Parent Company No. 4967001 (ITV plc)

Audit Exemption disclosure can be found

on page 243 of the ITV plc Annual Report and Accounts for the year ended 31 December 2021

(being the relevant year for the subsidiary company's financial period)

Parent Company Consolidated Accounts in relation to

the filing of audit exempt accounts of

ITV Ralph and Katie Limited

(company number: 13087782)

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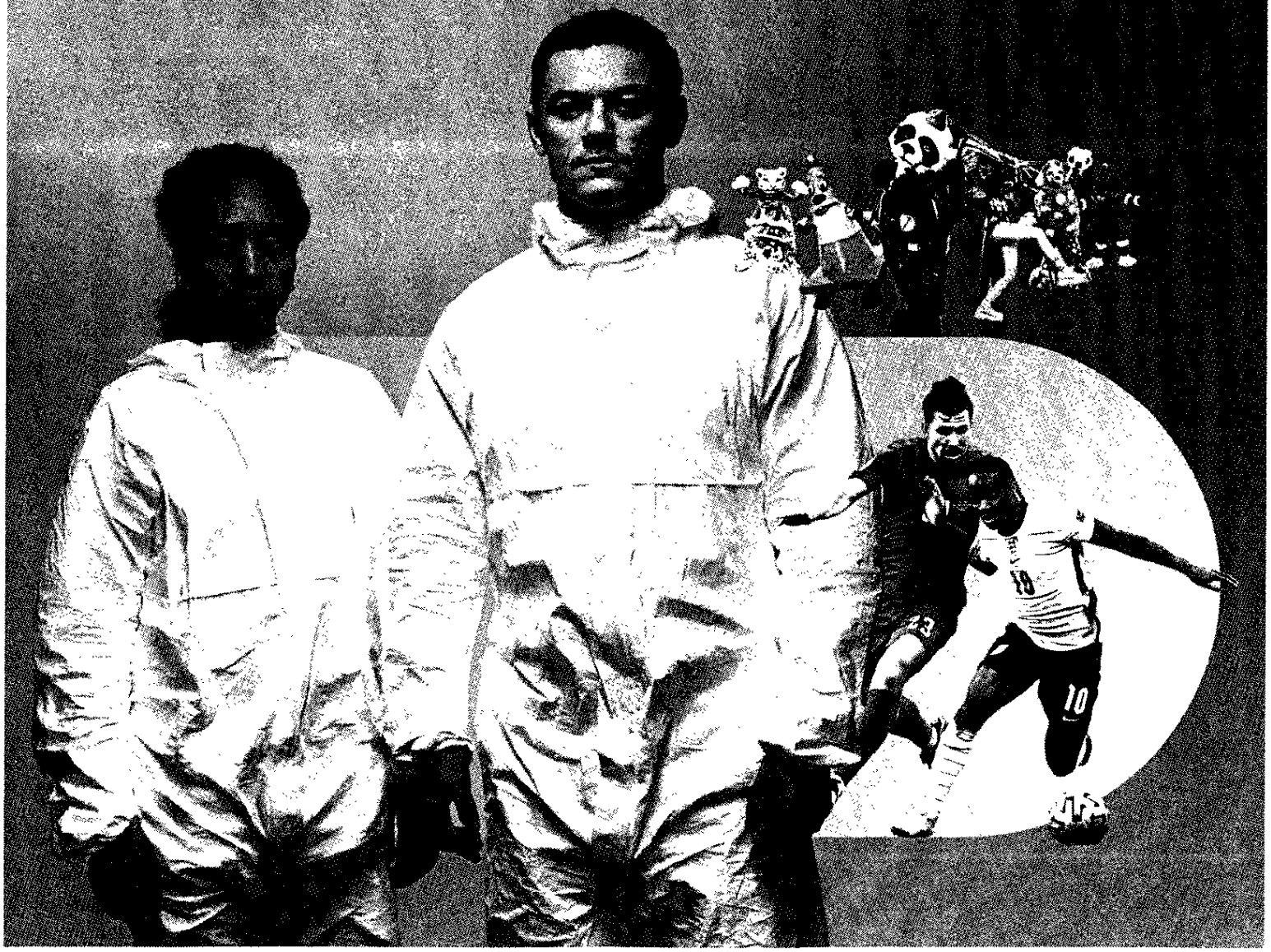
ITV plc Annual Report and Accounts for the year ended 31 December 2021

Digital Acceleration

Phase Two of ITV's More Than TV strategy



We are More Than TV

br l nt
con en
and
creativit

Key financial highlights

Notes

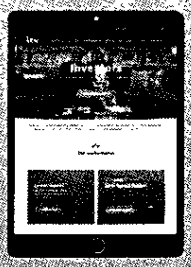
Alternative Performance Measures (APMs)
We use both statutory and adjusted measures in our Strategic Report. The latter, in management's view, reflects the underlying performance of the business and provides a more meaningful comparison of how the business is managed and measured day-to-day. A full reconciliation between our reported and adjusted results is provided in our Alternative Performance Measures section from page 59. Our KPIs are set out from page 26.

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

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

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

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



Corporate website
We maintain an extensive 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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2021 Highlights

January

The Chase

The Chase launches in the US on ABC, attracting 6.2 million viewers for the first episode. It was subsequently recommissioned for a second series.

The Pembrokeshire Murders

The Pembrokeshire Murders is ITV's biggest new drama since 2013, averaging 12.1 million viewers across the series.

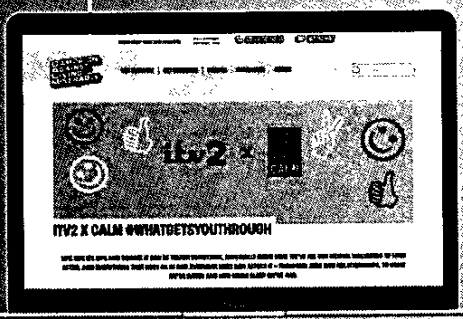
February

News at Ten

News at Ten [illegible] of the Year award [illegible] Journalism Awards.

ITV2 and CALM

ITV2 and CALM [illegible] million young people [illegible] support their mental health.



March

Winner winners

[illegible] the Government's what works [illegible] Media by Equity programme.

April

Cattleya

Arturo Diaz joins Cattleya, (part of ITV Studios International), to launch a new scripted production company in Spain, called Cattleya Producciones.

May

Line of Duty

The finale of Line of Duty, produced by World Productions (part of ITV Studios UK) for BBC One, is watched by an average of 12.8 million viewers. It is the most-watched episode of any drama (ex. Soaps) since records began.

June

Love Island returns

Love Island UK returns to ITV after missing a year due to COVID-19. The top episode is watched by 5.2 million across all platforms and is the biggest digital audience in 2021.

July

Diversity Acceleration Plan

ITV publishes its first Diversity Acceleration Plan Report.

The Euros 2020

The Euros 2020 semi-final between England and Denmark peaks with 27.6 million viewers and becomes the most-watched football match ever shown by one broadcaster.

August

BritBox

BritBox International launches in South Africa. The service is also available in the US, Canada and Australia and will be launching in the Nordics in the first half of 2022.

September

England Women's football

ITV becomes the home of England Women's football team, to broadcast tournament qualifiers and friendlies in a new four-year deal.

October

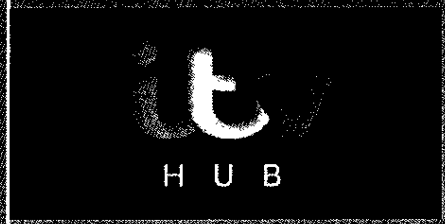
Weather Targeting

ITV launches real-time Weather Targeting on the ITV Hub via Planet V. ITV is the first UK broadcaster to launch a product that allows advertisers to automate campaigns once specified weather criteria is met.

November

5 Acts Productions

David P. Davis is announced as joining ITV Studios in the UK to launch a new scripted label, 5 Acts Productions.



December

ITV Hub

ITV Hub has its most successful year ever with the number of hours of content on the service doubling. Viewing on ITV Hub contributed to streaming viewing hours being up 22% in the year.

ITV at a Glance

ITV is an integrated producer broadcaster (IPB) consisting of ITV Studios and Media & Entertainment (M&E). Through ITV Studios we create, own and distribute high-quality content for broadcasters and platform owners globally. Through M&E, we distribute content across our channels and platforms, with an increasing focus on driving streaming viewing and revenues. The integration of these two businesses provides an attractive destination for talent and offers advertisers a unique opportunity to integrate their brand into our shows.

ITV Studios

One of the biggest global creators, producers and distributors in the world

Over 55% of ITV Studios total revenue and 85% of ITV Studios external revenue is from outside the UK

60 labels
across 13 countries supplying over 200 channels and platforms

285+ unique formats
across our format catalogues

90,000+ hours
of active content in our catalogue

We have built significant scale globally; we have a production presence in six out of the top ten largest TV content markets as well as being one of the largest independent producers in the world. We create, produce, and distribute a broad range of programmes, including drama, entertainment and factual. Our customer base is diverse, producing for international television *broadcasters and global* streaming platforms.

ITV Studios creates and produces content across 13 countries, while our global formats and distribution business sells, commercialises and distributes over 285 formats and over 90,000 hours of finished programmes worldwide.

ITV Studios UK

ITV Studios UK is the largest commercial producer in the UK. We have 28 labels and create and produce programming across a diverse range of genres, for ITV channels, other UK public service broadcasters (PSBs), *including the BBC, Channel 4,* Channel 5, along with global streaming platforms.

ITV Studios US

ITV Studios US creates and produces content for all the major networks, cable channels and streaming platforms across the US. The business is underpinned by ITV America, which develops and produces unscripted content and has *a portfolio of successful formats* and returning series; and ITV Studios America, which produces high-end scripted programming with the potential to travel and build international appeal.

ITV Studios International

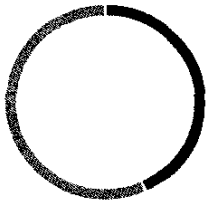
ITV Studios also operates in the Netherlands, Germany, France, Italy, Spain, Israel and the Nordics and Australia, producing entertainment, unscripted and scripted content for local broadcasters and streaming platforms. This is either locally created content, or formats that have been created elsewhere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

Global formats and distribution

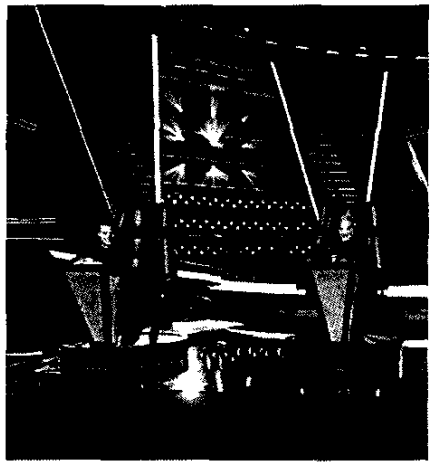
Global formats focus on the sale and exploitation of unscripted formats around the world. It also generates revenue from licensing our brands for games, live events and merchandise. The distribution business focuses on the *international distribution of* drama, third-party content and the finished tape versions of all other ITV Studios shows to broadcasters and platforms internationally. Within this business, we also finance ITV and third-parties productions to acquire global distribution rights.

ITV total revenue

ITV Studios
£1,760m
(2020: £1,375m)



M&E
£2,282m
[illegible]



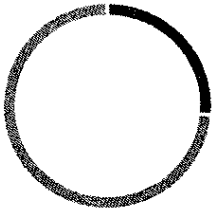
I'm A Celebrity...Get Me Out Of Here! is a global format for ITV Studios and is in 15 countries. The UK series has been broadcast annually for nearly 20 years.

ITV adjusted EBITA*

ITV Studios

£215m

(2020: £152m)



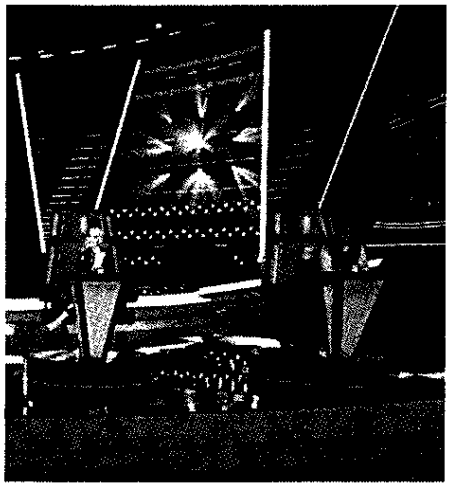
M&E

£598m

(2020: £[illegible])

* A full reconciliation between our adjusted and statutory numbers is included in our APMs on page 59.

The Voice remains one of the most successful formats in the world. It is in over 70 countries with six spin-off versions.



Media & Entertainment

33.1%

share of commercial viewing for the ITV family in 2021 (2020: 32.8%)

>3.6m

subscriptions globally across our SVOD services

9.6m

monthly active users across all streaming platforms (2020: 8.3m)

Media & Entertainment (M&E) is the home of ITV's family of channels and platforms – the largest family of free-to-air commercial channels in the UK, with programming delivered across multiple platforms. M&E is made up of two parts – Streaming and Broadcast.

