 February 2019 and remuneration is prorated from that date.
2. The 2019 bonus outcome for both Executive Directors has been scaled back. Discretion was exercised to reduce the outcome of the financial element by 10%.
3. The figure shown against Carolyn McCall for 2019 represents an award made in March 2019 to replace the 2016 easyJet LTIP award forfeited on joining ITV that met performance conditions in 2019. Further details are shown on page 134.
4. The 2018 figure for Carolyn McCall includes the indicative vesting value of a buy out award over 54,293 shares made to replace the 2016 easyJet bonus shares, valued using the share price on 8 January 2018, the date she joined ITV (169.6 pence) - £92,080. The subsequent value of the shares on the vesting date of 19 December 2019 using the share price on that date (149.96p) - £81,418.
5. The figure shown against Chris Kennedy for 2019 represents awards made in March 2019 to replace awards forfeited on joining ITV. Further details are shown on page 134.

The aggregate emoluments for all Directors as required under Schedule 5 (SI 2008/410), is the total remuneration shown in the table above less share awards but including gains on exercise of options and amounts receivable under LTIPs, plus the total emolument figures for Non-executive Directors shown on page 135.

Sir Peter Bazalgette was Executive Chairman for the period 30 June 2017 to 8 January 2018. He did not receive any additional remuneration for this role. Details of his remuneration arrangements are set out on page 135.

Further information in relation to each of the elements of remuneration for 2019 set out in the table above is detailed below. An explanation for 2018 is set out in detail in our 2018 Annual Report and Accounts, which can be found on our website.

 www.itvplc.com/investors

Salary

As disclosed in last year's report, Carolyn McCall received a 2.5% salary increase from 1 January 2019 in line with the wider employee group. For 2019, her salary was £922,500.

Chris Kennedy's annual salary for the year was £660,000. He was appointed to the Board on 21 February 2019.

Remuneration Report continued

Taxable benefits and pension

The benefits provided to the Executive Directors include the cost of private medical insurance and car-related benefits.

The Executive Directors were not part of an ITV pension scheme but received a cash allowance in lieu of pension. Carolyn McCall received 15% of base salary. In accordance with the 2018 UK Corporate Governance Code (the Code) the Committee determined that directors joining from 1 January 2019 would receive pension contributions in line with the wider employee group, therefore Chris Kennedy received a cash allowance in lieu of pension of 9% of salary. This is aligned with the maximum matching percentage amount payable to employees in the ITV Defined Contribution Pension Scheme, which is the pension scheme offered to the majority of Group employees.

Bonus (cash and shares)

Annual incentives are provided to Executive Directors through the bonus, with one-third of any award deferred into shares under the Deferred Share Award Plan (DSA). The performance conditions that apply to the bonus are set on an individual basis and are linked to the Company's corporate, financial and strategic priorities.

The majority of the 2019 bonus (75%) was based upon the achievement of corporate and financial targets, with bonus outcomes determined in accordance with pre-set target ranges. In line with principles applied in prior years, the financial outcomes used for the bonus are adjusted (both positively and negatively) for certain items such as acquisitions and currency movements to ensure a fair like-for-like comparison against the targets set at the start of the year. As part of the assessment of performance, the Committee also undertook a detailed quality of earnings review, to ensure that outcomes were a fair reflection of underlying performance.

The corporate and financial targets applied for 2019, together with performance against those targets and the resulting level of bonus, are set out below.

Performance measure	Weighting	Performance required		Adjusted performance achieved ¹	Payout level (% of maximum)
		20%	100%		
ITV adjusted EBITA	60%	£640m	£740m	£745.6m	100%
Profit to cash conversion	10%	81%	89%	89.4%	100%
Cost savings	5%	£15m	£23m	£25m	100%

1. For 2019, the financial outcomes were primarily adjusted for translational currency movements, investments not accounted for in the original targets and the impact of IFRS16.

The advertising industry is inherently cyclical, and the Committee takes this into account when setting financial targets. In a growing market, management would be expected to deliver higher levels of growth. This is balanced by the need to set realistic but stretching targets during periods of market contraction. The intention is to incentivise the business to outperform the market across the cycle. As disclosed in last year's report, the financial targets for 2019 were set to reflect planned essential investments and television advertising market expectations. At the start of the year, the Board had forecast a c. 2% contraction in the television advertising market, which proved to be an accurate forecast of market conditions evidenced by the decline in the total advertising revenue year on year. A market contraction of this order has a direct and sizeable impact on both ITV revenue and EBITA.

In addition the profit forecasts were impacted by essential investments, increased programme budget and BritBox. Taking these circumstances into account, the Committee was satisfied that the target ranges set were realistic but also highly stretching.

The profit to cash conversion target range was adjusted to exclude the investment in BritBox UK and the capex cost of the acquired intangible in relation to Planet V, both of which were not budgeted. This target was considered to be more stretching than in prior years in light of the planned investment in scripted content.

The remainder of the bonus (25%) was based upon the Committee's assessment of the contribution each Executive Director made to the overall strategy through the delivery of specific targets. The Committee applies suitable judgement when assessing performance in this regard. Given the scale of the strategic change programme, for 2019 the Executive Directors had common objectives focussed on delivery of cultural change in the organisation.

Area of focus	Highlights of performance achieved	Outcome (% of maximum)
Cultural change programme and role model new ways of working	Fully aligned the senior management with clear focus on execution of the strategy Drove culture change, particularly in sales, with more brand-direct business Launch of smart working initiative for colleagues	80%
Strategic progress	Grow studios – sold 62 formats internationally; attracted key talent in the scripted genre; 9% growth in revenue and 5% growth in EBITA Transform Broadcast – development of Planet V platform; successful redesign of Hub, demonstrated by achieving over 30m registered users, two years ahead of plan; five of the top six new dramas for the year; biggest day of sports viewing (11.8m) since 2018 Football World Cup; secured commercial deals including M&S Food and Just Eat Expand Direct to Consumer – launched BritBox UK; 1m users of Britbox US; 10m downloads of Love Island Game; 400k Hub+ users, 57% growth from prior year Completion of deal with Amobee and launch of Planet V Established Data & Insights group, improving market insights, optimising viewer experience, maximising revenue from advertising and non-advertising Delivered debt refinancing through a bond buy-back Successful sale of the London Television Centre at South Bank	

Consistent with the requirements of the Code, the Committee takes into account wider performance before approving the formulaic outcomes from incentive plans. Where appropriate, the Committee has scope to apply judgement and discretion.

In 2019, ITV demonstrated its resilience in what was a testing year for the UK economy. During 2019, there was contraction in the spot advertising market due to continued economic and political uncertainty impacting business confidence. Given this backdrop, the EBITA result for 2019 represents a robust outcome. During the year, ITV outperformed the rest of the UK television advertising market. This outcome was underpinned by another year of strong cash conversion, the maintaining of share of viewing at 23.2% (2018: 23.2%) and a 7% growth in total non-advertising revenue. Overall ITV has delivered another year of strong operating performance as well as making a number of essential investments towards future success. This performance is reflected in the full year dividend for 2019.

While the Committee is fully satisfied that the wider executive team performed well against the targets set at the start of the year, with clear evidence of outperformance of wider market trends, the Committee recognised that macroeconomic uncertainty continues to impact the sector and our shareholders. Therefore the Committee exercised discretion to reduce the outcomes from the financial element of the bonus by 10%.

	Formulaic outcome before discretion (% of maximum)	Total value	% of bonus earned after discretion applied	Total value	Value delivered in shares under the DSA	Value paid in cash
Carolyn McCall	95	£1,577,475	87.5	£1,452,938	£484,313	£968,625
Chris Kennedy	95	£886,000	87.5	£816,081	£272,027	£544,054

In line with the Remuneration Policy, bonus awards (including deferred elements) remain subject to malus and clawback provisions which seek to safeguard against payments for failure. Further detail on these clauses are set out on page 137.

Remuneration Report continued

Share awards

The LTIP awards made in 2017 were subject to performance measured to 31 December 2019. Neither Executive Director had any interest in this annual cycle. The performance conditions for the 2017 award were not met and therefore this award will now lapse. Further details on this legacy award, including performance measures, can be found in the 2017 Remuneration Report.

Transitional arrangements

Carolyn McCall: As disclosed last year, in addition to the awards made in March 2018, Carolyn McCall was entitled to a buyout in respect of an easyJet long-term incentive granted in 2016 based on performance to 30 September 2019. The replacement award was based on the same performance measures as the 2018 LTIP, subject to ITV performance to 31 December 2019.

Details of the performance achieved are below.

	Weightings	Threshold (20% vesting)	Maximum (100% vesting)	Performance achieved	Payout level % of maximum)
Adjusted EPS	40%	13p	17p	13.9p	15.20
Total non-advertising revenues	40%	3% growth pa	6.5% growth pa	6.2%	37.15
Viewing health:					
– ITV Family SOV	10%	21.2%	23.1%	23.2%	10.00
– Online viewing	10%	+200m hours growth	+400m hours growth	169.8m	0

Based on the above, 62.35% of the total award met performance conditions with the indicative value of the award set out below. The equivalent easyJet award would have vested at 70% of maximum. The vested shares will be subject to a two-year holding period and will release in December 2021.

	Number of shares awarded	Value at award date	Number of shares due to lapse	Number of shares due to vest	Value at 31 December 2019
Carolyn McCall	1,520,249	£2,578,342	572,373	947,876	£1,308,068

Dividends will accrue on the vested shares during the holding period.

For the purpose of the single figure table, the share price used to value the shares is based on the average share price in the final quarter of 2019 (138 pence).

The share price used to calculate the number of shares under award were the easyJet plc and ITV share prices on 8 January 2018, which were £15.245 and 169.6 pence respectively.

Chris Kennedy: As a result of joining ITV, Chris Kennedy forfeited various interests under legacy incentive arrangements operated by his previous employer, Micro Focus International plc. As disclosed in full in last year's Remuneration Report, the Committee agreed to buy out these arrangements on a comparable basis.

The single figure table for 2019 includes a payment relating to: (i) the 2018 Micro Focus cash bonus (£372k); (ii) the 2018 Micro Focus deferred bonus (£186k); and (iii) the 2018 Micro Focus LTIP (£241k). In all cases, the level of pay out reflected the value of the forfeited awards. There are no further buy out awards to be made to Chris. Further details of the buy out arrangements delivered in shares are set out on page 140. All elements of the buy out package are subject to continued employment.

Chairman and Non-executive Directors

The table below sets out in a single figure the total remuneration for Non-executive Directors for the financial year.

The level of fees paid to Non-executive Directors remains unchanged since 2016, for further details see page 137. Any increase or decrease to fees that have been paid below reflects either a change to committee membership or where a director has not served for a full year.

	Notes	Fees		Taxable benefits ¹		Total	
		2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Peter Bazalgette (Chairman)		450	450	3	3	453	453
Salman Amin		70	68	1	8	71	76
Edward Bonham Carter		95	20	1	–	96	20
Margaret Ewing		85	80	1	1	86	81
Roger Faxon		70	70	4	6	74	76
Mary Harris	2	90	101	4	4	94	105
Andy Haste	3	–	35	–	–	–	35
Anna Manz		76	76	1	–	77	76
John Ormerod	3	–	33	–	–	–	33
Duncan Painter	4	70	43	1	–	71	43
		1,006	976	16	22	1,022	998

1. The amounts disclosed in the table above relate to the reimbursement of taxable relevant travel and accommodation expenses (and associated taxes) for attending Board meetings and related business. In addition, Peter Bazalgette receives private healthcare.
2. Mary Harris acted as interim Senior Independent Director from 10 May 2018 to 11 October 2018, and received additional fees whilst in this role.
3. Andy Haste and John Ormerod both stepped down from the Board and Committees on 10 May 2018 and are included for comparison purposes.
4. Duncan Painter joined the Remuneration Committee on 1 February 2019.