Our streaming platforms are our advertiser-funded platform, ITV Hub, and our subscription services, ITV Hub+ and BritBox UK.

ITV Hub is the online home of all our channels, live and on demand and appeals to audiences who do most or all of their viewing on demand. ITV Hub+ is the ad-free version of ITV Hub.

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

We also generate revenue through in-programme competitions and voting, and increasingly through ITV Win, our digital competitions platform.

In 2022, we will supercharge streaming by integrating ITV Hub, ITV Hub+ and BritBox UK into one platform – ITVX. It will create a simplified consumer proposition that will be advertising video on demand (AVOD) led, with a compelling subscription video on demand (SVOD) proposition.

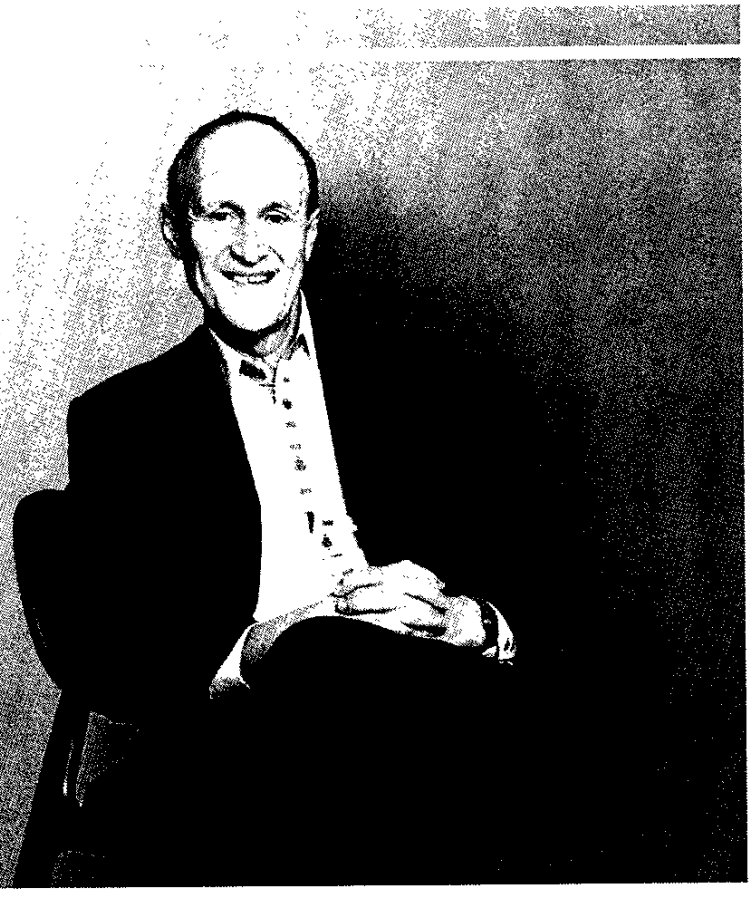
Broadcast is the home of our linear channels and continues to deliver ITV's USP of mass simultaneous reach and unmissable content.

ITV's family of channels are advertiser-funded and consist of ITV, ITV2, ITV3, ITV4, ITVBe, and CITV. ITV offers unique audience scale and simultaneous reach to television advertisers, as well as targeted advertising on the ITV Hub. These revenue streams enable our investment in high-quality programming across a range of genres, which underpins the success of both Broadcast and Streaming.

In addition to BritBox UK, ITV has an SVOD joint venture with the BBC, BritBox International. This is available in the US, Canada, Australia and South Africa, and will launch in the Nordics in the first half of 2022. It provides local audiences with an unrivalled collection of British box sets and original series all in one place.

Chairman's Statement

Our purpose is clear: we entertain and connect with millions of people globally, reflecting and shaping culture with brilliant content and creativity.



Sir Peter Bazalgette, Chairman

2021 has been a year that we can look back on with immense pride as ITV has continued to make significant progress in executing its More Than TV strategy. We've delivered a strong financial performance, despite the challenges of COVID-19.

Quality content is at the heart of everything we do. We delight audiences globally through the creativity of ITV Studios and BritBox International. And in the UK, where we see ourselves as a national media champion, we also have a focus on democracy, culture and the economy – delivering in all the ways we can for our stakeholders. To succeed in this, we have to invest and modernise at pace to retain our pre-eminent position. We're very focused on executing Phase Two of our More Than TV strategy – Digital Acceleration, particularly the launch of ITVX and our vision of being a leader in streaming in the UK and an expanding force in global content.

Our relationship with our stakeholders in the UK and internationally is vital to building a successful and sustainable business – they're our viewers, subscribers, customers and partners, citizens, legislators and regulators, colleagues and programme participants, suppliers, shareholders and debt investors. As a Board we're very focused on how we engage to deliver a positive impact for them. How have we done in 2021?

Viewers, subscribers, customers and partners

ITV Studios' distinctive programmes are a core part of the content we offer on our own channels and streaming services. And as an integrated producer broadcaster, we're in a strong position to invest in and launch successful shows. This also drives value from different revenue streams. Over two-thirds of ITV Studios' revenues now come from external customers. ITV has increasingly diversified by genre, geography and customer, supplying compelling content to broadcasters and platform owners globally.

In 2021 we continued to be at the heart of national life in the UK through good times and bad, attracting large and broad audiences as we entertained viewers through our high quality and varied schedule. This is both on our broadcast channels and increasingly through our streaming platforms – ITV Hub, ITV Hub+ and BritBox UK – as we build closer relationships with our consumers. Competition for viewers' time, though, continues to increase. Our priority is to deliver the content our consumers want, however they want to consume it. The increased use of data enhances how we do this by delivering a better experience for our viewers, through increased personalisation and the continuous improvement of our platforms. We also engage directly with consumers globally who are passionate about British television, through BritBox International and its fast growing subscriber base.

Our Media & Entertainment business is advertising-led, with a compelling SVOD proposition. We're building closer relationships with our advertisers. We provide them with more creative marketing opportunities, helping build their brands and drive their sales. Planet V, our addressable advertising platform, is a leading provider of programmatic video advertising, second only to Google in the UK. Therefore, we're now able to offer advertisers targeted advertising campaigns and our resilient mass simultaneous audience, all with the assurance of a brand-safe andmeasured environment.

We're very pleased to have agreed two new multi-year commercial deals with Sky and Virgin Media O2 during 2021. This makes our content more accessible to their customers through ITV Hub and yields increased benefits to advertisers through Planet V.

We continue to build strong relationships with our suppliers and partners, working with those that not only deliver a great service and innovation at the right cost but also meet our high standards of professionalism and align with our Social Purpose goals. This year we published our first Supplier Code of Conduct, which sets out minimum standards expected with regards to human rights, diversity, sustainability and information security. To that end, we've enhanced our standard terms of trade.

Citizens

Reaching nearly 40 million viewers in the UK each week gives us a great opportunity. We are in a position to raise awareness and inspire positive change in the wider community, as well as shaping ITV itself for the better.

We continue to build our better health campaigns such as Eat Them To Defeat Them (healthy eating) and our flagship campaign, Britain Get Talking (mental health). We have a new partnership between ITV2 and CALM to encourage young people to take action on their mental health. In 2021 we again promoted Black History Month on and off-screen with newly commissioned programmes from some of ITV's biggest stars – Will i am, Ashley Banjo and Charlene White. And through our Diversity Acceleration Plan, launched in 2020, we are continuing to create more opportunities for those from diverse backgrounds.

2021 has been a very important year globally for Climate Action. To mark COP26 we held ITV Climate Action Week with a range of on-screen content, commercial activities and campaigns dedicated to helping citizens take action. We also joined other UK broadcasters in initiating the Climate Content Pledge to promote positive action on-screen and have committed to align our Net Zero targets with the Science Based Targets Initiative. We carefully consider the business risks and opportunities from climate change by complying with the requirements of the Task Force for Climate-Related Financial Disclosures (TCFD).

Legislators and regulators

As a public service broadcaster (PSB) and a responsible business, ITV acts on its obligations – from paying appropriate tax to providing high-quality trusted and impartial news. We engage with regulators, politicians and policy makers on a wide range of issues which impact ITV.

We're very encouraged that in 2021 Ofcom recommended to government that in their upcoming PSB Review they recast the regime for public service broadcasting in the UK as a new Public Service Media regime fit for a digital era. Within this, Ofcom has recommended an extension to rules around prominence and platform inclusion to cover on demand and streamed content on major online platforms.

Colleagues, programme participants and everyone we work with

COVID-19 has continued to pose many challenges across the business. But the resilience, determination and team spirit of our colleagues has ensured that we made very significant progress in delivering our purpose and completed Phase One of our More Than TV strategy during 2021. My heartfelt thanks to everyone for their hard work and commitment.

The health and well being of our colleagues is a priority. As many have continued to work remotely, it's essential that colleagues feel connected and supported. This we have done through regular vodcasts by Carolyn McCall, our CEO and the wider leadership team; virtual training and workshops; and easily accessible and frequent wellbeing advice through ITV Feel Good. In Autumn 2021 we undertook a Company-wide employee survey. While we are encouraged by the results, they also highlight opportunities to improve. This will be a valuable focus for 2022.

As a Board we believe that we should have an open two-way dialogue with our colleagues which helps inform our discussions and decision-making. Edward Bonham-Carter, who is our Senior Independent Director and Workforce Engagement Director, works closely with the colleague Ambassador network and regularly provides feedback to the Board.

Our Duty of Care Operating Board and Mental Health Advisory Board continue to provide practical guidance and support on all aspects of our approach to mental health and wellbeing for our colleagues, programme participants, and viewing public. This is reflected in our policies and decision-making.

Shareholders and debt investors

ITV is focused on driving shareholder value through delivering its strategic priorities and in 2021 made very good progress in an uncertain environment. Total external revenue grew strongly by 24%. Adjusted earnings per share increased 40%, reflecting this progress and the rebound in the economy. The Board recognises the importance of the ordinary dividend for ITV shareholders and is pleased to reinstate it with a proposed 3.3p final dividend for 2021.

Understanding the views and interests of shareholders and debt providers ensures that the business continues to be successful in the long term. Therefore, shareholder feedback is regularly considered during Board meetings and is an important factor in decision-making. ITV management and the Board engages regularly with ITV's shareholders, through one-to-one meetings, conferences and the Annual General Meeting, which again was held virtually due to COVID-19 restrictions. In 2021, ITV also hosted two investor seminars with the wider management team. These provided a deeper understanding of our Commercial and Advertising strategy and of ITV Studios and an opportunity for investors to raise questions with the divisional teams. The Group COO and CFO also had regular dialogue with the Rating Agencies and the Core Banking Group throughout 2021, providing updates on the performance of the business, specifically in relation to COVID-19.

Over the past six years ITV has robustly negotiated the economic uncertainty of Brexit and the unprecedented disruption of COVID-19. Despite these challenges the current executive team has resolutely invested in a dynamic programme of digital modernisation. And we're committed, as a board, to devoting appropriate resources for growth in years to come.

With global demand for quality content continuing to increase, and a greater than ever need for home-grown media champions in a volatile world, ITV is looking forward to a strong future.

Sir Peter Bazalgette
Chairman

Our relationship with our stakeholders in the UK and internationally is vital to building a successful and sustainable business

Chief Executive's Report

2021 was an outstanding year for ITV both on and off-screen. Our ITV Studios and Media & Entertainment businesses both performed strongly operationally and financially.

Carolyn McCall, Chief Executive

2021 Financial highlights[1]

ITV's operational and financial performance in 2021 saw a significant rebound after the adverse impact of the COVID-19 pandemic in 2020. While government-imposed lockdowns and containment measures in the UK and internationally continued sporadically during the year, the majority of our productions returned, operating efficiently and mitigating many of the challenges that COVID-19 still posed globally.

ITV Studios total revenue was up 28% with double-digit growth across all areas of the business.

For Media & Entertainment (M&E), the combination of our linear channels' mass simultaneous reach, ITV Hub's brand-safe targeted advertising proposition and the strong economic tailwind, meant 2021 had the highest advertising revenue in ITV's history, up 24% to £1,957 million, despite the lockdown in Q1. This included strong AVOD revenue growth which was up 41%. Total M&E digital revenues, which includes AVOD, SVOD and other digital revenues was £347 million in 2021, which was up 40% in the year.

Total group external revenue increased 24% in the year to £3,453 million.

Statutory operating profit increased by 46% to £519 million, adjusted EBITA increased 42% to £813 million, including £48 million of cost savings which more than offset £24 million of investments. ITV Studios adjusted EBITA increased by 41% and M&E adjusted EBITA increased by 42%. Statutory and adjusted EPS increased by 32% to 9.4p and by 40% to 15.3p respectively.

The venture loss of BritBox UK was £61 million in line with our guidance of £55 million to £60 million.