LTIP awards made in 2019

On 28 March 2019, awards were made under the LTIP to Carolyn McCall and Chris Kennedy, subject to performance over the period to 31 December 2021 as set out below.

	% salary awarded	Number of share options (nil cost) ¹	Value at award date	Performance period ends	Holding period	Vesting date	Release date
Carolyn McCall	265	1,934,498	£2,444,625	31 December 2021	2 years	28 March 2022	28 March 2024
Chris Kennedy	225	1,175,121	£1,485,000	31 December 2021	2 years	28 March 2022	28 March 2024

1. Awards were granted based on the average share price over the three days prior the grant date which was 126.37 pence.

For the 2019-21 performance cycle the performance measures selected are intended to be directly aligned to the three pillars of the strategy communicated to the market during 2018 and as set out on page 23. The alignment between the strategy and the performance measures is summarised in the table on page 118.

When setting the performance measures and targets the Committee took into account the strategy, the planned essential investments over the period and current internal and external forecasts for future performance. The targets are reflective of current legislative and regulatory frameworks. The Committee views these targets as stretching given the uncertain economic environment. Delivery of performance at the top of the range would represent significant outperformance.

The performance measures and targets for 2019 are:

	KPI	Weightings	Threshold (20% vesting)	Maximum (100% vesting)
Adjusted EPS	see page 26	40%	12.5p	17p
Total non-advertising revenues	see page 26	40%	3% growth p.a.	6.5% growth p.a.
Viewing health:				
– ITV Family SOV	see page 28	10%	21.2%	23.2%
– Online viewing	see page 28	10%	+200m hours growth	+450m hours growth

There will be scaled vesting between the threshold and maximum level. The interim vesting points are closely linked to the strategy and are therefore currently commercially sensitive. However, full disclosure of the scale will be provided following the end of the performance period.

Remuneration Report continued

The Committee will retain the ability to adjust the targets and definitions for exceptional, one-off events or new business opportunities, which may arise over the course of the performance period, in order to ensure that the plan continues to operate in line with the Committee's original intentions.

As a further safeguard, and in line with the Code, the Committee will continue to have discretion to amend the final vesting level should any formulaic assessment of performance not reflect a balanced view of the business performance during the performance period. When making this judgement the Committee may consider any such factors it deems relevant. The Committee believes that this discretion is an important feature of the plan and mitigates the risk of unwarranted vesting outcomes. This provision will apply to all LTIP awards granted from 2019 onwards.

Remuneration Policy application in 2020

Executive Directors

The following section provides details of how the Policy will be implemented in 2020.

Salary

Salaries are paid in line with the Policy. On 1 January 2020, both Executive Directors received an increase of 2.25% in line with the wider employee group.

	2020 Salary
Carolyn McCall	£943,256
Chris Kennedy	£674,850

Taxable benefits and pension

These are provided in line with the Policy. Both Executive Directors receive private medical cover, car-related benefits, and a cash allowance in lieu of participation in any ITV pension scheme.

Carolyn McCall's pension benefits for 2020 will remain unchanged (15% of salary). In accordance with the Code the Committee has determined that Directors who join from 1 January 2019 will receive pension contributions in line with the wider employee group, therefore Chris Kennedy receives a cash allowance in lieu of pension of 9% of salary.

The Company is currently undertaking a review of its pension policy for the wider employee base. Following the completion of this review, the Committee will give further consideration to whether any changes are required to the benefits offered to incumbent Executive Directors with a view to full alignment by 2022.

Bonus (cash and shares)

The maximum bonus opportunity for 2020 remains unchanged: Carolyn McCall – 180% of salary; and Chris Kennedy – 165% of salary. Awards made to Executive Directors through the bonus will be paid two-thirds in cash and one-third deferred into shares under the DSA.

The performance measures and weightings for 2020 bonuses will be broadly similar to previous years. The target ranges for financial measures have been set to reflect planned essential investments and current expectations regarding advertising market performance for 2020. Overall the Committee is satisfied that the target ranges are realistic but highly stretching in this context. The Board considers the actual targets for 2020 to be commercially sensitive at this time, however, we envisage providing retrospective disclosure of these targets in next year's report. Details of the financial performance measures are set out in the table on page 118.

The Committee may adjust bonus targets or outcomes to reflect significant one-off events (e.g. major transactions), foreign exchange movements or material changes to assumed plan conditions to ensure that the plan continues to reward performance fairly.

The Committee may amend the bonus pay-out should any formulaic assessment of performance not reflect the overall performance of the year.

Share awards

In recent years, a number of our major shareholders have requested that part of the LTIP should be based on a Total Shareholder Return (TSR) performance measure. In direct response to this feedback we are adding a relative TSR measure for the 2020 awards as part of the assessment of overall Group performance. The remaining performance measures are unchanged. These performance targets have been discussed at length with our largest shareholders, prior to final approval by the Committee.

Awards in 2020 will be made to the Executive Directors with a value of 265% of salary for the Chief Executive, and 225% of salary for the Group CFO. These levels remain unchanged from 2019.

The performance measures and targets for awards to be made in 2020 are detailed below.

	KPI	Weightings	Threshold (20% vesting)	Maximum (100% vesting)
TSR v. a cross sector of UK companies		20%	Median	Upper quartile
Adjusted Earnings per Share	see page 26	20%	12.5p	17p
Total non-advertising revenues	see page 26	40%	3% growth pa	6.5% growth pa
Viewing health:				
– ITV Family SOV	see page 28	10%	21.2%	23.5%
– Online viewing	see page 28	10%	+250m hours growth	+500m hours growth

There will be straight-line vesting between the threshold and maximum level for all targets apart from ITV Family SOV. The interim vesting points for the SOV target are closely linked to the strategy and are therefore currently commercially sensitive. However, full disclosure of the scale will be provided following the end of the performance period.

TSR will be assessed against a cross-sector comparator group comprising FTSE 350 companies that predominantly operate in the UK (excluding financial services and extractive industries).

Malus and clawback: Malus and clawback provisions may be operated at the discretion of the Committee in respect of any cash and deferred share elements of the bonus and awards made under the LTIP. Under malus, unvested share awards (including any LTIP shares subject to a post-vesting holding period) can be reduced (down to zero if considered appropriate) or be made subject to additional conditions. Clawback allows for repayment of bonuses previously paid and/or shares previously received following vesting or release from a holding period if applicable. Malus/clawback can be operated up to four years following the start of the relevant bonus year for bonuses (for cash and shares), and up to six years from the relevant date of grant for LTIP awards. The circumstances in which the operation of these provisions would be applied may be considered from time to time but currently include material misstatement of financial results, gross misconduct or fraud, material reputational damage. The Committee reviewed the plan rules and to maintain sufficient scope to exercise discretion and judgement in line with the spirit of the Code have amended the provisions to include material corporate failure as a relevant event for awards granted from 2020.

Non-executive Directors

There has not been an increase to Non-executive Director fees since 2016. Current fees are as set out below.

	1 January 2020 £	1 January 2019 £	% Change
Chairman	450,000	450,000	–
Board fee	65,054	65,054	–
Additional fees for:			
Senior Independent Director	25,000	25,000	–
Audit and Risk Committee Chair	20,000	20,000	–
Audit and Risk Committee member	5,371	5,371	–
Remuneration Committee Chair	20,000	20,000	–
Remuneration Committee member	5,371	5,371	–

In addition to his fee, Peter Bazalgette received private medical insurance.

Details of Committee membership can be found on page 87.

Comparison of Chief Executive to wider employees

The table below provides details of the percentage change in the base salary, benefits and bonus of the Chief Executive between 31 December 2018 and 31 December 2019 compared with the average percentage change for other employees.

	Notes	% change in base salary	% change in benefits	% change in bonus payments
Chief Executive	1	2.5	0.67	23.69
All employees	2, 3	5.57	(5.08)	41.40

1. Benefits include the cost of medical insurance and car-related benefits.

2. As the majority of employees are based in the UK and share the same benefits as the Chief Executive, overseas employees have not been included.

3. The percentage change in benefits is the average change for all UK employees (excluding the Chief Executive) with any of the same benefits as the Chief Executive. The percentage decrease in benefits received by employees is due to a decrease in car related costs.

Remuneration Report continued

CEO pay ratio

We are committed to ensuring colleagues earn at least the Living Wage or greater, and where appropriate we have agreed additional increases. On 1 January 2020, all eligible UK colleagues received a pay increase of 2.25%. In addition, a bonus arrangement extends to all our colleagues and is paid in March each year. The UK all-colleague bonus award for 2019 was paid at £1,750 (100% of maximum) (2018: £1,325).

The remuneration for the Chief Executive (CEO) is intended to be performance related and can therefore vary significantly on a year to year basis. This will have a corresponding effect on the CEO ratio. For example, when performance is strong the ratio can be expected to rise, and in contrast where incentives for the CEO lapse in full, the ratio would fall.

Due to the different full-time working hours and practices in different parts of ITV, and the flexibility that all employees have around pension and benefits participation, we would expect a degree of variation in the all-employee reference points from one year to the next and this will have a corresponding impact on the CEO pay ratio.

Year	Methodology	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019	Option B	92:1	80:1	53:1

The employees at the 25th percentile, median and 75th percentile were determined based on ITV's most recent gender pay gap information as at 30 April 2019 (Option B in the Reporting Regulations).

This calculation methodology was selected so that we are using an approach that is consistent with our separate Company pay gap reporting while also taking into account the size and diverse nature of ITV's UK workforce, with data held on multiple payroll systems and the practicalities of making the analysis for this data set.

The three employees used in the calculations above are considered to be reasonably representative of the 25th, 50th and 75th percentiles of Company remuneration in the relevant financial year. They received the employee bonus award, were members of the ITV DC Pension Plan and did not participate in a long-term incentive plan.

The total remuneration of each comparator employee has been calculated using the actual values received in respect of the full financial year and in accordance with the methodology used to calculate the single figure of remuneration for the CEO. We have not omitted any component from their pay and benefits and the only adjustment has been to gross up the actual part-time remuneration for one comparator employee to the full-time equivalent values.

The full-time equivalent remuneration values for the individuals in the table above are as follows:

	CEO	25th percentile	Median	75th percentile
Salary	£922,500	£36,627	£42,971	£63,205
Total remuneration	£3,838,794	£41,535	£47,711	£72,680

The median pay ratio for 2019 is considered to be consistent with the pay, reward and progression policies for the Company's UK employees taken as a whole. It is reflective of the fact that a significant proportion of the total remuneration of the CEO is linked to participation in the Company's long-term incentive schemes (or for 2019 the buyout of a share award that was forfeited on the CEO leaving their previous employer to join ITV) and participation in similar plans is limited to members of the senior executive group.

Other Disclosures

Payments to past Directors

Ian Griffiths stepped down from the Board on 31 December 2018. As announced on the Company's website on 2 January 2019, salary, pension allowance and other contractual benefits were paid until 31 March 2019 when his employment ceased. Further details can be found in the 2018 Remuneration Report.

Directors' share interests and post-cessation shareholding

The Committee continues to recognise the importance of Directors being shareholders so as to align their interests with other shareholders.

Shareholding guidelines are in place, which encourage Executive Directors to build up a holding of ITV plc shares based on a percentage of base salary. Following adoption of the new Remuneration Policy, the guideline will be 400% of salary for the Chief Executive and 225% of salary from the Group CFO. Normally, 50% of the requirement must be obtained within three years of appointment and the remainder within five years.

Where the value of shares required to be held increases as a result of a salary increase (or an increase in the relevant percentage), the Executive Directors will have three years from such increase to achieve compliance. The Committee may change the guidelines so long as they are not, overall, in the view of the Committee, less onerous.

Non-executive Directors are required to build and then maintain a holding of 100% of their base fee over the six years from the date of appointment to the Board (unless for some reason they are unable to retain their fees).

Interests in share awards following departure enable departing Executive Directors to remain aligned with the interest of shareholders for an extended period after leaving the Company. Deferred Share Awards and LTIP awards subject to a holding period will normally vest (and be released from their holding periods) at the normal time. This means that Executive Directors may retain a significant interest in shares for up to five years following departure from the Company. The Committee has considered these arrangements as part of the review of the Remuneration Policy.

Following adoption of the Policy, Executive Directors will normally be required to retain an interest equivalent to their annual LTIP grant (265% for the Chief Executive and 225% for the Group CFO or the actual holding on departure if lower) for two years following departure. This requirement will apply to shares acquired from Company incentive plans.

The figures set out below represent shareholdings in the ordinary share capital of ITV plc beneficially owned by Directors and their family interests at 31 December 2019. To show alignment with the shareholding guidelines the net number of unvested share awards not subject to performance conditions are included for the Executive Directors. The Committee continues to keep both the shareholding guidelines and actual Director shareholdings under review and will take appropriate action should they feel it necessary.

	Notes	Interests in shares			Unconditional shares held at 31 December 2018	% required under shareholding guidelines
		Unconditional shares held at 31 December 2019 ¹	Restricted shares held at 31 December 2019 ²	% shareholding guidelines met ³		
Executive Directors						
Carolyn McCall	4	254,962	275,021	21	181,598	400
Chris Kennedy	5, 6	87,831	179,086	30	–	200
Non-executive Directors						
Salman Amin		50,674		100	14,795	100
Peter Bazalgette		357,245		100	313,497	100
Edward Bonham Carter	7	–		–	–	100
Margaret Ewing	8	22,700		62	22,700	100
Roger Faxon		40,935		100	40,935	100
Mary Harris		41,442		100	31,078	100
Anna Manz	9	33,565		95	33,268	100
Duncan Painter	10	–		–	–	100

1. Shares beneficially held by Directors and family interests.

2. Unvested restricted share awards (under the DSA or buy out arrangements) not subject to performance conditions, accounted for on a net of tax basis.

3. In order to reflect economic exposure, shareholding guidelines are assessed on the greater of the share price on 31 December 2019 (151 pence) and the value at acquisition/grant.

4. Carolyn McCall was appointed to the Board on 8 January 2018 and has until 2023 to meet her shareholding guidelines.

5. Chris Kennedy was appointed to the Board on 21 February 2019 and has until 2024 to meet his shareholding guidelines.

6. The shareholding requirement for Chris Kennedy will increase to 225% following adoption of the new Remuneration Policy at the 2020 AGM.

7. Edward Bonham Carter was appointed to the Board on 11 October 2018 and has until 2024 to meet his shareholding guidelines.

8. Margaret Ewing was appointed to the Board on 31 October 2017 and has until 2023 to meet her shareholding guidelines.

9. Anna Manz was appointed to the Board on 1 February 2016 and has until 2022 to meet her shareholding guidelines.

10. Duncan Painter was appointed to the Board on 1 May 2018 and has until 2024 to meet his shareholding guidelines.

Remuneration Report continued

Outstanding interests under share schemes

The following tables provide details of the Executive Directors' interests in outstanding share awards.

	Notes	At 1 January 2019	Awarded in year	Vested in year	Exercised in year	Lapsed in year	At 31 December 2019	Share price used for award (pence)	Share option price (pence)	Share price at date of vesting (pence)	Vesting date
Carolyn McCall											
Buy out awards											
28 March 2018	1	54,293	–	54,293	54,293	–	–	145.25	–	149.96	19 December 2019
28 March 2018	1	209,049	–	–	–	–	209,049	145.25	–	–	28 March 2021
28 March 2019	2	–	1,520,249	–	–	–	1,520,249	169.60	–	–	28 March 2020
LTIP											
28 March 2018	3	1,641,997	–	–	–	–	1,641,997	145.25	–	–	28 March 2021
28 March 2019	3, 4	–	1,934,498	–	–	–	1,934,498	126.37	–	–	28 March 2022
DSA											
28 March 2019	5	–	309,860	–	–	–	309,860	126.37	–	–	28 March 2022
Chris Kennedy											
Buy out awards											
28 March 2019		–	166,179	–	–	–	166,179	126.37	–	–	28 March 2021
28 March 2019		–	24,532	–	–	–	24,532	126.37	–	–	2 September 2021
28 March 2019		–	147,187	–	–	–	147,187	126.37	–	–	2 September 2021
LTIP											
28 March 2019	3, 4	–	1,175,121	–	–	–	1,175,121	126.37	–	–	28 March 2022
SAYE											
2 September 2019		–	20,578	–	–	–	20,578	109.33	87.47	–	1 November 2022

- The buyout awards made in 2018 relate to: (i) 2016 easyJet deferred bonus (54,293 ITV shares), which released in December 2019 - sufficient shares were sold to cover tax and NIC liabilities, and the balance retained; (ii) 2016/17 easyJet bonus - one-third deferred into shares for three years (209,049 ITV shares). The values reflect awards forfeited under previous easyJet incentive arrangements and will vest and release over the same time horizons as the awards that were forfeited.
- The buyout award made in 2019 relates to 2016 easyJet long-term incentive based on performance to September 2019. This award was made subject to ITV performance to 31 December 2019. As noted on page 134 this award will vest at 62.35% of maximum. The remaining shares will be subject to a holding period releasing in December 2021.
- Awards under the LTIP are subject to performance over a three-year period. Any proportion of the award that meets the performance conditions will become exercisable after a two-year holding period.
- The face value of awards granted in the financial year to Carolyn McCall under the LTIP was £2,444,625 and to Chris Kennedy was £1,485,000.
- DSA awards made in 2019 for 2018 performance and buy out awards are included in the single figure table on page 131. There are no performance conditions attaching to the DSA.

Performance conditions that apply to the unvested awards under the LTIP are summarised in the table below. Full details for the 2018 award were provided in the 2018 Remuneration Report. For awards made in 2019 see page 135.

			2018		2019	
	Weighting	Threshold vesting	Threshold	Maximum	Threshold	Maximum
Adjusted EPS	40%	20%	13p	17p	12.5p	17p
Annual non-NAR growth	40%	20%	3%	6.5%	3%	6.5%
ITV Family SOV	10%	20%	21.2%	23.1%	21.2%	23.2%
Online viewing, hours of VOD consumption growth	10%	20%	200m	400m	200m	450m

External directorships

With specific approval of the Board, Executive Directors may undertake one external appointment as a non-executive director of another publicly quoted company and retain any related fees paid to them.

During the year, the Executive Directors retained fees for the directorships set out below.

	Company	2019 £000
Carolyn McCall	Burberry Group plc	80
Chris Kennedy	Whitbread plc	70

Service contracts

The Directors' service contracts and letters of appointment are available for inspection at the Company's registered office.

Executive Directors: Executive Directors have rolling service contracts that provide for 12 months' notice on either side. There are no special provisions that apply in the event of a change of control.

	Date of appointment	Nature of contract	Notice period from Company	Notice period from Director	Compensation for early termination
Carolyn McCall	8 January 2018	Rolling	12 months	12 months	None
Chris Kennedy	21 February 2019	Rolling	12 months	12 months	None

Non-executive Directors: Each Non-executive Director, including the Chairman, has a contract of service with the Company. Non-executive Directors will serve for an initial term of three years, subject to election and then annual re-election by shareholders, unless otherwise terminated earlier by and at the discretion of either party upon one month's written notice (12 months for the current Chairman). After the initial three year term, reappointment is on an annual basis.

All Non-executive Directors are subject to re-election at the AGM in 2020. Details of tenure are set out in the table on page 87.

Committee membership and advisers

The Directors who were members of the Committee when matters relating to the Executive Directors' remuneration for the year were considered are set out on page 87.

The Committee obtains advice from various sources in order to ensure it makes informed decisions. The Executive Directors are invited to attend Committee meetings as appropriate. No individual is involved in decisions relating to their own remuneration.

The Group HR Director is the main internal adviser and provides updates on remuneration, employee relations and human resource issues.

Deloitte LLP was appointed by the Committee as the independent adviser on remuneration policy and the external remuneration environment from September 2017 following a review of other advisers in the market place. Total fees for advice provided to the Committee during the year amounted to £181k on a time/material basis (exclusive of VAT and expenses). The Committee has formally reviewed the work undertaken by Deloitte and is satisfied that the advice it has received has been objective and independent. Deloitte are members of the Remuneration Consultants Group and abide by its Code of Conduct.

The wider UK Deloitte firm provided ITV with a number of other services during the year relating to risk and internal audit, tax, financial advice and consultancy. The members of executive remuneration consulting team are not incentivised to cross-sell non-related services to ITV.

The Committee is satisfied that the Deloitte LLP engagement partner and advisory team that provide remuneration advice to the Committee, do not have any connections with the Company or individual directors that may impair their independence.

Remuneration Report continued

Relative importance of spend on pay

The table below shows pay for all employees compared with other key financial indicators.

	2019 £m	2018 £m	% Change
Employee pay ¹	491	473	3.81
Ordinary dividend	320	315	1.59
Employee headcount ²	6,416	6,281	2.15

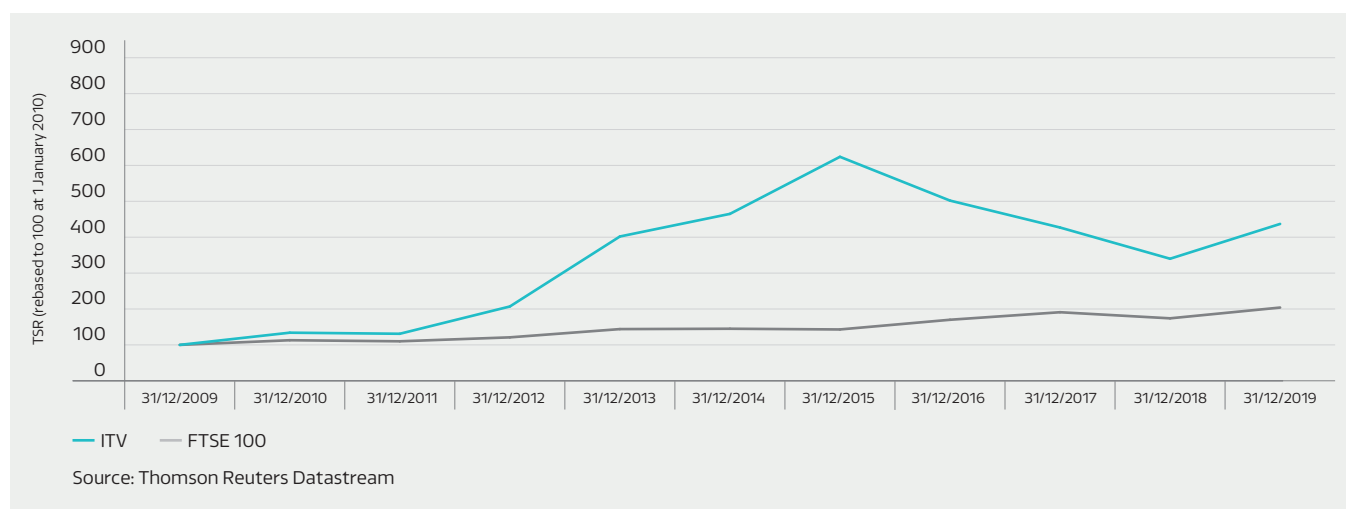
1. Employee pay is the total remuneration paid to all employees across ITV on a full-time equivalent basis. More detail is set out on page 172.