We remained highly cash generative in the year, with profit to cash conversion of 80%. At 31 December 2021, our net debt was £414 million (31 December 2020: £545 million) and our net debt to adjusted EBITDA was 0.5x (31 December 2020: 0.9x).

We remain committed to investing organically in content, data and technology in line with our strategic priorities while maintaining a credit rating investment-grade balance sheet. We want to sustain a regular ordinary dividend that can grow over the medium term and we continue to consider value creating inorganic investment against strict financial and strategic criteria, with surplus capital being returned to shareholders.

Reflecting ITV's strong operational and financial performance in the year, and in line with previous guidance, the Board intends to propose a final dividend of 3.3p for the full year 2021, based on two-thirds of a notional full year dividend of 5.0p.

1. See APMs on page 59 for a full reconciliation between our statutory and adjusted results.

ITV's purpose

Our purpose is to entertain and connect with millions of people globally, reflecting and shaping culture with brilliant content and creativity.

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

As a public service broadcaster (PSB), ITV contributes to the UK's culture and society, creating shared national moments, highlighting difficult issues, and running programmes and campaigns for mental and physical wellbeing. We make programmes across the whole of the UK, reflecting British culture and experiences, that are available for free to everyone. We contribute to the health of democracy, providing trusted, impartial and high-quality local and national news. And we play an important part in economic growth, investing in regional creative economies and the independent production sector.

Driving positive change through our Social Purpose priorities

Businesses have an important role in driving positive change and at ITV, our Environmental, Social and Governance (ESG) strategy is an essential part of our purpose and ability to deliver our business goals. ITV does much more than entertain – it makes a difference to British society in a way that global competitors can not.

We have a unique ability to drive meaningful change by reflecting and shaping culture, raising awareness and inspiring positive change through the massive reach of our platforms. Our four Social Purpose priorities – Better Health, Diversity & Inclusion, Climate Action and Giving Back – help us to express that, both on-screen and off-screen. During the year we launched many initiatives to continue to amplify ITV's Social Purpose and deliver against our priorities.

These included:

- Multiple campaigns to drive mental and physical health, including our flagship mental health campaign, Britain Get Talking, which has encouraged 106 million new or better conversations to take place since its launch in 2019. Other campaigns included Eat Them To Defeat Them and 1 Million Minutes, where close to 200,000 viewers pledged to volunteer over 166 million minutes to help combat loneliness. We also launched our ITV2 partnership with the charity Campaign Against Living Miserably (CALM) aimed specifically at addressing young people's mental wellness and encouraging them to take action to improve their mental wellbeing.

We have successfully executed the first phase of our More Than TV strategy. We've continued to implement our key strategic priorities and have further strengthened the business.

▲ **Charlene White: Empire's Child** was a documentary commissioned as part of ITV's programming for Black History Month in the UK.

England Get Talking messages were broadcast during the Euros as part of ITV's Britain Get Talking mental health campaign.

▲ **The Pembrokeshire Murders** was produced by World Productions (part of ITV Studios UK). It was the biggest new drama on ITV in 2021.

- ITV's Diversity Acceleration Plan Report, which was published in July 2021, one year after the Plan's launch, demonstrated the progress made across our commitments, including improving representation on-screen and career progression opportunities. We saw a 33% increase in lead roles filled by Black, Asian and Minority Ethnic talent on-screen, and through ITV's Step Up 60 initiative, 62 opportunities were created for Black, Asian and Minority Ethnic production talent to gain more senior experience and step up to their next role. We also launched our commitment to disabled representation on screen, and remain focused on doubling the representation of our workforce with a disability.
- ITV's emissions reduction targets, set to enable us to become a Net Zero Carbon business by 2030 were approved by the Science Based Targets Initiative. We also demonstrated our commitment as a business to these targets by linking them to the remuneration of ITV's senior team, and the refinancing of our Revolving Credit Facility.
- We helped raise a record-breaking £13 million for UNICEF through Soccer Aid 2021. We also continued to encourage our colleagues to use their three paid days a year for volunteering and have launched a new mentoring scheme with Creative Access, focusing on encouraging aspiring and emerging talent from underrepresented backgrounds into the TV industry.

Our strategic vision

ITV operates in a very competitive landscape, with viewing habits and the needs of advertisers changing rapidly. The COVID-19 pandemic created many challenges and opportunities for our business, including accelerating some of the trends we were already seeing, particularly the increase in viewership to streaming platforms. While TV in the UK still reaches nearly 90% of the population each week, there is no doubt that overall linear TV viewing volumes are declining. The proliferation of digital platforms gives viewers more choice on what they watch, when they watch and how they watch, and we recognise that younger viewers, in particular, are increasingly moving away from linear viewing to digital platforms. Our strategy is aimed to take advantage of the long-term impact of changing viewing patterns.

We have increased the pace of delivery of our strategy, particularly the investment in our digital products, ITV Hub, Planet V and BritBox UK, which we continued investing in during the COVID-19 pandemic. This investment and pace of delivery mean that, as of today, we have successfully executed Phase One of our More Than TV strategy. We have delivered on the key priorities which were supported by an investment plan, and more detail on this is included in the sections that follow.

We have a clear vision for 2026. The significant progress we have made has laid the foundations to enable us to go faster in the delivery of our strategy, most notably our digital acceleration, in order to realise our vision by 2026. We aim to be a leader in UK streaming and an expanding global force in content. We will be focused on three priorities to deliver our vision:

- Expand our UK and global production business
- Supercharge our Streaming business
- Optimise our Broadcast business

Alongside these priorities, we have set key performance indicators (KPIs) and ambitions to be delivered by 2026. We aim to achieve this through digital transformation across everything we do. We will have a laser focus on viewers and every decision will combine our unique creativity and data insight.

We have continued to strengthen our IPB model, which gives us a real competitive advantage in achieving our vision. It provides ITV Studios with a base of core commissions and a significant promotional engine for its content, and enables cross-promotion and 360-degree monetisation of this across our business models. It secures access to great content for ITV's channels, AVOD and SVOD businesses; and very importantly, it helps us attract and retain talent, which is so key in a creative business.

ITV Studios – Expand our UK and global production business

ITV Studios is a world-class international creator, producer and distributor. It is the largest commercial producer in the UK, one of the largest producers in Europe and one of the largest independent unscripted producers in the US.

The vision we set out for ITV Studios was to strengthen and grow our UK and international production business into a high quality and diversified global business, and over the last three years, we have made very significant progress.

We are now a key scaled player in the global content market: diversified by genre, geography and customer base and we are in a position of strength to take advantage of the growing demand for quality content. We have achieved this by focusing on our four strategic priorities: growing our scripted business, growing our global

formats business, and further diversifying our customer base, all underpinned by our ability to attract and retain leading talent. As a result, we now:

- Produce in 13 countries and in the majority of those markets, we believe we are one of the top three international producer groups, and in the UK, we are the biggest
- Have a catalogue of over 90,000 active hours and are one of the pre-eminent distributors in the UK
- Have doubled our proportion of scripted revenues from 15% to around 30% of total revenues since 2015
- Have grown our unscripted business and now have over 285 formats globally, up from around 165 in 2015
- Have grown our revenues from streamers significantly as we have tilted our business towards the strong growth in demand from streamers. In 2021, 13% of total revenues came from streaming platforms, up from virtually zero in 2015
- Have significantly strengthened our creativity through a variety of talent deals as we have focused our acquisition activity on successfully bringing individual creatives into the business, rather than large scale acquisitions

Growing our scripted business
We have continued to build our portfolio of scripted programmes, growing scripted revenues by 43%, with a large proportion of deliveries in the year for global streamers, who are driving the overall growth in the content market. We saw real success during 2021 in the US, with Physical for Apple TV+ which has been recommissioned for a second season, Snowpiercer for TNT which has been recommissioned for a fourth series; and in the UK with Vigil on the BBC, the biggest new drama since Bodyguard in 2018, The Pembrokeshire Murders for ITV, the biggest new drama series on ITV since 2013, and, importantly, six of the top ten highest-rating dramas on UK television were produced by ITV Studios labels (including all of the top three). In Europe, we continued to produce for streamers and local broadcasters with programmes such as Gomorrah, Summertime and Balthazar.

In 2021, ITV produced 175 hours of high-value scripted content and our ambition is to grow this to 400 hours by 2026.

Growing our global formats business
We have a portfolio of world-class brands which we continue to strengthen, protect and expand. In 2021 we sold 58 different formats internationally, 15 of which were sold to three or more countries. Our existing portfolio of brands, such as Love Island,

Balthazar is a French crime drama produced by Tetra Media (part of ITV Studios International). It is now in its fourth season.

Line of Duty is produced by World Productions (part of ITV Studios UK) for the BBC. It was one of the most watched dramas on UK TV in 2021.

Crank Yankers is a comedy show produced by ITV America for Comedy Central. It is currently in its sixth season.

▲ **Robert Moore** is ITV News' Washington correspondent. His report covering the storming of the US Capitol in 2021 was watched over 11 million times on Twitter.

The Chase, Four Weddings and I'm A Celebrity...Get Me Out Of Here!, continue to sell well. We have expanded some of our biggest formats with successful spin-offs and this has helped to reinvigorate some of our more established brands, such as The Voice, which now has six spin-off versions, and Come Dine With Me with Couples and Celebrity versions. We have also grown our pipeline of new formats, that all have the potential to be global hits, including Let Love Rule, Rat in the Kitchen, Moneyball, and I'd Do Anything For Love.

By 2026, we expect to increase the number of formats sold in three or more countries to 20.

Further diversifying our customer base
The growth in the content market is being driven by the demand from streamers, and we have further diversified our customer base by strengthening our relationships with global and local streamers, particularly in the US, for both scripted and unscripted programming. In 2021, our revenue from original commissions sold to streamers was up 95% and we have projects in production or under development with all the major streamers globally. We produced a number of programmes for them in 2021, including the fifth season of Queer Eye, and Summertime season two for Netflix, Ten Year Old Tom for HBO Max and The Outlaws, a co-production with Amazon.

In 2021, 13% of ITV Studios total revenues came from streaming platforms (2020: 10%), and we expect this to grow to 25% by 2026.

Attracting and retaining leading talent
We continue to attract and retain the very best creative talent, which remains absolutely key to building a successful Studios business. We offer a very strong creative culture that provides a real competitive edge and in 2021, we were successful in attracting and retaining the industry's best creative talent. In the UK global hit format creators, James Fox and Dom Waugh joined ITV Studios to launch a new entertainment label, and executive producer David P. Davis joined to launch a new scripted label. In Europe, award-winning executive producer, Moritz Polter joined to set up a high-end scripted label in Germany, and renowned television executive and producer, Arturo Díaz, joined to launch ITV's first Spanish scripted label. These deals enable us to capitalise on the demand for premium scripted, and entertainment content in Europe and beyond.

ITV Studios is well positioned in the content market and strategically pivoted to the key drivers of that growth. Delivering against our four priorities and associated ambitions will enable us to grow ITV Studios total

revenues, on average, by at least 5% per annum to 2026. While our ITV Studios margin in 2021 has been impacted by ongoing costs associated with COVID-19, we expect it to return to a margin range of 13%-15% by 2023, which reflects our shift into scripted content and our further diversified customer base.

ITV Studios also remains focused on innovation and technology to drive efficiencies. It has embraced new digital processes with more of our productions being managed remotely, utilising tools such as cloud-based editing, and we have consolidated our US unscripted business.

Media and Entertainment

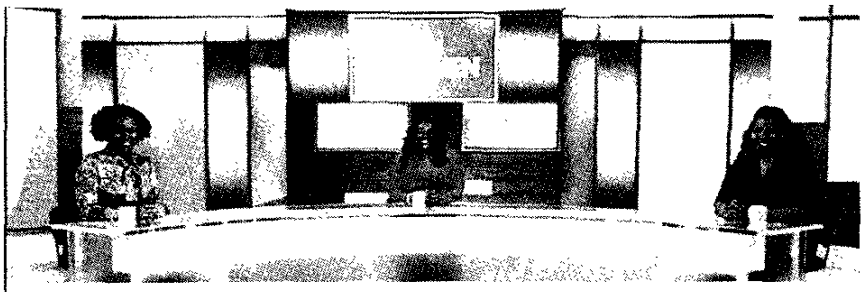
Following a restructure during 2021, M&E has two businesses – Streaming and Broadcast. Streaming is focused on driving digital viewing and targeted advertising through our digital products, while Broadcast is focused on delivering our USP of mass simultaneous audiences on our linear channels. This structure enables us to: seamlessly and strategically respond to changing viewing habits; be more agile and flexible; drive mass audiences and digital viewing; ensure we have the appropriate allocation of resources between broadcast and streaming; further develop our digital capabilities; and streamline the ways we are working to improve productivity, make quicker decisions and reduce cost.

Supercharge Streaming

2021 was a very successful year strategically, financially and operationally for our streaming business.