2. Employee headcount is the monthly average number of employees across ITV on a full-time equivalent basis. More detail is set out on page 172.

There were no share buybacks during either year.

Historical performance

The graph below shows the TSR performance of the Company against the FTSE 100 index over the ten year period to 31 December 2019. The FTSE 100 was chosen as ITV has been a member of the FTSE 100 during the ten year period.



Chief Executive remuneration

The table below provides a summary of the total remuneration received by the Chief Executive over the last ten years, including details of the annual bonus payout and long-term incentive award vesting level in each year.

		Total remuneration £000	Bonus % of maximum	Long-term incentive award vesting % of maximum
2019	Carolyn McCall	3,839	87.5	62.35
2018	Carolyn McCall	3,695	73.6	–
2017	Peter Bazalgette (for the six month period served as Executive Chairman)	225	–	–
	Adam Crozier (for the six month period served)	2,050	97.9	63
2016	Adam Crozier	3,632	40	80
2015	Adam Crozier	3,881	96	75
2014	Adam Crozier	4,842	94	75
2013	Adam Crozier	8,399	93	87
2012	Adam Crozier	2,915	91	12
2011	Adam Crozier	2,158	88	–
2010	Adam Crozier (for the eight month period served)	1,350	95	–
	John Cresswell (for the four month period served) – interim Chief Executive	661	83	–
2009	Michael Grade – Executive Chairman	2,583	94	–

The long-term incentive award vesting percentage relates to the proportion of the award that met performance conditions in the relevant financial year. For 2019 the vesting percentage relates to the buy out award for Carolyn McCall. It is noted that the 2017 LTIP award lapsed in full.

Shareholder voting

Votes cast by proxy and at the meeting by poll in respect of the Executive Directors' remuneration were as follows:

Resolution	Number of shares	Voting for %	Number of shares	Voting against %	Total votes cast	Votes withheld
Annual Report on Remuneration (2019 AGM)	3,008,508,628	95.69	135,610,807	4.31	3,144,119,435	73,974,173
Remuneration Policy (2017 AGM)	2,945,550,900	98.75	37,188,567	1.25	2,987,579,168	4,839,701

Directors' Report

The Directors present their Annual Report and the audited consolidated and parent company financial statements for the year ended 31 December 2019. The Directors' Report comprises this report and the entire Governance section including the Chairman's Governance Statement. In accordance with the Financial Conduct Authority's Listing Rules, the information to be included in the 2019 Annual Report and Accounts, where applicable, under LR 9.8.4, is set out in this Directors' Report. Other information that is relevant to this report, and which is incorporated by reference, can be located as follows:

Information	Page number
Carbon and greenhouse gas emissions	See page 46
Corporate Governance Report	See pages 80 to 143
Directors' service contracts	See page 141
Employee engagement and involvement	See pages 51 and 92 to 94
Employee equality, diversity, reward and inclusion	See pages 50 to 51
Future developments of the business of the Group	See pages 30 to 43
Membership of the Board during the 2019 financial year	See page 87
Research and development	See pages 30 to 43
Stakeholder engagement and Company's business relationships	See pages 63 and 89 to 92

Corporate

Articles of Association: The Articles of Association may only be amended by special resolution of the shareholders. The Articles are available on our website.

 www.itvplc.com/investors/governance

Auditor: The Audit and Risk Committee considered the performance and audit fees of the external auditor, and the level of non-audit work undertaken. It recommended to the Board that a resolution for the reappointment of KPMG LLP for a further year as the Company's auditor be proposed to shareholders at the AGM on 24 April 2020.

Change of control: No person holds securities in the Company carrying special rights with regard to control of the Company. All of the Company's share schemes contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions and proration for time where appropriate.

Certain of the Group's debt and derivative instruments have change of control clauses whereby the counterparty can require ITV to repay or redeem the instruments in the event of a change of control although in some cases only if it is accompanied by a credit rating downgrade. The Company is not aware of any other significant agreements to which it is a party that take effect, alter or terminate upon a change of control of the Company.

Other agreements: The Company does not have any agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a takeover bid.

Dividends: The Board has proposed a final dividend for the year ended 31 December 2019 subject to shareholder approval at the AGM on 24 April 2020. The final dividend will be paid on 21 May 2020 to shareholders on the register on 14 April 2020 (the record date). The ex-dividend date is 9 April 2020. Details of this and other dividends paid for the year are as follows:

	2019	2018
Interim dividend	2.6p	2.6p
Final dividend	5.4p	5.4p
Total ordinary dividend payment	8.0p	8.0p

Political contributions: It is the Company's policy not to make cash contributions to any political party. However, within the normal activities of the Company's national and regional news-gathering operations there may be occasions when an activity might fall within the broader definition of 'political expenditure' contained within the Companies Act 2006. Shareholder authority for such expenditure was given at the 2019 AGM. During 2019 there were no payments made by the Group falling within this definition (2018: nil).

Branches: Branches of the Group outside the United Kingdom are indicated in the Subsidiary undertakings and investments section on pages 231 to 234.

Directors

Appointments: A table showing Directors who served in the year can be found on page 87. Biographies for Directors currently in office can be found on pages 82 and 83 and on our website.

 www.itvplc.com/about/board-of-directors

The Directors may from time to time appoint one or more Directors. Any such Director shall hold office only until the next AGM and shall then be eligible for appointment by the Company's shareholders in accordance with the Corporate Governance Code. Subject to annual shareholder approval, Directors are appointed for an initial three year period and annually thereafter. Each Director will retire and submit themselves for re-election at the AGM on 24 April 2020.

Conflicts of interest: The Board has delegated the authorisation of any conflicts to the Nominations Committee and has adopted a Conflicts of Interest Policy. The Board has considered in detail the current external appointments of the Directors that may give rise to a situational conflict and has authorised potential conflicts where appropriate. This authorisation can be reviewed at any time but will always be subject to annual review.

Powers including in relation to issuing or buying back shares: Subject to applicable law and the Company's Articles of Association the Directors may exercise all powers of the Company, including the power to authorise the issue and/or market purchase of the Company's shares (subject to an appropriate authority being given to the Directors by shareholders in a general meeting and any conditions attaching to such authority). The Articles and a schedule of Matters Reserved for the Board can be found on our website (below).

At the 2019 AGM, the Directors were given the following authority:

- to allot a maximum of 1.34 billion shares, representing approximately one-third of the Company's issued share capital, extending to 2.68 billion if used for a rights issue;
- to allot a maximum of 402.5 million shares, without first offering them to existing shareholders in proportion to their holdings, representing approximately 10% of the Company's issued share capital; and
- to purchase in the market a maximum of 402.5 million shares, representing up to approximately 10% of the Company's issued share capital.

No shares were allotted or bought back under these authorities during the 2019 financial year and up to the date of this report. These standard authorities will expire on 8 August 2020 or at the conclusion of the 2020 AGM, whichever is earlier. The Directors will seek to renew the authorities at the AGM in 2020.

Insurance and indemnities: The Company maintains liability insurance for its Directors and officers that is renewed on an annual basis. The Company has also entered into deeds of indemnity with its Directors and certain directors of associated companies. A copy of the indemnity can be found on our website. The indemnities, which constitute a qualifying third party indemnity as defined in Section 234 of the Companies Act 2006, were in force for the financial year ended 31 December 2019.

 www.itvplc.com/investors/governance

Disclosures

Listing Rule 9.8.4 disclosures: There are no disclosures to be made under Listing Rule 9.8.4 other than that the trustee of the Employees' Benefit Trust (EBT) waived its rights to receive dividends on shares it holds which do not relate to restricted shares held under the ITV Deferred Share Award Plan.

Financial risk management: The Directors have carried out a robust assessment of the principal and emerging risks facing the Company, including in relation to its business model, future performance, solvency and liquidity. Details of our principal risks and associated mitigations, together with details of our approach to risk management, are set out on pages 66 to 78. Note 4.3 to the financial statements on page 208 gives details of the Group's financial risk management policies and related exposures. This note is incorporated by reference and deemed to form part of this report.

Going concern: The going concern statement is set out on page 163. This note is incorporated by reference and deemed to form part of this report.

Subsequent events: There were no post balance sheet events to report.

Data: As a part of our business activity, ITV processes large amounts of personal data. ITV recognises that to enable this use of personal data to transform our business and to meet the expectations of our viewers, advertisers and employees, it is critical that we continue to build on our approach to applying privacy in a lawful and ethical way. A programme of work to support this is being led by our Global Protection Officer. This work includes making improvements to our data governance framework and delivering our data privacy function

Directors' Report continued

to protect rights, engender trust and make data available for commercial purposes. ITV has a number of policies, procedures and tools in place to support this, including our Privacy and Data Protection Policy and an Information Security Policy that governs the processing and security of data. Compliance with these policies is mandatory and forms part of the Code of Conduct. All colleagues undergo regular training to remind them of their responsibilities under these policies. Privacy and data protection is kept under review by the Audit and Risk Committee.

Pensions

The Company operates a number of pension arrangements which provide retirement and death benefits for colleagues. The Company pensions arrangements are overseen by a Pensions Steering Committee comprised of senior executives. The Committee meets monthly and is supported by a range of specialist advisers.

ITV Pension Scheme (the Scheme): The Scheme is predominantly a defined benefit (DB) scheme, which is closed to future accrual, but also includes a defined contribution (DC) section closed to future contributions.

ITV Pension Scheme Limited (a wholly owned subsidiary of ITV plc) is a corporate trustee and manages the Scheme under a trust which is separate from the Company. Members of the trustee board are formally appointed as directors of ITV Pension Scheme Limited. There are nine directors including the Chair — five appointed by the Company and four nominated by the members. The Company appointed trustee directors include the Chair and two professional independent trustees, one of who joined the trustee board with effect from 1 January 2020. The structure of the trustee board will change with effect from 1 March 2020.

Currently, the trustee has four committees: Investment, Audit and Operations, DC, and Corporate Affairs. The Corporate Affairs Committee is convened as and when appropriate for dealing with any corporate activities that may arise. The trustee board and each committee hold regular meetings throughout the year at which key issues and more routine business matters are dealt with. A budget is agreed each year. The trustee board manages risk through its meeting agendas and has a conflicts of interest policy and a register of interests policy, which are reviewed regularly. It is the responsibility of the trustee to have in place appropriate training for its directors and effective committee structures. The trustee directors receive regular training throughout the year and also have the support of various professional advisers. The Group pensions department helps identify training opportunities. Training is delivered both by attendance at external courses and with targeted training to support specific agenda items at the start of the relevant trustee board meeting. Where appropriate, longer training sessions are organised. Comprehensive records are kept of all training completed by each trustee director. The trustee board completes regular assessments of its advisers.

The Chair confirms in an annual statement that the trustee meets its legal duties in relation to the DC section as required under the Pensions Regulator's Code of Practice 13.

Full valuations are carried out every three years. The latest completed actuarial valuation of all three sections of the main DB scheme was carried out as at 1 January 2017. The next actuarial valuation will be as at 1 January 2020.

ITV Defined Contribution Plan (the Plan): The trust based Plan was established to accept contributions from 1 March 2017 for ex-DB members and DC members who transferred from the Scheme. Eligible employees are invited to join the Plan after completing the required time in the Company's auto-enrolment (AE) arrangement – The People's Pension. These individuals are given the opportunity to transfer funds from the AE plan and make backdated contributions within permitted levels.

ITV DC Trustee Limited (a wholly owned subsidiary of ITV plc) is a corporate trustee and manages the DC assets, which are held under trust separately from the Company. Members of the trustee board are formally appointed as directors of ITV DC Trustee Limited. There are five directors including the Chair — three appointed by the Company and two nominated by the members. One of the member-nominated Directors resigned at the start of December, so there is currently a vacancy that is required to be filled within 12 months. It is the responsibility of the trustee to have in place appropriate training for its directors. The governance framework for managing the Plan and developing the board is in line with that in place for the ITV Pension Scheme.

The Chair confirms in an annual statement that the trustee meets its legal duties in relation to the DC Plan as required under the Pensions Regulator's Code of Practice 13.

Ulster Television Pension and Assurance Scheme (the UTV Scheme): The UTV Scheme provides DB benefits. It closed to new members in 2002 and following a comprehensive consultation exercise with active members, the UTV Scheme closed to future accrual with effect from 31 March 2019.

UTV Pension Scheme Limited (a wholly owned subsidiary of ITV plc) is a corporate trustee and manages the DB assets, which are held under trust separately from the Company. Members of the trustee board are formally appointed as directors of UTV Pension Scheme Limited. There are five directors including the Chair — three appointed by the Company (including a professional trustee as chairman) and two

nominated by the members, both of whom were re-elected following an election in December 2019 for a further two year term. It is the responsibility of the trustee to have in place appropriate training for its directors. The governance framework for managing the UTV Scheme and developing the board is in line with that in place for the Scheme.

Full valuations are carried out every three years. The latest completed actuarial valuation was carried out as at 1 July 2017, with the next valuation due as at 1 July 2020. The trustee board has adopted the Pensions Regulator's integrated risk management framework taking a holistic approach and looking at how risks around the employer covenant, funding and investment strategy are all linked and inter-dependent. A cashflow driven investment strategy was introduced from March 2018.

The People's Pension: Since 2013, employers within the Group have been required to enroll all eligible individuals into a pension scheme automatically (auto-enrolment). This applies to all eligible individuals who are contracted to work for us, regardless of their contract type or tax status (i.e. it applies to workers and not simply employees). The auto-enrolment plan is provided by a company called The People's Pension under a master trust which is run by an independent board of trustee directors and eligible individuals are enrolled into this arrangement.

Pension Scheme indemnities: Qualifying pension scheme indemnity provisions, as defined in Section 235 of the Companies Act 2006, were in force for the financial year ended 31 December 2019 and remain in force for the benefit of each of the directors of ITV Pension Scheme Limited, ITV DC Trustee Limited and UTV Pension Scheme Limited. These indemnity provisions cover, to the extent permitted by law, certain losses or liabilities incurred as a director or officer of ITV Pension Scheme Limited, ITV DC Trustee Limited and UTV Pension Scheme Limited.

Shares

Issued share capital: At the date of this report, there were 4,025,409,194 ordinary shares of 10 pence each in issue, all of which are fully paid up and quoted on the London Stock Exchange.

Rights: The rights attaching to the Company's ordinary shares are set out in the Articles of Association.

Restrictions: There are no restrictions on the transfer of ordinary shares in the capital of the Company other than those which may be imposed by law from time to time. With regard to the deadline for exercising voting rights, votes are exercisable at a general meeting of the Company in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy or, in relation to corporate members, by corporate representatives. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting. However, when calculating the 48-hour period, the directors can, and have, decided not to take account of any part of a day that is not a working day. In accordance with the Disclosure Guidance and Transparency Rules (DTRs), Persons Discharging Managerial Responsibility are required to seek approval to deal in ITV shares. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

Share schemes: Details of employee share schemes are set out in note 4.8 on page 217. The Company has an Employees' Benefit Trust (EBT) funded by loans to acquire shares for the potential benefit of employees. Details of shares held by the EBT at 31 December 2019 are set out on page 219. During the year shares have been released from the EBT in respect of share schemes for employees. The trustee of the EBT has the power to exercise all voting rights in relation to any investment (including ordinary shares) held within the EBT.

Substantial shareholders: Information regarding interests in voting rights provided to the Company pursuant to the DTRs is published on a Regulatory Information Service and on the Company's website.

As at 4 March 2020, the information in the table below had been received, in accordance with DTR5, from holders of notifiable interests (voting rights) in the Company's issued share capital. It should be noted that these holdings are likely to have changed since notified to the Company. However, notification of any change is not required until the next applicable threshold is crossed.

	% of interest in shares	Nature of interest in shares	Total number of shares as notified
The Capital Group Companies Inc.	9.99	Indirect	402,336,662
Liberty Global Incorporated Limited	9.90	Indirect	398,515,510
Black Rock Inc.	5.21	Indirect	209,575,328
Ameriprise Financial, Inc and its group	5.08	Indirect	204,366,654

1. The Company received notifications from Goldman Sachs Group in respect of an interest in 21.15% of voting rights, most recently in December 2019, held through financial instruments.

2. The number of shares is based on announcements made by each relevant shareholder using the Company's issued share capital at that date.

Directors' Report continued

Statement of Directors' Responsibilities

The Directors consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy. Each of the Directors, whose name and functions are listed on pages 82 to 83, confirm that, to the best of their knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and
- The Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

In accordance with Section 418 of the Companies Act 2006, the Directors confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Board has conducted a review of the effectiveness of the Group's systems of internal controls, including financial, operational and compliance controls, for the year ended 31 December 2019. In the opinion of the Board, the Company has complied with the internal control requirements of the UK Corporate Governance Code throughout the year, maintaining an ongoing process for identifying, evaluating and minimising risk.

The Directors are responsible for preparing the Annual Report and Accounts the Group and parent Company financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable, relevant, reliable and prudent
- For the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU
- For the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements
- Assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Chris Kennedy

Group CFO

5 March 2020

ITV plc

Registered Number: 4967001

Subsidiary undertakings and investments

Principal subsidiary undertakings

The principal subsidiary undertakings of the Company at 5 March 2020, all of which are wholly owned (directly or indirectly) and incorporated and registered where stated.

Company Name	Country	Principal Business Activity	% Holding
Carlton Communications Limited (1)(a)(d)	UK	Holding company	100
ITV Broadcasting Limited (1)(a)	UK	Broadcast of television programmes	100
ITV Consumer Limited (1)(a)	UK	Development of platforms, broadband, transactional and mobile services	100
ITV Digital Channels Limited (1)(a)	UK	Operation of digital television channels	100
ITV Studios Global Distribution Limited (1)(a)	UK	Rights ownership and distribution of television programmes and films	100
ITV Network Limited (1)(i)	UK	Scheduling and commissioning of television programmes	100
ITV Rights Limited (1)(a)	UK	Rights ownership	100
ITV Services Limited (1)(a)(e)	UK	Provision of services for other companies within the Group	100
ITV Studios Limited (1)(a)	UK	Production of television programmes	100
ITV2 Limited (1)(a)	UK	Operation of digital television channels	100
SDN Limited (1)(a)	UK	Operation of Freeview Multiplex A	100
ITV Studios Holding B.V. (52)(a)	Netherlands	Production of television programmes	100
ITV America Inc. (63)(j)	USA	Production of television programmes	100
ITV Studios Global Distribution, Inc. (63)(j)	USA	Rights ownership and distribution of television programmes and films	100
Southbank Studios Inc. (63)(j)	USA	Production of television programmes	100

Wholly-owned subsidiary undertakings

Company Name	Country	% Holding	Company Name	Country	% Holding
12 Yard (North) Productions Limited (1)(a)	UK	100	Carltonco Fifty Limited (1)(a)(k)	UK	100
12 Yard Limited (1)(a)	UK	100	Carltonco Forty Investments (1)(a)	UK	100
12 Yard Productions (Investments) Limited (1)(a)	UK	100	Carltonco Forty-Five Limited (1)(a)	UK	100
12 Yard Productions Limited (1)(a)	UK	100	Carltonco Ninety-Six (1)(a)(f)	UK	100
A.C.E. (1988) Limited (1)(a)	UK	100	Carltonco Seventeen Limited (1)(a)	UK	100
Back Productions Limited (7)(a)	UK	100	Castlefield Properties Limited (1)(a)	UK	100
Big Talk Bliss Limited (1)(a)	UK	100	Cat's on the Roof Media Limited (1)(a)	UK	100
Big Talk Cold Feet Limited (1)(a)	UK	100	Central Television Limited (1)(a)	UK	100
Big Talk Diana Limited (1)(a)	UK	100	Channel Television Holdings Limited (1)(a)	UK	100
Big Talk Friday Limited (1)(a)	UK	100	Cosgrove Hall Films Limited (1)(a)	UK	100
Big Talk Guilty Limited (1)(a)	UK	100	COTR (NEWCO) Limited (1)(a)	UK	100
Big Talk Investments Limited (1)(a)	UK	100	Cynhyrchiadau Boomerang Cyf (2)(a)	UK	100
Big Talk JL Limited (1)(a)	UK	100	Denipurna Limited (1)(a)	UK	100
Big Talk Living the Dream Limited (1)(a)	UK	100	DTV Limited (1)(a)	UK	100
Big Talk Mum Limited (1)(a)	UK	100	Electronic Rentals Group (1)(a)	UK	100
Big Talk NEWCO 4 Limited (1)(a)	UK	100	EQ Pictures Limited (1)(a)	UK	100
Big Talk NEWCO 5 Limited (1)(a)	UK	100	GIL Limited (1)(a)	UK	100
Big Talk Peacock Limited (1)(a)	UK	100	Gorilla TV Group Limited (5)(a)	UK	100
Big Talk Pictures Limited (1)(a)	UK	100	Gorilla TV Limited (5)(a)	UK	100
Big Talk Productions Limited (1)(a)	UK	100	Granada AV Solutions Limited (1)(a)	UK	100
Big Talk Time Limited (1)(a)	UK	100	Granada Film (1)(a)	UK	100
Boom Cymru TV Ltd (5)(a)	UK	100	Granada Film Productions Limited (1)(a)	UK	100
Broad Street Films Limited (1)(a)	UK	100	Granada Group Limited (1)(a)	UK	100
Campania Limited (1)(a)(k)	UK	100	Granada Limited (1)(a)	UK	100
Carbon Media Limited (1)(a)	UK	100	Granada Media Limited (1)(a)(l)	UK	100
Carlton Active Limited (1)(a)	UK	100	Granada Productions Limited (1)(a)	UK	100
Carlton Cinema Limited (1)(a)	UK	100	Granada Properties (1)(a)	UK	100
Carlton Content Holdings Limited (1)(a)	UK	100	Granada Screen (2005) Limited (1)(a)	UK	100
Carlton Entertainment (1)(a)	UK	100	Granada Television International (1)(a)	UK	100
Carlton Film Distributors Limited (1)(a)	UK	100	Granada Television Limited (1)(a)	UK	100
Carlton Films Limited (1)(a)	UK	100	Granada Television Overseas Limited (1)(a)	UK	100
Carlton Finance Limited (1)(a)	UK	100	Granada Television Productions Limited (1)(a)	UK	100
Carlton Food Network Limited (1)(a)	UK	100	Granada UK Rental and Retail Limited (1)(a)(e)	UK	100
Carlton Productions Limited (1)(a)	UK	100	Indus Films Limited (2)(a)	UK	100
Carlton Programmes Development Limited (1)(a)	UK	100	Interactive Telephony Limited (1)(a)	UK	100
Carlton Screen Advertising (Holdings) Limited (1)(a)	UK	100	International Television Enterprises London Limited (1)(a)(d)	UK	100
Carltonco 103 (1)(a)	UK	100	ITC Distribution (1)(a)	UK	100
Carltonco 99 Limited (1)(a)	UK	100	ITC Entertainment Group Limited (1)(a)	UK	100
Carltonco Eighty-One Limited (1)(a)(b)	UK	100	ITC Entertainment Holdings Limited (1)(a)	UK	100