The ITV Hub has benefited from the continued investment to improve the overall product – including redesigning the interface, enhancing the user experience, increasing personalisation and doubling the number of hours available on the service. This, along with our strong schedule of drama, entertainment and sport, particularly the Euros, contributed to our growth in streaming viewing hours of 22% in the year, with 9.6 million MAUs which was up 19%. Simulcast viewing on ITV Hub was also up 38% and dwell time was up 14%. These metrics demonstrate the growing scale of our digital business, with more people watching our content, more often and for longer. This continued growth is key as we focus on accelerating our streaming business in the second phase of our strategy.

Planet V has been rolled out to all the major agencies and is now the second-largest programmatic video advertising platform in the UK, after Google, with over 1,000 users onboarded in just over one year from launch. We have completed several tech partnerships to enhance the data capabilities



Loose Women is a core part of ITV's daytime schedule in the UK. It won the RTS Best Daytime Programme Award in 2021.

Coronation Street remains the UK's biggest soap. It has been broadcast on ITV for over 60 years.

and targeting opportunities for our advertisers which have been well received. We had over 400 VOD only advertisers in the year, with the majority of them being completely new to VOD. Planet V has opened up a long tail of advertisers and addressable inventory that we previously could not access and provides significant opportunities for growth.

We have made great progress in driving growth across BritBox UK and BritBox International during the year. BritBox UK subscriptions have increased by over 45% to 733,000, with churn rates halving since launch. We had a pipeline of really strong original content including Crime, which was critically acclaimed, The Secret of the Krays, The Beast Must Die, and, of course, the second series of Spitting Image. The content offering remains strong in the first half of 2022, with eight originals launching on the service. Including ITV Hub+, we now have over 1.2 million subscriptions in the UK.

BritBox International continues to go from strength to strength, with over 2.4 million subscriptions across the US and Canada, Australia and South Africa, which we recently launched. The service will launch in the Nordics in the first half of 2022 and will continue to roll it out globally. By 2030, we are aiming to have 10 to 12 million international subscriptions.

ITVX

With this proven track record and our digital foundations in place, we are in a strong position to supercharge our streaming viewing and revenues, with the creation of an integrated streaming service, ITVX which will launch in Q4 2022. This is the first integrated AVOD/SVOD service in the UK. It will be an AVOD led service with a compelling SVOD proposition. It will provide a seamless viewer experience with a significantly enhanced digital-first content offering, allowing our viewers to watch whenever and however they want, and to attract those audiences who do the majority of their viewing on digital services. It combines the ITV Hub, ITV Hub+ and BritBox UK into a free and premium content offering, leveraging our scale, brand and the investments and success we have achieved to date.

To support our ambitions for ITVX, in 2022, we will invest £1.23 billion in content across linear, AVOD and SVOD. This will increase to £1.35 billion in 2023 and we expect total content spend to continue at around this level going forward. Our one content budget includes our existing network schedule

budget, our content budget previously allocated to BritBox UK, along with significant incremental content investment for ITVX. We will invest in high-quality, trusted content across a wide range of genres, including large family entertainment shows, sport, drama, factual and news which will drive simulcast viewing on ITVX and mass audiences on linear channels. In addition, our digital-first strategy for ITVX will offer viewers new and exclusive series every week; box sets made available in their entirety at the same time as linear transmission; FAST channels (Free Ad-supported Streaming TV services are curated, data-driven channels that are always on, with content that evolves and changes depending on viewer preferences); acquired content and content partnerships and archive content. We are pleased to have already secured a deal with Warner Brothers for American drama and comedy titles, such as The OC, One Tree Hill and Nikita.

By the time we launch ITVX in Q4 2022, we will have 15,000 hours of streaming content available, both free and pay. We currently have around 4,000 hours of content on ITV Hub. There will be a clear and compelling subscription upselling path between AVOD and SVOD. ITVX's premium tier will include BritBox's 6,000 hours of British content, future subscription content partnerships and all of ITVX's content ad-free.

To give ITV greater control over BritBox UK and enable its integration into ITVX, the BBC has ceased to be a shareholder in BritBox UK. They will continue to be a strong partner for BritBox UK and BritBox International, and we have agreed a new long-term content supply deal with the BBC. All PSB partners are committed to BritBox UK which offers consumers a large library of the majority of PSB British content in one place from the past and recent past.

ITVX will combine the experience of our linear advertising proposition with the precision of addressable advertising to fully monetise the value of our digital audiences. We will provide a more targeted offering through scaled addressable advertising inventory not previously available, using our established data and analytics capabilities to drive higher-value data-driven pricing models. This opportunity will allow us to capture new brands in the long tail of advertisers who want smaller scale addressable advertising rather than mass campaigns.

We have significantly invested in our data and technology capabilities over the last three years and these capabilities will be central to ITVX and the decisions we make. Our technology team which is supporting our transformation across the business has doubled in size since 2020, and we have really focused on digitising the way we work, enabling and embedding technology across everything that we do. We have established a data and analytics centre of excellence and have invested in our cloud-based capabilities to make us scalable and adaptable. We are also working in a more seamless way across our business, particularly in content, product and marketing, with data informing more of our decisions.

To measure success within Streaming and deliver long-term growth for our shareholders, we have redefined our KPIs and set ambitious targets to 2026. The combination of our data-driven models and one content budget will enable significant flexibility to optimise viewing and revenue across linear, AVOD and SVOD, to achieve our overall ambition, which is to double our digital revenues to at least £750 million by 2026.

Scaling digital revenue will reflect how we materially shift the business focus, across product and viewer experience, content investment and commercial innovation to be digital-first. This growth will be achieved by bringing more people to our service – we are therefore targeting to double our MAUs on ITVX to 20 million by providing content that they can't get enough of. We aim to double streaming viewing hours to two billion by 2026.

By providing a clear, compelling and differentiated subscription offering within our service, we will double our current UK subscriber base to 2.5 million by 2026.

Optimise Broadcast

As the UK's biggest TV advertising platform, the Broadcast business is hugely important to ITV. We are, and will continue to be, the home of mass simultaneous reach which is increasingly valuable to advertisers as viewing becomes more fragmented. No other platform can deliver scale in such a brand-safe way and that continues to be a critical differentiator for advertisers, and will continue to be an important part of marketing campaigns. TV remains the media delivering the highest return on advertising investment and this revenue stream will undoubtedly continue for many years to come. The Broadcast business also generates significant cashflows through advertising revenues, which helps fund our investment in content.

2021 saw ITV deliver the highest total advertising revenue (TAR) outturn in its history. There was of course a tailwind from the reopening of the economy, but there was a lot of self-help too, with the delivery of our commercial strategy, particularly the successful roll-out of Planet V as detailed earlier. Our Commercial team did an incredible job during the year in deepening strategic relationships with clients and working more collaboratively with them, using data-driven insights to demonstrate the power of television, and advertising with ITV.

During 2021, the team has successfully brought over 400 new advertisers to television, encouraged existing digitally mature advertisers to rediscover TV and increase their spend, and have provided innovative ways for brands to advertise on television. Examples include: advertiser-funded content; commercial partnerships; product placement and sponsorship, using the power of our brands to help advertisers engage with audiences in different ways. All this is made possible and more valuable by being an IPB, with editorial, commercial, creative and production working together to provide valuable opportunities for advertisers.

We have several specific initiatives that encourage advertisers to ITV, including ITV AdVentures Invest and ITV AdVentures Ignite for digitally native brands; ITV Backing Business, our B to B initiative supporting businesses; and ITV Home Planet – an initiative for sustainable brands to tell their environmental stories and encourage viewers to reduce their carbon footprint. We also recently launched ITV Ad Labs which brings together all of ITV Commercial's innovations which the team have been trialling and bringing to the market.

ITV AdVentures Invest is our Media for Equity programme which launched during the first half of 2021 and involves ITV taking minority stakes in early-stage digital and direct-to-consumer businesses, in return for advertising inventory across ITV's channels and the ITV Hub. We have made several investments to date, including location service, what3words, and online health brand, Feel. This is yet another way for us to encourage digitally native brands to TV and demonstrate the proven return it offers.

During the year, we continued to deliver unrivalled audiences, informing and entertaining the nation with high-quality programming across the full range of genres. ITV main channel's share of viewing (SOV) (which includes the BBC) increased marginally in the year from 16.7% to 16.8%, benefiting from the UEFA European Football Championships (Euros), the return of Love Island and a strong slate of new and returning dramas.

We have an exciting schedule on the ITV family of channels in the first half of 2022 with new and returning dramas including: The Ipcress File, Holding, Tell Me Everything, and The Bay; and new and returning

entertainment, including: Starstruck, Romeo & Duet, The John Bishop Show and Saturday Night Takeaway. Our sporting schedule includes the FA Cup, Premiership Rugby, England Women's football qualifiers and friendlies, and the FIFA World Cup. We are also extending our commitment to our national and international weekday evening news by increasing its length from 30 minutes to one hour.

With the launch of ITVX in 2022, and the shift of the business to focus on digital-first, we will sharpen our broadcast channels to deliver those unmissable, must-watch moments for our audiences. With the proliferation of choice, it's never been more important for us to find those programmes that can capture the attention of millions and create huge shared moments of entertainment – whether that's drama, big entertainment, sport or live events.

Delivering unrivalled audiences of scale in a trusted, brand-safe environment remains a priority for us. To maintain our USP as the home of the biggest commercial audiences in the UK we have set new KPIs to measure our success. This includes tracking our ITV Family share of commercial viewing (SOCV) (which is ITV's share of viewing as a proportion of all commercial ad-funded channels in the UK). In 2021 our share increased from 32.8% in 2020 to 33.1%. Our ambition to 2026 is to maintain our SOCV at 33%.

In addition, we want to ensure that we continue to deliver meaningful audience scale, so our new KPI tracks our share of the top 1,000 programmes on commercial TV. In 2021 our share was 93% which was flat year-on-year. Our ambition to 2026 is to continue to deliver at least 80% of the top 1000 biggest commercial audiences for TV programmes on a two-year rolling basis across our portfolio of channels.

Following the renewal of our long-term commercial partnerships with Sky and Virgin Media O2, we now have the opportunity to deliver linear addressability through Planet V. We are developing our linear addressable capabilities via IP delivery which we will begin to test during 2022.

Investments and cost savings

Investments

Since 2018 we have made a cumulative investment of £72 million in ITV Studios creative development, ITV Hub, Planet V, data, tech and BritBox, in line with our strategic priorities. This has delivered the significant growth we have seen in ITV Studios and in our digital viewing and revenue. This was in line with our plan announced in 2018 and includes £24 million in 2021.

To deliver our digital acceleration we will make further investments across content, data and technology in 2022 and 2023, funded by our strong cash flows and partly offset by a new programme of cost savings. We are confident that by 2026, incremental annual revenue will cover incremental annual content and non-content investment in ITVX.

Our one content budget across all platforms allows us complete flexibility to optimise our spend across linear, AVOD and SVOD to maximise digital viewing and advertising revenue. We have a very disciplined approach to content investment and have based the incremental investment on rigorous analysis of both the current and incremental spend. It reflects both the confidence we have in providing leading edge content for our viewers and advertisers, as well as the inflation we are seeing in both commissioning and acquiring content.

Total content costs in 2022 will be around £1.23 billion, which is higher than our original guidance of £1.16 billion and includes £20 million of content investment for ITVX, and the reclassification of BritBox UK content costs from M&E variable costs. In 2023, we expect total content costs to be around £1.35 billion, which includes £160 million of content investment for ITVX, which is partly offset by a reduction in main channel commissions. We expect total content spend to continue at around this level going forward.

Non-content investment includes costs that will be ongoing in our cost base and covers our data and technology capabilities and variable streaming costs. In 2022 and 2023 this will be £25 million. Variable costs of streaming will continue to rise thereafter as streaming viewing increases. These costs will be offset by additional permanent cost savings in 2026. In addition, there will be one-off costs of £20 million related to the launch of ITVX in 2022, reducing to £10 million in 2023.

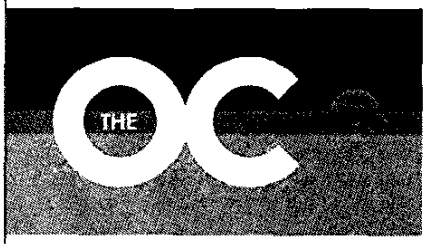
Total non-content investment for ITVX in 2022 will therefore be £45 million and £35 million in 2023.

In 2022, we will also invest around £10 million in our digital capabilities and innovations which includes, Planet V and addressable advertising, and Studio 55 Ventures. This is our digital innovation business focused on attracting talent and creating content and advertising opportunities targeting 16-34 year olds as well as revenue generation. These investments will reach break even in 2023.

Unforgotten is a scripted title produced by Mainstreet Pictures (part of ITV Studios UK). It drove significant online viewing, with 15 million streams on the ITV Hub.

Tell Me Everything is a new teen drama commissioned for ITV2. It will be released in 2022.

▲ **Royal Carols: Together At Christmas** was a special Christmas carol concert led by the Duchess of Cambridge. It was broadcast on ITV on Christmas Eve.



▲ **The OC** is an American teen drama which will be available on ITVX. It forms part of a multi-year exclusive deal with Warner Brothers for 1,200 hours of content.