Notes to the Financial Statements continued

Company Name	Country	% Holding
ITV 112 Limited (9)(a)	UK	100
ITV (HC) Limited* (1)(a)	UK	100
ITV (Scotland) Limited (30)(a)	UK	100
ITV AL Limited (1)(a)	UK	100
ITV Bancroft 2 Limited (1)(a)	UK	100
ITV Barking Limited (1)(a)	UK	100
ITV Border Limited (1)(a)	UK	100
ITV Breakfast Broadcasting Limited (1)(a)	UK	100
ITV Breakfast Limited (1)(a)	UK	100
ITV Central Limited (1)(a)	UK	100
ITV Channels Limited (1)(a)	UK	100
ITV Confession Limited (1)(a)	UK	100
ITV Dark Heart Limited (1)(a)	UK	100
ITV DC Trustee Limited (1)(a)	UK	100
ITV Digital Holdings Limited (1)(a)	UK	100
ITV Enterprises Limited (1)(a)	UK	100
ITV F&B Limited (1)(a)	UK	100
ITV Global Content Limited (1)(a)	UK	100
ITV HG Limited (1)(a)	UK	100
ITV Holdings Limited (1)(a)	UK	100
ITV Home Fires Limited (1)(a)	UK	100
ITV International Channels Limited (1)(a)	UK	100
ITV Investments Limited* (1)(a)	UK	100
ITV Leila Limited (1)(a)	UK	100
ITV LTV (Scotland) Limited (30)(a)	UK	100
ITV Meridian Limited (1)(a)	UK	100
ITV Moorside Limited (1)(a)	UK	100
ITV Mr Selfridge Limited (1)(a)	UK	100
ITV News Channel Limited (1)(a)(k)	UK	100
ITV Pension Scheme Limited (1)(a)(b)	UK	100
ITV Play Limited (1)(a)	UK	100
ITV Productions Limited (1)(a)	UK	100
ITV Properties (Developments) Limited (1)(a)	UK	100
ITV Shetland Limited (1)(a)	UK	100
ITV Sport Channel Limited (1)(a)	UK	100
ITV Studios (Israel) Limited (1)(a)	UK	100
ITV Spy Limited (1)(a)	UK	100
ITV Studios NEWCO 16 Limited (1)(a)	UK	100
ITV Studios NEWCO 17 Limited (1)(a)	UK	100
ITV Studios NEWCO 18 Limited (1)(a)	UK	100
ITV Studios NEWCO 19 Limited (1)(a)	UK	100
ITV Studios NEWCO 20 Limited (1)(a)	UK	100
ITV Studios NEWCO 21 Limited (1)(a)	UK	100
ITV Supplementary Pension Scheme Limited (1)(a)	UK	100
ITV Text Santa Limited (1)(a)	UK	100
ITV The Bay Limited (1)(a)	UK	100
ITV The Man Limited (1)(a)	UK	100
ITV Thunderbirds Limited (1)(a)	UK	100
ITV Top Class Limited (1)(a)	UK	100
ITV Ventures Limited (1)(a)	UK	100
ITV Vera Limited (1)(a)	UK	100
ITV (Victor) Limited (1)(a)	UK	100
ITV Wales & West Group Limited (1)(a)	UK	100
ITV Wales & West Limited (1)(a)	UK	100
ITV Wild Bill Limited (1)(a)	UK	100
ITV3 Limited (1)(a)	UK	100
ITV4 Limited (1)(a)	UK	100
Juice Music UK Limited (1)(a)	UK	100
London News Network (1)(a)	UK	100
London Weekend Television Limited (1)(a)	UK	100
LWT (Holdings) Limited (1)(a)(c)	UK	100
LWT Productions Limited (1)(a)	UK	100
Mammoth Screen (ABC) Limited (1)(a)	UK	100

Company Name	Country	% Holding
Mammoth Screen (AR) Limited (1)(a)	UK	100
Mammoth Screen (ATTWN) Limited (1)(a)	UK	100
Mammoth Screen (Bouquet) Limited (1)(a)	UK	100
Mammoth Screen (BW) Limited (26)(a)	UK	100
Mammoth Screen (City) Limited (1)(a)	UK	100
Mammoth Screen (End) Ltd (1)(a)	UK	100
Mammoth Screen (End2) Limited (1)(a)	UK	100
Mammoth Screen (End5) Limited (1)(a)	UK	100
Mammoth Screen (End6) Limited (1)(a)	UK	100
Mammoth Screen (End7) Limited (1)(a)	UK	100
Mammoth Screen (Falcon) Limited (1)(a)	UK	100
Mammoth Screen (Fearless) Limited (1)(a)	UK	100
Mammoth Screen (Invisible) Limited (1)(a)	UK	100
Mammoth Screen Ltd (1)(a)	UK	100
Mammoth Screen (Monroe) Limited (1)(a)	UK	100
Mammoth Screen (NC) Limited (1)(a)	UK	100
Mammoth Screen (NE) Limited (1)(a)	UK	100
Mammoth Screen (NI) Limited (35)(a)	UK	100
Mammoth Screen (NOK) Limited (1)(a)	UK	100
Mammoth Screen (NW) Limited (1)(a)	UK	100
Mammoth Screen (OBI) Limited (1)(a)	UK	100
Mammoth Screen (PE) Limited (1)(a)	UK	100
Mammoth Screen (PH) Limited (1)(a)	UK	100
Mammoth Screen (Pol2) Limited (1)(a)	UK	100
Mammoth Screen (Pol3) Limited (1)(a)	UK	100
Mammoth Screen (Pol4) Limited (1)(a)	UK	100
Mammoth Screen (Pol5) Limited (1)(a)	UK	100
Mammoth Screen (Poldark) Limited (1)(a)	UK	100
Mammoth Screen (QV) Limited (1)(a)	UK	100
Mammoth Screen (RM) Limited (1)(a)	UK	100
Mammoth Screen (Serpent) Limited (1)(a)	UK	100
Mammoth Screen (SG) Limited (1)(a)	UK	100
Mammoth Screen (VF) Ltd (1)(a)	UK	100
Mammoth Screen (Vic3) Limited (1)(a)	UK	100
Mammoth Screen (WFTP) Limited (1)(a)	UK	100
Mammoth Screen (WH) Limited (1)(a)	UK	100
Mammoth Screen (WOF) Limited (1)(a)	UK	100
Mammoth Screen (WOTW) Limited (1)(a)	UK	100
Millbank Studios (1)(a)	UK	100
Morning TV Limited (1)(a)	UK	100
Moving Picture Company Films Limited (1)(a)	UK	100
New Providence Productions Limited (1)(a)	UK	100
Pickwick Packaging Limited (1)(a)	UK	100
Sightseers Film Limited (1)(a)	UK	100
So Television Limited (1)(a)	UK	100
Television Music Limited (1)(a)	UK	100
The CITV Channel Limited (1)(a)	UK	100
The Garden Productions (Film) Limited (1)(a)	UK	100
The Garden Productions Limited (1)(a)	UK	100
The London Studios Limited (1)(a)	UK	100
UTV Limited (34)(a)	UK	100
UTV Pension Scheme Limited (100)(a)	UK	100
VOD Member (ITVA) Limited (1)(a)	UK	100
VOD Member (ITVB) Limited (1)(a)	UK	100
World of Sport Wrestling Limited (1)(a)	UK	100
Westcountry Television Limited (1)(a)	UK	100
Yorkshire Television Limited (1)(a)	UK	100
Yorkshire-Tyne Tees Productions Limited (1)(a)	UK	100
Yorkshire-Tyne Tees Television Enterprises Limited (1)(a)	UK	100
Zebedee Productions Limited (1)(a)	UK	100
Artist Services Cable Pty Ltd (36)(a)	Australia	100
Artist Services Investments Pty Limited (36)(a)	Australia	100
Artist Services Productions Pty Ltd (36)(a)	Australia	100

Company Name	Country	% Holding
Granada Media International (Australia) Pty Ltd (36)(a)	Australia	100
Granada Media Investments (Australia) Pty Ltd (36)(a)	Australia	100
Granada Productions Pty Ltd (36)(a)	Australia	100
ITV Services Pty Ltd (36)(a)	Australia	100
ITV Studios Australia Pty Limited (36)(a)	Australia	100
ITV Studios Global Distribution Pty Limited (36)(a)	Australia	100
Totally Full Frontal Productions Pty Limited (36)(a)	Australia	100
Talpa Cabo Verde SA (113)(a)	Cape Verde	100
Granada December Nine Limited (38)(a)	Cayman Islands	100
ITV Holdings (Cayman) Limited (38)(a)	Cayman Islands	100
ITV Studios Denmark Holdings Aps (104)(a)	Denmark	100
United Productions ApS (42)(a)	Denmark	100
ITV Studios Finland Oy (43)(a)	Finland	100
Granada (Fiji) Pte Ltd. (116)(a)	Fiji	100
ITV Studios France Holdings SAS (95)(a)	France	100
ITV Studios France SAS (95)(a)	France	100
ITV Studios TV France (94)(a)	France	100
ITV Studios Germany GmbH (46)(a)	Germany	100
ITV Studios Germany Holdings GmbH (46)(a)	Germany	100
Talpa Germany Fiction GmbH (96)(a)	Germany	100
Talpa Germany GmbH & Co KG (47)(a)	Germany	100
Talpa Germany Infotainment GmbH (47)(a)	Germany	100
Talpa Germany Verwaltungs GmbH (47)(a)	Germany	100
Elecrent Insurance Limited (31)(a)	Guernsey	100
ITV Studios Global Distribution (Hong Kong) Limited (49)(a)	Hong Kong	100
Talpa China Limited (48)(a)	Hong Kong	100
North America Studios Investments DAC (110)(a)	Ireland	100
Armoza International Media Ltd (115)(a)	Israel	100
Channel Television Limited (32)(a)	Jersey	100
ITV London Properties Limited (33)(a)	Jersey	100
ITV Properties (Jersey) Limited (33)(a)	Jersey	100
April, May en June BV (57)(a)	Netherlands	100
Global Music & Talent Agency B.V. (90)(a)	Netherlands	100
ITV (Europe) Holdings B.V.* (55)(a)	Netherlands	100
ITV Studios Global Entertainment B.V. (52)(a)	Netherlands	100
ITV Studios Netherlands B.V. (52)(a)	Netherlands	100
ITV Studios Netherlands Content B.V. (52)(a)	Netherlands	100
ITV Studios Netherlands Drama B.V. (53)(a)	Netherlands	100
MasMedia B.V. (56)(a)	Netherlands	100
Stichting 'Derdengelden' TV Producties (52)(a)	Netherlands	100
Talpa Germany Holding B.V. (90)(a)	Netherlands	100
Talpa Non-Spot B.V. (52)(a)	Netherlands	100
Utopia B.V. (57)(a)	Netherlands	100
Vorst Media B.V. (99)(a)	Netherlands	100
ITV Studios Norway AS (73)(a)	Norway	100
ITV Studios Nordic AB (74)(a)	Sweden	100
ITV Studios Scandinavia Holdings AB (74)(a)	Sweden	100
ITV Studios Germany GmbH, Köln, Zweigniederlassung Zürich (75)(m)	Switzerland	100
ALB1819 Productions Inc. (63)(j)	USA	100
Anglia Television, Inc. (68)(j)	USA	100
Cardinal Productions of Ohio, Inc. (63)(j)	USA	100
Carlton Media Company, Inc. (63)(j)	USA	100
Chad Alan Productions, LLC (63)(h)	USA	100
Cranktown Productions Inc. (63)(j)	USA	100
Critical Productions Inc (63)(j)	USA	100
Electric Farm Entertainment Holdings Inc. (63)(j)	USA	100
Feeding Time Productions, LLC (86)(h)	USA	100
Film Productions Rentals, LLC (68)(h)	USA	100
Fourth State Productions Inc (108) (j)	USA	100
Gear Shop Inc. (63)(j)	USA	100
Granada Cracker US Productions (68)(j)	USA	100
Granada Television International, Inc. (63)(j)	USA	100