Cost savings

We are on track to deliver our cost savings target of £100 million annualised permanent overhead cost savings by 2022 (from 2019). In 2021 we delivered a further £37 million of permanent savings which was ahead of our target of £30 million for the year due to phasing. Savings were achieved from our new operating model, the increased use of technology and data, contract renegotiations and infrastructure savings in M&E. At the end of 2021, we had cumulative cost savings of £83 million, with £17 million expected in 2022. We also delivered £11 million of temporary savings in 2021 due to a natural decrease in non-essential spend, such as travel and entertainment as a result of government restrictions, particularly in the first half of 2021.

From 2023, we will target an additional £50 million of annualised permanent overhead cost savings to be achieved by 2026. We expect these savings to come from continued reductions in broadcast supply chain costs, overheads, property rationalisation and further innovation in ITV Studios. These savings will largely be delivered in 2025 and 2026.

Colleagues

I am incredibly proud of the way our colleagues have continued to work with determination, pride and a real sense of purpose over the last year, with many still having to work at home for the majority of the year. ITV has succeeded to date because of the people who work here. Our colleagues are central to our purpose and vision and are at the heart of what we do. They make this a creative, collaborative and commercial culture and have helped build the strong foundations of our business today.

At ITV, we understand and value the creativity that diversity brings to our business, and strive for an inclusive environment where everyone can be their authentic self. We aim to reflect the diversity of modern society both on and off-screen. Our Diversity Acceleration Plan aims to increase the pace of progress in this area, and we have several workforce initiatives in place to drive our inclusive culture. We also have five active colleague networks that help to shape the culture at ITV and ensure that all colleagues feel represented and their voices heard.

In 2021 we ran a full engagement survey for our employees globally, with 76% of our employees sharing their views. From the results, 87% of colleagues said they were proud to work for ITV, 82% said they can be their authentic self at work, and 77% felt that colleagues from all backgrounds have equal opportunities to succeed at ITV. I'm pleased with the results, and while there were areas identified as opportunities for us to improve, particularly around career development, and the communication of ITV's vision, which we will focus on this year, we have demonstrated that the work ITV has done to support our colleagues over the last two years has had a positive impact.

In 2022, I, along with members of the Management Board will be holding a series of roadshows in the UK and internationally to update our colleagues on the evolved strategy– the vision and the mission we are on. We are looking forward to this and in particular, getting feedback from right across the business.

Duty of Care

As part of our ongoing evolution of Duty of Care best practice, we have recently announced new measures to strengthen our support for producers working on ITV network programmes. It includes:

- Extending our Duty of Care training for third-party producers working on ITV Network commissions who would like to access it
- Recruiting a new Duty of Care Business Partner for M&E to advise and support on delivering appropriate participant welfare plans for productions
- The launch of new Experience Surveys – believed to be an industry first – to allow participants to provide feedback on their experience

ITV monitors and reviews historic issues to continue to evolve and strengthen our Duty of Care policies. In the Netherlands, ITV has appointed a Dutch law firm to conduct an external investigation into allegations of inappropriate behaviour surrounding The Voice of Holland. In the UK, ITV will be giving evidence and cooperating with the inquest into the death of Steve Dymond, who died in the days following the filming of The Jeremy Kyle Show.

Regulation

Ofcom has published its final statement on the future of public service broadcasting, including recommendations to the government as to how the system might be maintained and strengthened. Ofcom has concluded that there is now an urgent need for a new framework to support an effective transition to public service media (PSM), straddling online and broadcast TV. We remain fully engaged with Ofcom and the government on this, particularly in relation to the need for reform of the rules governing prominence, inclusion and fair value for PSBs on all major platforms, particularly online. The government intends to publish a Media White Paper during the first half of 2022.

In 2020 the government published its statement confirming the introduction of a 9pm watershed ban on TV and VOD advertising of High Fat Sugar and Salt (HFSS) products, and a prohibition on most paid-for online HFSS advertising at all times. Small and medium-sized enterprises (SME) food and drink companies and owned media (e.g. own company websites and social accounts) are exempt. Subject to the passage of the Health and Social Care Bill through Parliament, the ban will come into effect on 1 January 2023. Whilst we remain fully engaged with this process – and continue to believe that there is a strong, evidence-based case for alternatives to the pre 9pm ban – the proposed TV ban will negatively impact ITV.

In 2021, the government completed a call for evidence in relation to gambling, with a White Paper expected during 2022. The call for evidence was very broad, encompassing the industry as a whole, and advertising may form part of any eventual process of reform.

Outlook

2022 will be an exciting year for ITV as we look towards the launch of ITVX. We are confident that our vision and strategy is the right long-term plan for ITV. We are clear on what we need to do to deliver our digital acceleration and our ambition to be a leader in UK streaming and an expanding global force in content. We start from a position of strength and have the foundations in place to take advantage of the evolving viewing, advertising and content trends.

We have started 2022 with growth in ITV Family SOCV, and good engagement in streaming. The demand for advertising has remained strong with Q1 expected to be up around 16%. April is expected to be up around 10%. Q2 will be impacted by tough advertising comparatives, which in 2021, saw a strong rebound from May onwards, along with the Euros in June.

Our balance sheet is in good shape and well within investment grade metrics. This combined with our strong cash flows enables us to invest behind our strategy to build a more valuable digital media and entertainment company, and deliver returns to shareholders. Going forward, the Board is committed to paying a full year ordinary dividend of at least 5.0p which it will grow over time.

Carolyn McCall
Chief Executive

The Queen visits Coronation Street to celebrate the soap's 60th birthday.

Investor Proposition

Unique market position

ITV is a **global and diversified integrated producer broadcaster** with a long history of strong execution and unique content. There are several key pillars to ITV's strong market position:

1. **ITV Studios** is a **scaled and diversified business** and **one of the largest independent producers** in the world and with a **global distribution network**
2. **Mass reach audiences** with 93% of the top 1,000 commercial broadcast programmes on TV being on ITV in 2021
3. **Unparalleled** depth of **advertising relationships** enhanced by being the **largest ad-funded** premium **streaming service in Europe**
4. A **leading media brand**, trusted by consumers in the UK and internationally
5. One of **top five data sets in UK** with our pool of 34.7 million registered user accounts on ITV Hub
6. A **rapidly growing international streaming** business

ITV's model has already delivered **strong revenues in 2021.** ITV Studios revenues are **almost back to 2019 levels** and it has increased its **scripted revenues by 43%** and **almost doubled** revenues from **original commissions** sold to **streamers**. M&E has delivered **record advertising revenues, up 24%** YoY. ITV continues to experience strong M&E **digital revenue growth**[1], **growing at a 28% CAGR** since 2018 and digital viewing numbers **growing at a 12% CAGR** during the same period.

We have also been building our **data-driven and tech capabilities**, helping to:

- Develop and implement Planet V, our programmatic video advertising platform, the second largest in the UK, after Google, with over 1,000 users
- Rapidly grow our SVOD proposition and reach, with total global **subscribers of over 3.6 million**

1. Total digital revenue includes AVOD advertising revenues and SVOD subscription revenue as well as linear addressable revenue, digital sponsorship and partnership revenue, ITV Win and any other M&E revenues from digital business ventures.

Strong platform ready for digital acceleration

Phase One of our More Than TV strategy laid the foundations for the next stage of ITV's growth story. **ITV has a new 2026 vision, to be a leader in UK streaming and an expanding global force in content** through:

Expanding Studios globally

Optimising Broadcast

1. **Studios revenue is expected to grow by at least 5% on average per annum** until 2026 with a **margin of 13% to 15%** from 2023
2. **Creation of ITVX** – a simple and seamless customer-facing integrated AVOD/SVOD platform to combine the best of ITV content in one place. Our digital-first content strategy will prioritise content through AVOD on our ITVX platform and will deliver large and growing targeted audiences for our advertisers or enhance our SVOD growth. Our established data and analytics capabilities **will drive higher-value data driven pricing models and help to deliver our 2026 targets of doubling digital revenues to at least £750m, doubling streaming viewing, doubling MAUs and doubling subscribers**
3. This enhanced platform will allow ITV to optimise its model between linear and non-linear TV, maintaining its share of mass audience whilst growing digital streaming revenues

Financial strength and cash generation

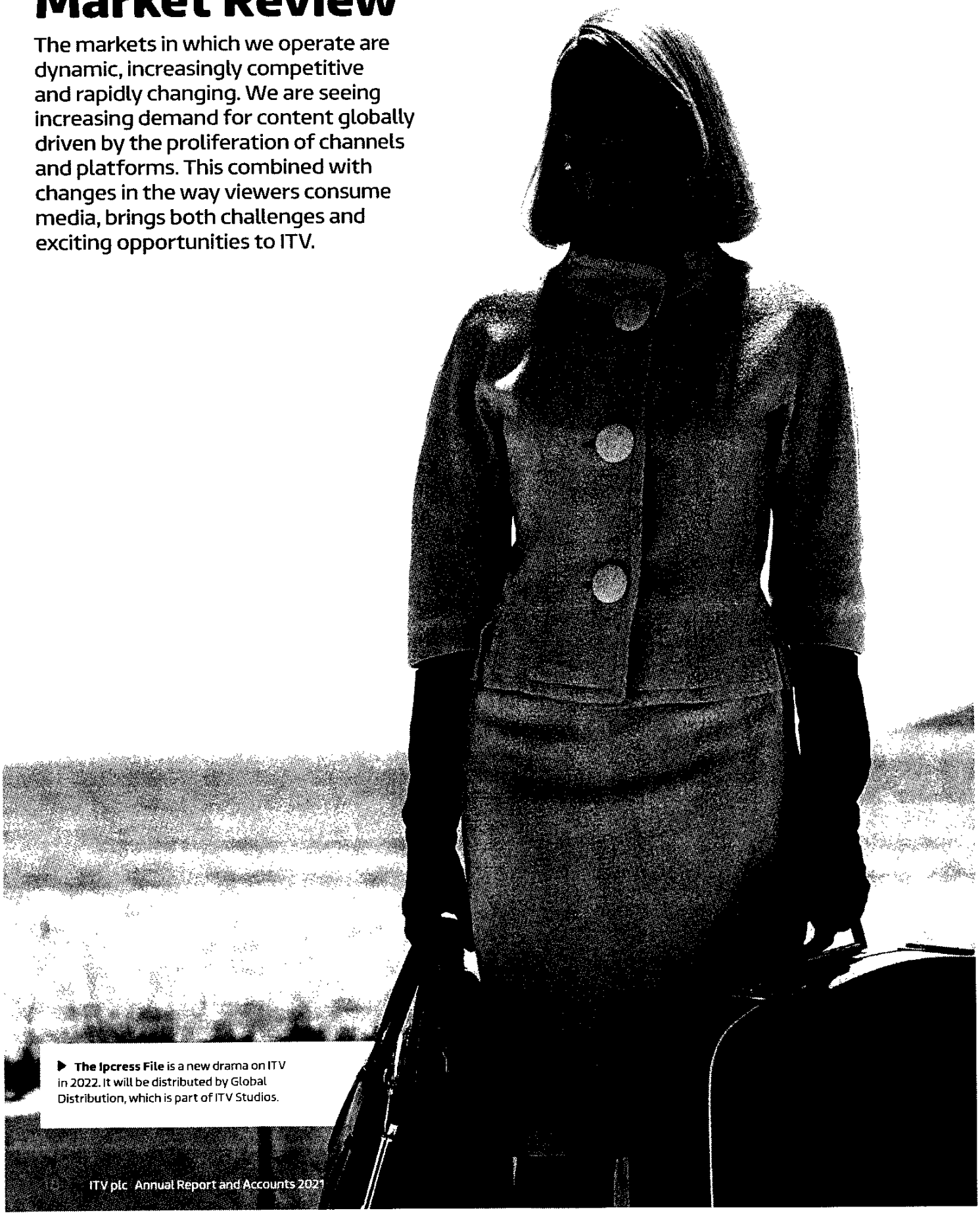
ITV retains a stable **investment grade balance sheet** supported by strong and reliable cash generation to enable ITV to invest behind its key priorities.

ITV maintains tight financial discipline with a focus on efficiencies and we are on track to achieve **£100 million of cost savings per annum by the end of 2022** with an **incremental £50 million of permanent savings by 2026.**

The Board is committed to an **ordinary dividend of 5p per annum**, which will grow over time. **Surplus cash will be used for accretive, value-adding M&A or further capital returns.**

Market Review

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



▶ **The Ipcress File** is a new drama on ITV in 2022. It will be distributed by Global Distribution, which is part of ITV Studios.

Strong global demand for content

Trend

The demand for quality content from broadcasters and platform owners remains strong and we expect the global content market to grow at an average rate of 3% per annum over the next five years, driven predominantly by streaming platforms. While the budgets of many free-to-air broadcasters (FTA) and Pay TV operators are expected to remain relatively flat, they are continuing to invest in their schedules, and despite the growth of streaming platforms, FTA and Pay TV are expected to remain the largest buyer segment in the market. Streaming platforms are expected to make up around 30% of the overall market by 2026 (Source: Ampere Analysis), which includes all spend on content including films and sports rights. The streamers are demanding exclusive, brand-defining original content, including local language and library content, to meet the increased expectations of new and existing subscribers.