Company Name	Country	% Holding
Gurney Productions, LLC (68)(h)	USA	100
GWC Enterprises Inc. (63)(j)	USA	100
Hamdon Entertainment, Inc. (63)(j)	USA	100
High Noon Group, LLC (69)(h)	USA	100
High Noon Productions, LLC (69)(h)	USA	100
ITC Distribution, LLC (63)(h)	USA	100
ITC Entertainment Group, Inc (63)(j)	USA	100
ITC Films, LLC (63)(h)	USA	100
ITC Productions, LLC (63)(h)	USA	100
ITV Believe Holding, Inc. (63)(j)	USA	100
ITV Blumhouse Holding Inc (63)(j)	USA	100
ITV Diga Holding, Inc (63)(j)	USA	100
ITV Entertainment Services Inc.(63)(j)	USA	100
ITV Gurney Holding Inc. (63)(j)	USA	100
ITV HN Holding Inc. (63)(j)	USA	100
ITV International Corporation (63)(j)	USA	100
ITV Leftfield Holding Inc. (63)(j)	USA	100
ITV New Form Holding Inc. (63)(j)	USA	100
ITV NewTV Holding Inc. (63)(j)	USA	100
ITV Popco Holding Inc. (63)(j)	USA	100
ITV Southpoint Holding Inc (63)(j)	USA	100
ITV Studios America Inc. (63)(j)	USA	100
ITV Studios, Inc. (68)(j)	USA	100
ITV Studios The Voice USA, Inc. (68)(j)	USA	100
ITV SVOD Holding Inc. (63)(j)	USA	100
ITV Thinkfactory Holding Inc. (63)(j)	USA	100
ITV Tomorrow Holding, Inc. (63)(j)	USA	100
ITV US Holdings, Inc. (63)(j)	USA	100
ITV Videology Inc. (63)(j)	USA	100
JB Entertainment Holding Company, Inc. (63)(j)	USA	100
Kirkstall Road Enterprises, Inc. (63)(j)	USA	100
Krewed Inc (63)(j)	USA	100
Leftfield Entertainment, LLC (63)(h)	USA	100
Leftfield Pictures of NY Holdings, LLC (63)(h)	USA	100
Leftfield Pictures of NY, LLC (63)(h)	USA	100
Leftfield Ventures, LLC (63)(h)	USA	100
Loud Television, LLC (63)(h)	USA	100
LWT Enterprises Inc. (63)(j)	USA	100
Marriage Boot Camp Reality Stars, LLC (63)(h)	USA	100
Moving Pictures Services Inc. (63)(j)	USA	100
Outpost Entertainment LLC, (63)(h)	USA	100
Over the Pond Productions, Inc. (63)(j)	USA	100
Post 460 Inc (63)(j)	USA	100
Quay Street Enterprises, Inc. (63)(j)	USA	100
Sirens Media, LLC (63)(h)	USA	100
Solowe Productions Inc (63)(j)	USA	100
Sound and Stage Studios, LLC (63)(h)	USA	100
Southsquare Productions Inc. (63)(j)	USA	100
Thinkfactory Group, LLC (63)(h)	USA	100
Thinkfactory Media, LLC (63)(h)	USA	100
Trailer Park Productions, Inc (63)(j)	USA	100
Upper Ground Enterprises, Inc. (63)(j)	USA	100

Notes to the Financial Statements continued

Other subsidiaries, joint ventures, associates and other significant holdings

Company Name	Country	% Holding
Absolutely Rights Limited (6)(f)	UK	20
DTV Services Limited (17)(a)	UK	20
That Mitchell and Webb Company Limited (7)(a)	UK	20
Route 24 Limited (24)(a)	UK	24.9
Clearcast Limited (14)(a)	UK	25
Genial Productions Limited (111)(a)	UK	25
Koska Limited (105)(a)	UK	25
South Shore Productions Limited (114)(a)	UK	25
Cirkus International Limited (13)(a)	UK	28
Thinkbox TV Limited (23)(a)	UK	28.58
Independent Television News Limited (20)(a)	UK	40
Malacara Limited (2)(a)	UK	49
Cloth Cat Limited (5)(a)	UK	55
Cloth Cat LBB Limited (5)(a)	UK	55
Thud Media Limited (5)(a)	UK	55
Box Clever Technology Limited (8)(a)	UK	50
British Film-Makers Limited (1)(a)	UK	50
Digital 3 and 4 Limited (16)(a)	UK	50
Freesat (UK) Limited (18)(a)	UK	50
Harlequin Agency Limited (5)(a)	UK	50
Noho Film and Television Limited (28)(a)	UK	50
Pink Rose Bud Limited (2)(a)	UK	50
Standard Music Limited (29)(a)	UK	50
Zomboat Limited (28)(a)	UK	50
Second Act Productions Limited (1)(a)	UK	50.001
Second Act (Grace) Limited (1)(a)	UK	50.001
Gameface Productions Limited (1)(a)	UK	50.01
Crook Productions Limited (1)(a)	UK	50.01
Possessed Limited (1)(a)	UK	51
Monumental Television Limited (1)(a)	UK	51
MT Ghosts 2 Limited (1)(a)	UK	51
Cloth Cat Animation Limited (5)(a)	UK	55
Cirkus Limited (13)(a)	UK	55.67
Age Before Beauty Limited (4)(a)	UK	67.5
Gold Digger Productions Limited (4)(a)	UK	67.5
Mainstreet Pictures Limited (4)(a)	UK	67.5
Unforgotten 3 Limited (4)(a)	UK	67.5
Unforgotten 4 Limited (4)(a)	UK	67.5
Boom Pictures Limited (1)(a)	UK	75
Double Double Limited (1)(a)	UK	75
ITV TFG Holdings Limited (1)(a)	UK	75
TwoFour Broadcast Limited (3)(a)	UK	75
TwoFour Group Holdings Limited (1)(a)	UK	75
TwoFour Group Limited (3)(a)	UK	75
3sixtymedia Limited (1)(a)	UK	80
OSF (Wales) Limited (5)(a)	UK	85
Oxford Scientific Films Limited (5)(a)	UK	85
BritBox SVOD Limited (1)(a)	UK	90
WP Anne Limited (1)(a)	UK	92
WP Bodyguard Limited (1)(a)	UK	92
WP LOD5 Limited (1)(a)	UK	92
WP Faslane Limited (1)(a)	UK	92
WP LOD6 Limited (1)(a)	UK	92
WP (NEWCO 4) Limited (1)(a)	UK	92
WP (NEWCO 5) Limited (1)(a)	UK	92
WP (NEWCO 6) Limited (1)(a)	UK	92
WP (NEWCO 7) Limited (1)(a)	UK	92
WP Pembrokeshire Limited (1)(a)	UK	92
WP Secret Limited (1)(a)	UK	92
World Productions Limited (1)(a)	UK	92
World Productions (Northern Ireland) Limited (1)(a)	UK	92

Company Name	Country	% Holding
GC Films Pty Limited (36)(a)	Australia	49
LTP Productions Inc. (109)(h)	Canada	75
Apple Tree Productions ApS (101)(a)	Denmark	25
15.15 Productions (59)(a)	France	32.52
Balina Films SA (50)(a)	France	32.52
Beaubourg Audiovisuel (50)(a)	France	32.52
Beaubourg Fiction (50)(a)	France	32.52
Beaubourg Stories (50)(a)	France	32.52
SCI MD 60 (105)(a)	France	32.52
Gedesel (107)(a)	France	33.17
Funny Corp (105)(a)	France	33.17
Macondo Productions Audiovisuelles (105)(a)	France	33.17
Tangaro (105)(a)	France	42.28
Tetra Media Fiction (105)(a)	France	50.7
Shoot Again Productions (105)(a)	France	61.79
Phara Prod International (105)(a)	France	65.04
Tetra Media Studios SAS (105)(a)	France	65.04
Imago TV Film und Fernsehproduktion GmbH (45)(a)	Germany	90
The Lab Television 2013 Limited Partnership (78)(a)	Israel	50
Cattleya Srl (103)(a)	Italy	51
Radio Cattleya Srl (103)(a)	Italy	51
Talpa Italia Srl (79)(a)	Italy	50
Think Cattleya Srl (103)(a)	Italy	25.5
Pomper & Linders B.V. (98)(a)	Netherlands	20
Identity Mansion B.V. (92)(a)	Netherlands	25
Appletree Productions AB (74)(a)	Sweden	25
ITV Studios Sweden AB (74)(a)	Sweden	95
Maximum Media Production FZ-LLC (81)(a)	UAE	90
ITV Studios Arabia Holding Ltd (81)(a)	UAE	90
ITV Studios Middle East FZ-LLC (81)(a)	UAE	90
ITV Studios Lebanon S.A.R.L. (81)(a)	Lebanon	90
Blumhouse TV Holdings LLC (63)(h)	USA	45
Circle of Confusion Television Studios LLC (63)(h)	USA	49
South Circle Productions LLC (63)(h)	USA	49
BB Rights, LLC (63)(h)	USA	50
Britbox, LLC (89)(h)	USA	50
Jaffe/Braunstein Entertainment, LLC (67)(h)	USA	51
Twofour America, LLC (68)(h)	USA	75
Next Steps Productions, LLC (63)(h)	USA	75
Tomorrow Studios LLC (63)(h)	USA	75

Memberships, Partnerships and Companies Limited by Guarantee

Company Name	Country	% Holding
ITV LTVC Scottish Limited Partnership (30)(h)	UK	100
ITV Scottish Limited Partnership (30)(h)	UK	100
Digital Production Partnership Limited (1)(i)	UK	50
Producers Rights Agency Limited (25)(i)	UK	50
DTT Multiplex Operators Limited (17)(i)	UK	25
Digital UK Limited (17)(i)	UK	25
Futureflip Entertainment India LLP (117)(h)	India	100