The demand for high-quality scripted content, in particular, has increased significantly, with the global streaming platforms investing heavily to attract subscribers, using it as a tool for differentiation and prominence in an increasingly competitive global environment. This has significantly increased competition and costs in the market, particularly for talent, impacting the margin for scripted content, which is generally lower than other genres.

Demand for unscripted content remains strong as platforms and channels continue to require lower-cost, high-volume popular series to fill the gaps around more expensive scripted titles, to attract mass simultaneous viewing, appeal to new audiences, or supplement the viewing of existing subscribers.

The UK remains the dominant producer and exporter of unique unscripted formats. The US dominates scripted and is the largest content market in the world. Other key attractive creative markets include France, the Nordics, Italy, Germany, Australia, and Spain which has access to Latin American markets.

How we are responding

ITV Studios is a leading global creator, producer and distributor of content and due to its scale and presence, is well-positioned to capture this growing demand for content. We produce content in the genres highly demanded and are in six of the top ten largest TV content markets around the world, and, in the majority of the markets in which we operate, we believe we are one of the top three international producer groups in that market (based on internal estimates). We also have relationships with all the major buyers globally.

A key part of our ITV Studios strategy is to grow scale in scripted content in English and local languages, as well as to diversify our customer base, particularly towards streaming platforms. Over the last few years, we have invested in creative development and strengthening our creative talent base across ITV Studios to help drive scripted commissions and relationships with global streaming platforms.

We have strength in unscripted content which is around 70% of our overall ITV Studios production revenues, and it remains important to us. We have built a healthy pipeline of returning formats and programmes, which we will continue to nurture and develop as well as focusing on the development of new global unscripted and large entertainment formats.

ITV Studios focuses on production innovation and efficiency with improved ways of working to help mitigate production cost inflation in the market. This includes using remote Cloud editing, and production hubs for key formats.

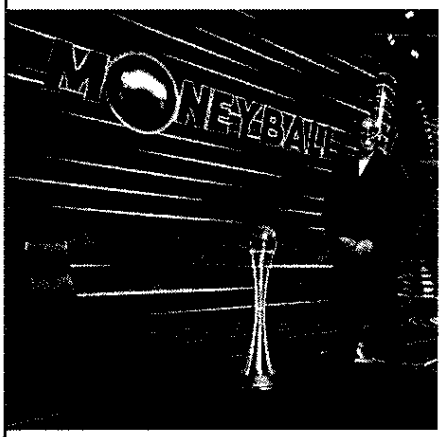
Creating and owning the IP for our content is important to ITV Studios as it allows us to maximise its global value. Where possible, we do this through format sales, licensing, and by selling our content to optimise its primary and secondary windows across different distribution channels and customers (FTA, AVOD and SVOD). This contributes to our higher overall ITV Studios margin relative to our industry peers.

We have one of the industry's largest, broadest and deepest catalogues with over 90,000 hours of active content which enables us to provide library content at scale to our international client base.

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

The Outlaws is produced by Big Talk Productions (part of ITV Studios UK) for the BBC in the UK and Amazon Prime Video internationally.

Summertime is produced by Cattleya in Italy (part of ITV Studios International), for Netflix.



Moneyball is a new ITV gameshow format created in the UK. It was broadcast on ITV main channel during 2021.

Digital platforms and changing viewer habits

Trend

Over the last ten years, there has been rapid growth in the number of global streaming platforms available, increasing from around 17 to 115 global and local streaming services today. The global players are led by Netflix, followed by Amazon, Disney+ and Apple TV, with local SVOD services including BritBox from ITV and the BBC, Salto from M6 and TF1, Joyn from ProSieben and Discovery, and Viaplay from NENT.

Alongside the growth in SVOD services has been a proliferation of AVOD services from large global conglomerates, including Hulu, PlutoTV (ViacomCBS), Tubi (FOX), Roku Channel and Vudu (NBCU and WarnerMedia) who offer free, ad-supported content, many of which are rolling out internationally.

The rise in the number of platforms offers viewers increased choice and flexibility about what, how, where and when they watch content. This has significantly impacted viewing habits globally, with the COVID-19 pandemic further accelerating some of the digital viewing trends we had previously started to see. There has been a significant increase in VOD viewing on TVs (particularly connected TVs) and non-TV devices (such as smartphones, tablets and computers). This evolution, however, is not uniform across demographics, with younger viewers spending proportionally more time consuming video content, while older demographics spend comparatively more time engaging with linear television.

In the UK, linear viewing of broadcast TV remains popular and reaches nearly 90% of the population each week, with the total average minutes viewed of live content being 84% of all broadcast viewing in 2021, which was flat year-on-year (Source: BARB). Viewing to public service broadcasters (PSB) in the UK has remained more resilient than linear channels in other markets and is helped by the strength and investment in original content made by the PSBs, particularly the BBC and ITV.

In terms of total viewing, regardless of which device content it is watched on, TV remains the dominant platform, accounting for nearly 60% of an individuals average video time per day, followed by YouTube and streamers (Source: BARB/Thinkbox).

Overall viewing volumes for TV, however, are declining, with the total number of viewing hours of broadcast TV falling by 10% year-on-year. The average daily minutes of total TV set viewing in the UK, including unmatched viewing (content that cannot be matched to broadcast TV content, such as streamers, YouTube, games consoles), also fell by 6% in 2021 to 260 minutes (2020: 277 minutes) per person, with 2020 partly benefiting from strong viewing volumes as a result of COVID-19 stay-at-home restrictions. Within this, the average daily minutes watched of unmatched viewing increased marginally by 2%, with the growth attributed predominantly to streamers viewing. (Source: BARB – C7 viewing via a TV set, within seven days of original transmission, recorded or VOD).

How we are responding

We recognise the viewing landscape has become increasingly competitive and fragmented, and while viewers love ITV content on linear, they want the flexibility to watch an increased choice of content whenever and wherever they are.

In response to the growth in streaming services and changing viewer preferences, in 2019 we launched our SVOD proposition with the BBC, BritBox UK, aimed at being a complementary service to the global streaming platforms, providing UK audiences with an unrivalled collection of high-quality British box sets and original series, with content from all the UK public service broadcasters, all in one place. BritBox UK has seen good growth in subscribers since its launch, and in Q4 2021 the service took a greater share of new SVOD subscriptions than Now TV, Netflix and Discovery+ (Source: Kantar, Entertainment On Demand Q4 2021).

We have continued to develop and improve our AVOD service, the ITV Hub, investing to enhance the content and experience to give viewers a destination to watch live simulcast content from our linear channels, along with exclusive, and catch up content. Over half of the UK's population is now registered on the ITV Hub.

As we move into the second phase of our strategy we will accelerate our streaming viewing and revenues, with the formation of a new integrated streaming service ITVX, it will be AVOD led with a compelling SVOD proposition. ITVX will provide a seamless viewer experience with a digital-first content supply to offer content to our viewers whenever and however they want to watch, and attract audiences who do the majority of their viewing on digital services. It combines the ITV Hub, Hub+ nd BritBox UK into a free and premium content offering, capitalising on the investments we have made to date.

We will invest over £1.2 billion annually in our content budget across all our channels and platforms. We will invest in high-quality, trusted content across a wide range of genres, including large family entertainment shows, sport, drama, factual and news which will drive simulcast viewing on ITVX and mass audiences on linear channels. In addition, our digital-first content strategy for ITVX will offer viewers new and exclusive shows every week, boxsets made available in their entirety at the same time as transmission, highly curated and data-driven FAST channels which are always on, acquired content and content partnerships, and archive content.

In addition to our UK SVOD proposition, we also have our successful BritBox International service in the US, Canada, Australia and South Africa. It will launch in the Nordics in the first half of 2022. We will continue to roll it out globally, and by 2030 expect to have 10 to 12 million international subscribers.

See the Operating and Financial Performance Review, and Strategy sections for further detail.

Average video time per day

All individuals

5hrs 04 mins

Broadcaster TV	YouTube	Subscription VOD
58.4%	15.5%	11%
TikTok	Online Adult video	Other online video
9.0%	2.7%	1.3%
DVD	Facebook	Cinema
1.1%	0.8%	0.2%

Source: 2021, BARB / Broadcaster stream data / comScore / IPA Touchpoints 2021 / Pornhub / Rentrak

The UK advertising market

Trend

In the UK, online advertising is the largest category of advertising spend followed by TV advertising (including spot, broadcaster VOD, sponsorship and other advertising related revenues), which together made up 88% of the advertising market in 2021 (2020: 87%). While online advertising and TV advertising have fully recovered to pre-COVID-19 levels, all other categories such as outdoor, press and cinema advertising have not (Source: Advertising Association January 2022).

Over the last few years, the UK advertising market, and particularly television spot advertising, has been impacted by political and economic uncertainty, following the EU referendum and the COVID-19 pandemic, both of which negatively impacted the demand from advertisers. In 2021, however, we have seen a significant rebound in advertising budgets which in part have benefited from the tailwind ofthe economic recovery and, while it is too early to determine whether this is permanent growth, it could be seen as more than a cyclical recovery and possibly a renaissance in TV.

From a viewing perspective, converting total viewing video per day into actual viewing of video advertising, TV (live linear or streamed) accounts for nearly 90% of viewing to video advertising by individuals, and nearly 70% for 16-34s (Source: BARB/Thinkbox).

Online advertising has remained resilient and has continued to grow rapidly, with spend increasing by over 30% over the last five years. It provides advertisers with a targeted proposition, requires a lower campaign budget compared to TV, and provides brands with a quick, short-term impact for their marketing campaign. Within online advertising, search is the largest, dominated by Google, followed by Display and Online Video, both dominated by Google and Facebook.

How we are responding

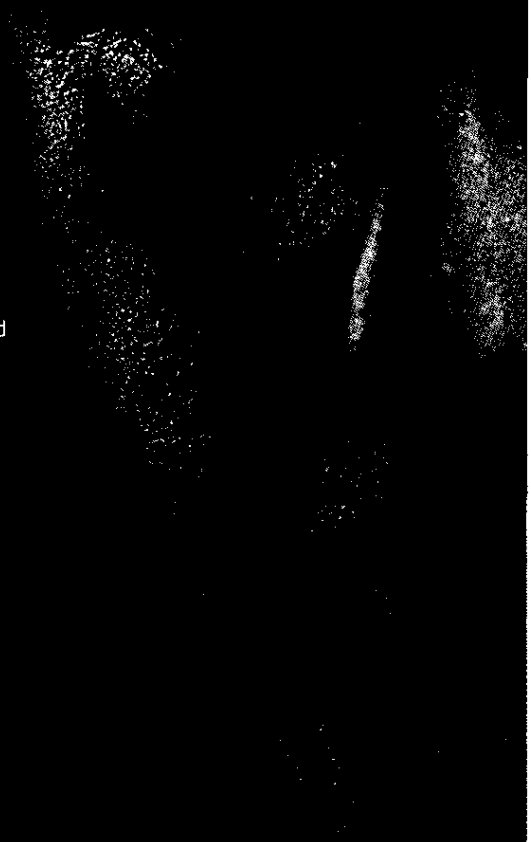
Total advertising revenue, which includes linear and online revenues, is ITV's largest revenue stream and as an integrated producer broadcaster, helps to fund the broadcast of our content in the UK and content creation globally.

ITV's linear television channels continue to offer unique scale and reach of all the key demographics advertisers target, and it remains a cost-efficient, flexible and trusted way of advertising and is an important part of marketing campaigns. We have focused on developing deep strategic partnerships with our advertisers and agencies, with data-driven insights to demonstrate the power of television. Over the last year, we have successfully brought new advertisers to television, encouraged existing digitally mature brands to increase their spend, and have provided innovative ways for brands to advertise on television, such as through advertiser-funded content, brand partnerships, product placement and sponsorship.

The ITV Hub allows ITV to capture online advertising revenues in a brand-safe, trusted and measured environment, and AVOD remained very strong in 2021. Planet V, which is our programmatic addressable advertising platform, allows advertisers and agencies to plan and book their campaigns 24/7 using ITV's data, which can also be blended with advertisers' first-party data. It is the second-largest programmatic video platform in the UK and allows advertisers to access targeted advertising at scale around our premium VOD inventory.

ITVX will combine the experience of our linear advertising proposition with the precision of addressable, providing the opportunity for an addressable audience at a scale not previously available. We are developing our linear addressable capabilities and our new long-term commercial partnerships with Sky and Virgin Media O2 will allow us to offer linear addressable advertising via IP delivery through the Planet V platform. This opportunity will allow us to capture new brands in the long tail of advertisers who cannot afford mass reach linear campaigns.

See the Operating and Financial Performance Review, and Strategy sections for further detail.



Average video advertising time per day

All individuals

18 mins

Broadcaster TV	You Tube	TikTok
87.3%	9.4%	2.3%

Other online video	Cinema
0.8%	0.2%

Source: 2021, BARB / comScore / Broadcaster stream data / IPA Touchpoints 2021 / Rentrak* YouTube ad time modelled at 3% of content time, TikTok ad time modelled at 1.5% of content time

▲ **Gomorrah** is an Italian crime drama produced by Cattleya in Italy (part of ITV Studios International).

Our Strategy

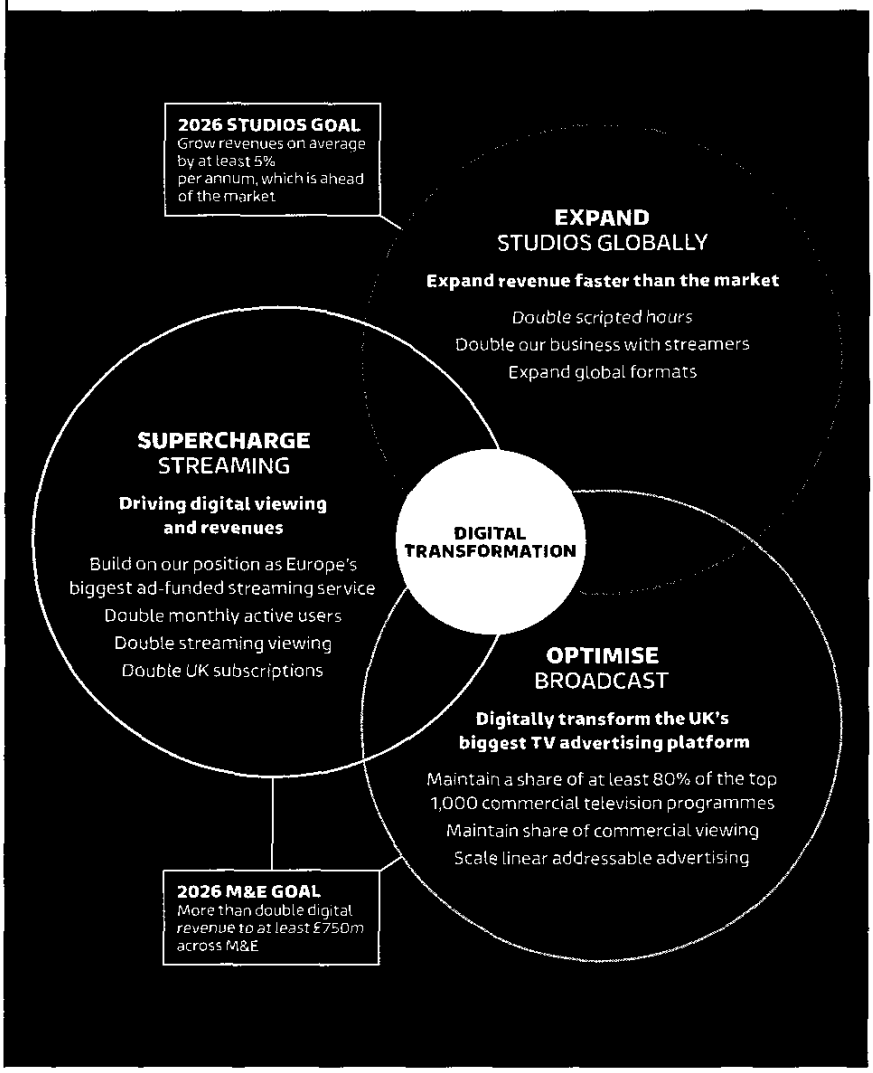
Having successfully executed Phase One of our More Than TV strategy, we are evolving our strategy to enable us to further capitalise on the opportunities presented by the rapidly changing viewing, content production and advertising environments. Executing Phase Two effectively, will create a more valuable digital media and entertainment company and deliver returns to our shareholders.

Our More Than TV strategy

Our purpose
We entertain and connect with millions of people globally, reflecting and shaping culture with brilliant content and creativity.

Our 2026 vision
A leader in UK streaming and an expanding global force in content

How we'll do this
Digitally transforming across everything we do. We will have a laser focus on viewers and every decision will combine our unique creativity and data insight.



Our purpose is to entertain and connect with millions of people globally, reflecting and shaping culture with brilliant content and creativity. This is aligned to our 2026 strategic vision, to be a leader in UK streaming and an expanding global force in content. It is becoming increasingly clear that companies with a strong and clear purpose drive increased value.

Our Social Purpose strategy is an integral part of delivering our purpose and our strategy. See Social Purpose from page 48.

Our initiatives to drive growth and future value are clear. Delivering on our strategy will be achieved by focusing on three critical priorities:

Expand Studios globally

Optimise Broadcast

These are not independent. They work together – reinforcing each other, creating synergies and delivering value. Being an integrated producer broadcaster gives us a real competitive advantage.

How we will deliver our strategy
The key to successfully delivering this strategy is by digitally transforming across everything we do. We will have a laser focus on viewers and every decision will combine our unique creativity with data insight.

In addition, we will continue to:

- Strengthen both our creative and commercial teams. Ensuring we have the right skill set and culture to deliver our strategic vision, particularly in respect of technology and data functions
- Ensure we own and manage our rights efficiently and effectively. Maximise the value of these rights across our Studios, Streaming and Broadcast business models
- Further 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

Critical priorities

Media & Entertainment (M&E)

The M&E division has two business units – Streaming and Broadcast – to better reflect and serve changes in viewer habits and to ensure we maintain a strong, branded and data rich relationship with our viewers and advertisers.

Expand Studios globally

Our aim is to be a leading creative force in global content production, growing our revenues faster than the market. We will continue to diversify ITV Studios by genre, geography and customer to take advantage of the strong growth in demand for content globally, particularly from streaming platforms.

Our key priorities are:

- Growing our international scripted business by continuing to invest in creative development
- Growing our global formats business through maximising the value of our key formats and developing new hit formats that travel internationally
- Further diversifying our customer base by serving new fast-growing streaming platforms (both global and local)
- Attracting and retaining leading talent, and nurturing the right creative and commercial environment to do this
- Continuing to collaborate across our network of 60 production labels to benefit from ITV's scale and diversity
- Increased use of technology and innovation in production to drive efficiencies

We have KPIs and have set ambitions for 2026 aligned to these priorities. Refer to the KPIs section for further detail.

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

Beat the Chasers is an ITV gameshow format, created in the UK. It is a spin-off of The Chase.

[illegible]

We are very focused on supercharging our streaming ambitions, significantly increasing our total digital viewing and digital revenues. This is building on the strong progress we have made over the last three years to be Europe's largest premium advertiser-funded streaming service by revenue.

Therefore, our priority is to launch ITVX in Q4 2022. It is an integrated AVOD and SVOD platform, capitalising on the investment and success of ITV Hub, Planet V, ITV Hub+ and BritBox UK. It will be AVOD led, with a powerful upsell into a compelling SVOD proposition.

We will implement a digital-first content strategy in our content windowing and significantly increase our overall content investment for ITVX.

This will deliver valuable addressable audiences for advertisers at scale and our established data and analytics capabilities will drive higher-value, data-driven pricing models.

It will be a data-driven viewing model with one content budget across all our platforms and channels, which will enable flexibility to optimise viewing and revenue across AVOD and SVOD to maximise total digital viewing and revenues. We have KPIs and have set ambitions to 2026 aligned with our priorities which are set out in the KPI section. See page 26.

Optimise Broadcast

In spite of the growth in streaming viewing, linear broadcast remains very important to our viewers and advertisers.

Our priorities for Broadcast are to:

- Maintain our USP of delivering live mass audiences on our linear channels as we invest in our broad schedule, most particularly sport, drama and large entertainment shows. These audiences are highly valuable and highly demanded by advertisers as they build their own brands
- Focus on scaling our linear addressable advertising capabilities, building on our investment in Planet V and our data, analytics and digital capabilities
- Continue to build more strategic and creative partnerships with our advertisers,
- Continue to digitally transform ITV, the UK's biggest TV advertising platform.

We have KPIs and have set ambitions to 2026 aligned with our priorities which are set out in the KPI section. See page 26.

BritBox International

In addition to our SVOD services in the UK, we are continuing to roll-out BritBox International, which is seeing strong growth in its subscriber base. It is currently available in four countries and will launch in the Nordics in H1 2022. We will continue to roll it out and by 2030 expect to have 10 to 12 million subscribers.

See KPIs from page 26

Our Business Model

Our vision for 2026 is to be a leader in UK streaming and an expanding global force in content. This is aligned with our purpose of entertaining and connecting with millions of people globally, reflecting and shaping culture with brilliant content and creativity.

***We will continue to expand and diversify* our UK and global content business, supercharge our streaming business, and optimise our broadcast business.**

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

The successful execution of Phase Two of our More than TV strategy will strengthen and diversify ITV, creating a more valuable digital media and entertainment business and deliver returns to shareholders.

Vera *is a scripted title and is in its* 11th series in the UK. It is produced by ITV Studios UK.

Our vision

Our vision for 2026 is to be a leader in UK streaming and an expanding global force in content.

Using our strategic assets...

Our strategic assets

Creating and owning the rights to quality content and intellectual property

Our strong, trusted brand, products and culture

>6,000 talented commercial and creative colleagues

93%
In 2021, 93% of the top 1,000 programmes on commercial broadcast TV were on ITV

9.6m
We have 9.6 million MAUs across all our platforms

>£1.2bn
We will invest over £1.2 billion in content across our linear channels, AVOD and SVOD platforms

90,000+
active hours of content in the Global Distribution catalogue

...and our competitive advantages...

Competitive advantages

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

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

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

Delivering unrivalled commercial audiences and targeted addressable audiences
The scale of our channels and the significant investment we make in quality content give ITV a unique scale and reach across the key demographics on our broadcast channels. In addition, we deliver targeted addressable audiences in a brand-safe and measured environment on the ITV Hub, which we sell through Planet V. This is our programmatic video advertising platform, which is the second largest in the UK after Google. From Q4 2022 we will significantly scale these audiences via ITVX, our new integrated AVOD/SVOD platform. Our IP, insight and data on viewer and advertisers behaviour also helps us build deeper, more strategic and creative relationships and partnerships with advertisers and agencies.

Integrated producer broadcaster
Being an integrated producer broadcaster provides many competitive advantages. It provides ITV Studios with a bedrock of core commissions and a formidable promotional engine for its content; it enables cross-promotion and 360-degree monetisation of ITV Studios content across our business; secures access to great content for ITV's channels, AVOD and SVOD businesses; and all this helps attract and retain the best creative talent in the industry. Within the context of our evolved strategy, ITV Studios will play a pivotal role in delivering new and exclusive content on ITVX.

...we aim to grow our diversified revenue streams...

Our diversified revenue streams

A diversified business
By developing, owning and managing the rights to content, ITV is able to maximise the value of its programme brands across ITV Studios; Streaming (AVOD and SVOD) and Broadcast. This ensures ITV is a more diversified business and enables it to drive value from different revenue models.

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

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.

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 streamers (in the UK and internationally) from our production bases in the UK, the US, the Netherlands, Germany, France, Italy, Australia, Spain, Israel and the Nordics.

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.

SVOD and other consumer revenues
In the UK, we generate SVOD revenue through the ITV Hub+ and BritBox UK. These will be integrated into ITVX when it launches in Q4. Internationally, we deliver SVOD revenues through our joint venture with the BBC, BritBox International, which is in the US, Canada, Australia and South Africa. We will further roll-out BritBox internationally with the launch in the Nordics in H1 2022. We also monetise our consumer interactions through competitions, live events and merchandising.

...supported by...

Our risk management framework

ITV operates in an increasingly complex business environment and there are risks to the delivery of our strategic goals and the sustainability of our business model. Our risk management framework provides the business with the tools to identify, manage and continually review our risks, and regular reporting provides the Board with the required insight to monitor the overall risk landscape.

This also allows management and the Board to adapt the strategy to ensure that we are striking the right balance between risk-taking and risk-mitigation and that any underlying risks in the strategy are being appropriately managed, therefore enabling delivery of the strategy. We have identified the principal risks through our risk management framework and we have considered them as part of our viability assessment.

...to create value for...

Our key stakeholders

Advertisers
Through delivering unique scale and breadth of demographics, targeted advertising opportunities and innovative and creative 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 streamers
Through delivering quality programming that they can then monetise through their own business models.

Customers
Through our streaming business and other competitions, we drive engagement and interaction with our much loved brands.

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

Our colleagues, programme participants and everyone we work with
Through protecting, investing in and developing our talent and creating a culture that nurtures them to be productive, commercial and creative. People, and their physical and mental health and safety, are our priority at ITV.

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

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

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

Key Performance Indicators (KPIs)

We define our KPIs to align our performance and accountability to our strategic priorities. As we *continue to evolve our* strategy, we have redefined our KPIs to ensure they remain appropriate to our business and our priorities. In the following section, we have set out our new KPIs and ambition for 2026 for Studios and M&E. In addition, we have included our previous KPIs which we will no longer report going forward.