Address key

- | | | | |
|------|---|-------|--|
| (1) | 2 Waterhouse Square, 140 Holborn, London, EC1N 2AE, United Kingdom | (95) | 38 quai du Point du Jour, 92100 Boulogne-Billancourt, France |
| (2) | 218 Penarth Road, Cardiff, CF11 8NN, United Kingdom | (96) | Gethiner Strasse 5, 10785, Berlin, Germany |
| (3) | Twofour Studios, Estover, Plymouth, Devon, PL6 7RG, United Kingdom | (98) | Keizersgracht 149a, 1015CL, Amsterdam, Netherlands |
| (4) | Kingsbourne House, 229–231 High Holborn, London, WC1V 7DA, United Kingdom | (99) | Hollandse Kade 34, 1391JM, Abcoude, Netherlands |
| (5) | Gloworks, Porth Teigr Way, Cardiff, Wales, CF10 4GA, United Kingdom | (100) | City Quays 2, 8th Floor, 2 Clarendon Road, Belfast, BT1 3YD, United Kingdom |
| (6) | 18 The Glasshouse Studios, Fryern Court Road, Fordingbridge, Hampshire, SP6 1NG, United Kingdom | (101) | Aumento Advokatfirma, Ny Osteragde 3,4, 1101, Kobenhavn, Denmark |
| (7) | 26 Nassau Street, London, W1W 7AQ, United Kingdom | (103) | Piazzale Valerio Massimo, 7, 00162, Roma, Italy |
| (8) | 5 New Street Square, London, EC4A 3TW, United Kingdom | (104) | DLA Piper Denmark, Radhuspladsen 4, 1550 Kobenhavn V, Denmark |
| (9) | 20 Cathedral Road, Cardiff, CF11 9LJ, United Kingdom | (105) | 60 rue Marcel Dassault, 92100, Boulogne-Billancourt, France |
| (13) | The Met Building, 22 Percy Street, London, W1T 2BU, United Kingdom | (107) | 4 rue de Commaille, 75007, Paris, France |
| (14) | 4 Roger Street, 2nd Floor, London, WC1X 2JX, United Kingdom | (108) | CT Corporation System, 289 S. Culver Street, Lawrenceville, GA, 30046-4805, USA |
| (16) | 124 Horseferry Road, London, SW1P 2TX, United Kingdom | (109) | Orange Tower, Media City UK, Salford M50 2HF |
| (17) | 27 Mortimer Street, London, W1T 3JF, United Kingdom | (110) | 4th Floor, 76 Lower Baggot Street, Dublin, Dublin 2, Republic of Ireland |
| (18) | 23-24 Newman Street, London, W1T 1PJ, United Kingdom | (111) | 39 Long Acre, London, WC2E 9LG, United Kingdom |
| (20) | 200 Gray's Inn Road, London, WC1X 8HF, United Kingdom | (113) | Avenida Cidade de Lisboa, Frente Sucupira, 2º andar, Cidade de Praia, Cape Verde |
| (21) | Clay Barn, Ipsley Court, Berrington Close, Redditch, Worcestershire, B98 0TD, United Kingdom | (114) | 14 Red Lion Square, London, WC1R 4QH, United Kingdom |
| (23) | Manning House, 22 Carlisle Place, London, SW1P 1JA, United Kingdom | (115) | 16 Haarbaa St, Tel Aviv 6473916, Israel |
| (24) | York House, Empire Way, Wembley, Middlesex, HA9 0FQ, United Kingdom | (116) | Level 3, Pacific House, Butt Street, Suva, Fiji |
| (25) | Fitzrovia House, (3rd Floor), 153-157 Cleveland Street, London, W1T 6QW, United Kingdom | (117) | #1302, Tower-3, Indiabulls Finance Centre, Senapati Bapat Road, Elphinstone Road (West), Mumbai, Mumbai City, Maharashtra 40013, India |
| (26) | Round Foundry Media Centre, Foundry Street, Leeds, LS11 5QP, United Kingdom | | |
| (28) | 59 Charlotte Street, (Third Floor), London, W1T 4PE, United Kingdom | | |
| (29) | Roundhouse, 212 Regent's Park Road, London, NW1 8AW, United Kingdom | | |
| (30) | Quartermile One, 15 Lauriston Place, Edinburgh, Scotland, EH3 9EP, United Kingdom | | |
| (31) | P.O. Box 308, St. Peter Port House, Union Street, St. Peter Port, GY1 3TA, Guernsey | | |
| (32) | Le Capelain House, Castle Quay, St. Helier, JE2 3EH, Jersey | | |
| (33) | Ogier House, The Esplanade, St. Helier, JE4 9WG, Jersey | | |
| (34) | City Quays 2, 8th Floor, 2 Clarendon Road, Belfast, BT1 3YD, United Kingdom | | |
| (35) | Office 306, Forsyth House, Cromac Square, Belfast, Northern Ireland, BT2 8LA, United Kingdom | | |
| (36) | Level 5, Building 61, Fox Studios Australia, 38 Driver Avenue, Moore Park NSW 2021, Australia | | |
| (38) | c/o Esera Trust (Caymen) Limited, Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman, KY1-1108 | | |
| (42) | Finsensvej 6E, 2000, Frederiksberg, Denmark | | |
| (43) | Elimaenkatu 9 A, Helsinki, 00510, Finland | | |
| (45) | Keplerstrasse 4-6, 10589, Berlin, Germany | | |
| (46) | Agrippastrasse, 87-93, 50676, Köln, Germany | | |
| (47) | Jenfelder Allee 80, 22039, Hamburg, Germany | | |
| (48) | 11/F, Unit B, Winbase Centre, 208 Queen's Road Central, Sheung Wan, Hong Kong | | |
| (49) | Rooms 517-520, 5th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong | | |
| (50) | 5-7 rue Saint-Augustin, 75002, Paris, France | | |
| (52) | Familie de Mollaen 1, 1217 ZB, Hilversum, Netherlands | | |
| (53) | Haarlemmer Houttuinen, 21 1013 GL, Amsterdam, Netherlands | | |
| (55) | Hoogoorddreef 15, 1101 BA, Amsterdam, Netherlands | | |
| (56) | Noorderweg 8, 1221 AA, Hilversum, Netherlands | | |
| (57) | Zevenend 45, 1251 RL, Laren, North Holland, Netherlands | | |
| (59) | 10 rue Maître Jacques, 92100 Boulogne, Billancourt, France | | |
| (63) | The Corporation Trust Company, Corporate Trust Center, 1209 Orange Street, Wilmington, Newcastle, DE 19801, USA | | |
| (66) | United Corporate Services, Inc., 874 Walker Road (Suite C), Dover, Kent DE 19904, USA | | |
| (67) | 321 Southern Beverly Drive, Suite M, Beverly Hills, CA 90212, USA | | |
| (68) | CT Corporation System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017, USA | | |
| (69) | The Hodson Law Firm, 1129, East 17th Avenue, Denver, CO 80014, USA | | |
| (73) | Lars Hilles Gate 30, 5008, Bergan, Norway | | |
| (74) | Soder Malarstrand 65, 11825, Stockholm, Sweden | | |
| (75) | Scharenmoosstrasse 105, 8052, Zurich, Switzerland | | |
| (78) | 23 Habarzel Street, Tel Aviv, 69710, Israel | | |
| (79) | Via Enrico, Tazzoli 6, Rome, Italy | | |
| (81) | Building 2, Dubai Media City, Dubai, UAE | | |
| (86) | CT Corporation System, 3867 Plaza Tower Drive East Baton Rouge Parish, Baton Rouge, LA 70816, USA | | |
| (89) | 1120 Avenue of Americas, 5th Floor, New York, NY10036, USA | | |
| (90) | Family de Mollaen 1, 1217 ZB Hilversum, Netherlands | | |
| (92) | Westersingel 108, 3015 LD Rotterdam, Netherlands | | |
| (94) | 12 Boulevard des Iles, 92130 Issy-les-Moulineaux, Paris, France | | |

Interest key

- | | | | |
|-----|----------------------------------|-----|------------------------|
| (a) | Ordinary | (h) | Membership/Partnership |
| (b) | Deferred | (i) | Guarantee |
| (c) | Special deferred | (j) | Common |
| (d) | Redeemable preference | (k) | preference |
| (e) | Cumulative preference | (l) | Part preference |
| (f) | Cumulative redeemable preference | (m) | Branch |
| (g) | Convertible preference | * | Direct subsidiary |

Glossary

Advertiser funded platform – platforms that include advertising as part of the user experience e.g. itv.com, iOS, and Android

Advertising video on demand (AVOD) – advertiser funded service where subscribers have access to a wide range of content whenever they request it without charge

Broadcasters' Audience Research Board (BARB) – organisation owned by broadcasters and advertisers providing data on linear and online television viewing statistics by UK households

Catch up viewing – non-live viewing of recently broadcast television programmes, either via a recording device, often called a personal video recorder (PVR) or digital video recorder (DVR), such as Sky or through a Video on Demand service such as the ITV Hub, BBC iPlayer, All 4 or My5

Channel 3 licences – the 15 regional licences and one national licence awarded to transmit Channel 3 across the UK. All are owned by ITV with the exception of two of the regional licences which are owned by STV

Free-to-Air (FTA) television – viewing of television through devices not requiring a subscription such as the Freeview or Freesat services

Intellectual Property (IP) – intangible property that is the result of creativity

Inventory – Advertising inventory is the number of advertisements, or amount of advertising space, we have available to sell to advertisers

Impact or Commercial Impact – one Commercial Impact is defined as one viewer watching one 30-second television commercial

ITV Family – the ITV family of channels which includes ITV, ITV2, ITV3, ITV4, ITVBe, ITV Encore, CITV, ITV Breakfast, CITV Breakfast and all associated +1 and HD equivalents

Key demographics – ITV monitors viewing performance across a group of audiences that constitute the majority of our targeted advertising revenue. In addition to individuals and adults, we also consider 16–34 year olds, social grades ABC1 and house-persons with children

Light viewer – the lightest 20% of viewers to ITV across a rolling 12 month period

Linear television – television service where the viewer has to watch a scheduled TV programme at the particular time it's offered, and on the particular channel it's presented on

Long-form online viewing (consumption) – total number of hours ITV VOD content is viewed on owned and operated ad funded platforms, and Hub+ viewing on owned and operated platforms, based on data from Crocus

Monthly Active User – a registered user account that has accessed the ITV Hub on an owned and operated app (mobile or connected TV), or web platform in any given month. The number is deduplicated across platforms (user is only counted once if they watch on multiple platforms)

Net Advertising Revenue (NAR) – the amount of money received by a broadcaster as payment for television spot advertising net of any commission paid to agencies

Total Schedule Costs/Total Network Programme Budget (NPB) – the budget spent on programming broadcast on the ITV family of channels, including spend on regional programming and ITV Breakfast

Non-consolidated licensees – the two regional channel 3 licences which ITV does not own. These licences are owned by STV and revenues received from these licences for ITV programming content are referred to as minority revenues

Ofcom – communications regulator in the UK who regulate the TV, radio and video-on-demand sectors, fixed-line telecoms (phones), mobiles and postal services, plus the airwaves over which wireless devices operate

Over-the-top (OTT) – delivery of audio, video, and other media over the internet, this includes content from providers such as Netflix, Amazon and Hulu and also our own on demand service, the ITV Hub

SDN – multiplex operator owned by ITV, which operates one of the eight national multiplex licences in the UK on Freeview

Share of Broadcast (SOB) – ITV's share of UK television advertising revenue (NAR), a measure of market share

Share of Commercial Impacts (SOC) – the term used to define the share of total UK television commercial impacts delivered by one channel or group of channels. This measure excludes viewing of BBC channels as they do not generate commercial impacts. Unless stated otherwise, SOC figures cited throughout this report are based on BARB data and are based on the universe of Adults (16+)

Share of Viewing (SOV) – the share of the total viewing audience during a defined period gained by a programme or channel. This measure includes viewing of BBC channels. Unless stated otherwise, SOV figures cited throughout this report are based on BARB data and are based on the universe of individuals

Simulcast – streaming live TV channels via a broadcaster's on demand service, at the same time as broadcast on linear TV

Spot advertising – linear television advertising occupying a short break during or between programmes

Subscription Video on Demand (SVOD) – a paid for service where subscribers have access to a wide range of content whenever they request it

Total Advertising Revenue (TAR) – the amount of money received by a broadcaster as payment for NAR, VOD and Sponsorship

Video on Demand (VOD) – the ability to deliver video content to a customer's television set, computer or device when the customer requests it

YouView – a joint venture (with the BBC, Channel 4, Channel 5, BT, TalkTalk, and Arqiva) to operate and promote a hybrid television platform combining Freeview channels with catch up and on demand service



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