The following KPIs will be reported on a quarterly basis: ITV Studios total revenue growth, total digital revenue, total streaming hours, share of commercial viewing and share of top 1,000 commercial broadcast TV programmes. All other KPIs will be reported on a six-month basis.

ITV Group

Adjusted EPS[1]

Definition

Adjusted EPS represents the adjusted profit for the year attributable to each equity share. 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.

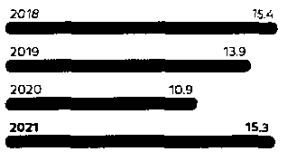
Performance

Adjusted EPS increased by 40% from 10.9p to 15.3p. This was driven by strong growth in total advertising revenues (TAR) up 24%, and ITV Studios adjusted EBITA up 41% as a result of the recovery from the COVID-19 impact in 2020.

2021

15.3p

+40% *on 2020*



Cost savings

Definition

Cost savings are permanent savings to the business. In 2020 and 2021, this also includes temporary savings as a result of the COVID-19 pandemic. Managing our cost base is key as we aim to run our business as efficiently as possible and fund investments in line with our strategic priorities.

Performance

We delivered £48 million of cost savings in 2021. Of the cost savings achieved, £37 million are *permanent and £11 million are* temporary savings. This was ahead of the target of £30 million permanent cost savings, which is due to phasing.

Since 2019, we have delivered a cumulative £83 million of permanent cost savings. In 2022, we will deliver around £17 million of permanent cost savings, with total cumulative cost savings of around £100 million.

We will deliver an additional £50 million of permanent cost savings by 2026. In total, we *will deliver £150 million of* permanent cost savings between 2019 and 2026.

Ambition

8 years to 2026

Deliver £150 million of permanent savings

Profit to cash conversion[1]

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[1]. Adjusted cash flow[1], 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.

Performance

Profit to cash conversion was 80% in the year. This was due to record advertising revenues in 2021 and tight working capital management. This was partly offset by the unwinding of the working capital benefit from 2020, which had a significant working capital inflow arising from a reduction in programme stock (where we delivered *programmes but were unable* to continue producing due to the COVID-19 pandemic) and the timing of VAT payments *which were deferred to the* first half of 2021.

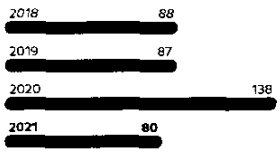
2021

80%

Ambition

5 years to 2026

Maintain at around 85%



1. *A full reconciliation between our adjusted and statutory results is provided in the APMs on page 59*

Expand
UK and global production

ITV Studios total revenue growth[2]

Definition

ITV Studios total revenue measures the scale and success of our global studios business. It includes revenues from programmes sold to M&E, which as an integrated producer broadcaster, is an important part of our business.

Performance

ITV Studios total revenue grew 28% to £1,760 million, despite ongoing COVID-19 challenges in the production of both scripted and unscripted content.

Total organic revenue at constant currency (which excludes acquisitions and assumes exchange rates remain consistent with 2020) was up 31%. There was a £40 million unfavourable currency impact in the year.

2021

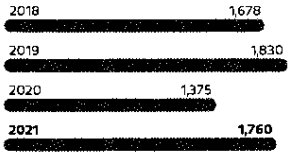
£1,760m

+28% on 2020

Ambition

5 years to 2026

Grow on average at least 5% per annum from 2022



ITV Studios adjusted EBITA margin %[2]

Definition

This is the key profitability measure used across the ITV Studios business. The profile of adjusted EBITA margin differs for production and distribution activities, and further varies with each production due to genre, customer type and maturity. Adjusted earnings before interest, tax and amortisation (EBITA) is calculated by adding back exceptional items and including high-end production tax credits[2]. 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 ITV Studios total revenue.

Performance

ITV Studios adjusted EBITA margin was 12% (2020: 11%) and continues to be impacted by incremental costs associated with social distancing guidelines and health and safety protocols in productions.

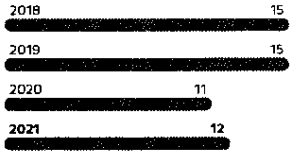
2021

12%

+1% point on 2020

Ambition

Return to 13% to 15% range from 2023 onwards



Total high-end scripted hours

Definition

Total high-end scripted hours is an important measure of the success of our strategy to grow our global scripted business. High-end scripted hours include new commissions or returning franchises that have a higher cost per hour than continuing drama. These high-end scripted hours are sold to global streamers, pay platforms or free-to-air broadcasters, where they are expected to perform well with viewers in their domestic market, as well as having international distribution appeal.

Performance

The number of high-end scripted hours produced by ITV Studios increased by 56% to 175 hours driven by growth in UK high-end scripted hours, with for example Grace and The Tower; and new US titles such as Physical and Ten Year Old Tom.

2021

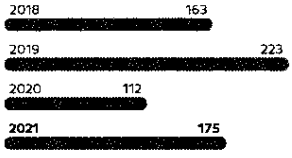
175hrs

+56% on 2020

Ambition

5 years to 2026

Grow to 400 hours



Number of formats sold in three or more countries

Definition

The Studios business is focused on maximising unscripted value by both protecting and expanding existing formats and creating new formats that travel internationally. A good measure of international success is when a format is commissioned in three or more countries in the year. Spin-offs such as Beat the Chasers are considered distinct to the original format (i.e. The Chase) for the purpose of this indicator.

Performance

The number of formats sold in three or more countries increased to 15 formats. Recent formats that have sold in three or more countries include Let Love Rule, The Voice Generations and Beat the Chasers.

2021

15 formats

+1 format on 2020

Ambition

5 years to 2026

Grow to 20 formats

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

Expand
UK and global production

% of ITV Studios total revenue from streaming platforms

Definition

Over the next five years, the key driver of growth across the overall content market will be significant investment by streamers. The percentage of ITV Studios total revenue from streaming platforms is an important measure to demonstrate the extent to which the business is further diversifying its customer base and pivoting to streamers around the world. See earlier KPIs for definition of ITV Studios total revenue.

Performance

The percentage of ITV Studios total revenue from streaming platforms grew to 13%.

Notable deliveries on streaming platforms in 2021 include Physical (Apple TV+), Cowboy Bebop (Netflix) and Ten Year Old Tom (HBO Max).

2021

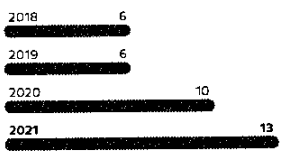
13%

+3% points on 2020

Ambition

5 years to 2026

Grow to 25% of ITV Studios total revenue



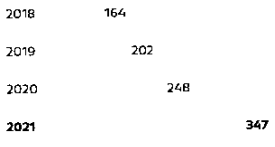
Total digital revenue

Definition

Total digital revenue is an important measure of the acceleration of our digital strategy and our digital first approach. It includes AVOD advertising revenue and SVOD subscription revenue as well as linear addressable revenue, digital sponsorship and partnership revenue, ITV Win and any other revenues from digital business ventures.

Performance

Total digital revenue grew 40% to £347 million. The growth was largely driven by AVOD revenue, which grew 41%, and the growth in BritBox subscriptions.



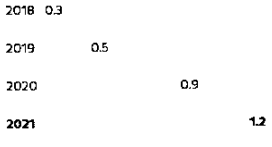
UK subscribers

Definition

UK subscribers captures total UK subscriptions to ITV streaming platforms and services (including free trials). It is an important measure of how successfully we provide a clear, compelling and differentiated SVOD offering.

Performance

Total UK subscribers grew 33% to 1.2 million. Growth came from both BritBox UK subscribers and the ITV Hub+ platform.



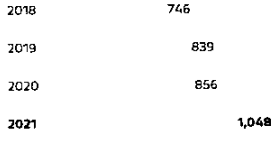
Total streaming hours

Definition

Driving digital viewing and enticing our viewers to watch more ITV content is key to our digital first strategy. Total streaming hours measures the total number of hours viewers spent watching ITV across all streaming platforms. This figure includes both AVOD and SVOD viewing.

Performance

Total streaming hours increased 22% to 1,048 million hours. The growth was driven by our focus on strengthening our content offering. On ITV Hub and ITV Hub+, we extended the catch-up window, increased the number of drama series available in full when the first episode launched on linear and improved the curation of content using our vast archive. In addition, during the Euro 2020 Football Championships, for the first time, we put all episodes of the soaps for the week ahead on ITV Hub. On BritBox UK, we launched five new and exclusive originals in 2021 including Secrets of the Krays and Crime.



Monthly active users

Definition

As part of our digital first strategy, it is important that we measure the number of viewers that engage with our content digitally. Monthly active users captures the average number of registered users throughout the year who accessed our owned and operated on demand platforms each month. This includes both our AVOD and SVOD offering.

Performance

Monthly active users grew 19% to 9.6 million. Growth was driven by increased user engagement with viewers watching more of our soaps and dramas. The return of popular entertainment shows such as Love Island and the Euro 2020 Football Championships also brought record-breaking numbers to our digital platforms. Alongside this, a redesigned ITV Hub app was rolled out across big-screen platforms such as Amazon Fire and Samsung, which were our fastest-growing platforms in 2021.

2018	6.3
2019	8.1
2020	8.1
2021	**9.6**

Share of top 1,000 commercial broadcast TV programmes

Definition

Continuing to deliver meaningful audience scale is important to M&E's overall success. This measure indicates ITV's proportion of the top 1,000 commercial broadcast TV programmes. This includes TV viewing from transmission and seven days post-transmission on catch up, as well as six weeks prior to the transmission window. It excludes programmes with a duration of <ten minutes. This metric is calculated as a two year rolling average to normalise the impact of large sporting events.

Performance

Our share remained flat at 93%. Despite the broadcast schedule missing Britain's Got Talent, it was supplemented by the Euro 2020 Football Championships and a greater number of soap episodes compared to 2020. Dramas such as The Pembrokeshire Murders, alongside entertainment formats like The Masked Singer, also helped to maintain ITV's strong commercial mass audience proposition. In 2022, we expect this figure to decline slightly as a result of changes to our evening scheduling.

External source: BARB

2018	97
2019	96
2020	93
2021	**93**

Share of commercial viewing

Definition

Keeping our free-to-air proposition strong with unrivalled commercial audiences is vital for the M&E business and ITV Family share of commercial viewing is how we measure this. ITV Family share of commercial viewing is the total viewing of audiences over the year achieved by ITV's family of channels as a proportion of all ad-supported commercial broadcaster viewing in the UK.

Performance

Share of commercial viewing remained broadly flat at 33.1%. ITV main channel grew year-on-year as the regular schedule returned after the disruption to production in 2020 due to government restrictions. The Euro 2020 Football Championships, postponed to 2021, were also a significant boost to the main channel. Overall the other ITV Family channels were flat, with growth in the youth-targeted ITV2 offset by small declines to ITV3, ITVBe and CITV.

2018	34.0
2019	33.8
2020	32.8
2021	**33.1**

BritBox International

Total subscribers

Definition

The number of BritBox International subscribers captures total global subscriptions (excluding UK). It is an important measure of the scale and reach of our international SVOD offering. BritBox International is a joint venture between BBC Studios and ITV.

Performance

Total subscribers grew by 50% to 2.4 million. BritBox International is now available across four countries, following the launch in South Africa in 2021. We continue to see subscriber growth from all established territories including the US, Canada and Australia. Both the BBC and ITV are committed to further investment in BritBox International to support an ambitious target of 10 to 12 million subscribers internationally (excluding UK) by 2030.

2021

2.4m

+50% on 2020

Ambition

5 years to 2030

Grow to 10-12m

2018	0.5
2019	0.9
2020	1.6
2021	**2.4**

KPIs previously set out for three years to 2021

In 2018, we set targets or strategic ambitions for our KPIs for three years to 2021 (where appropriate to do so). Those not set out in our new KPIs have been included for reference below. Across 2020 and 2021, the performance of all our KPIs and the delivery of corresponding targets have been impacted by the COVID-19 pandemic. Further detail is included below and within our Operating and Financial Performance Review. These will not be included going forward.

ITV Group

Total non-advertising revenues

2021
£2,085m
+24% on 2020

Non-advertising revenue grew 24% in 2021 to £2,085 million, largely driven by the improvement in ITV Studios total revenue by 28% to £1,760 million, despite ongoing COVID-19 challenges. Subscription revenue was also up 56% to £42 million, driven by growth in BritBox UK and ITV Hub+. Other M&E revenue was up 2% to £213 million driven by growth in third-party NAR commission from STV, partly offset by a decrease in competitions revenue following strong growth in 2020.

Expand
UK and global production

Total production hours

2021
6,700 hrs
-6% on 2020

The number of hours of content produced by ITV Studios declined by 6% to 6,700 hours. This was largely driven by a reduction in high volume unscripted titles, in particular in the Netherlands.

This is below the original target of 10,000 hours as the mix of programmes delivered has changed and we have increased our focus on higher value, lower-volume scripted programmes.

Transform
Broadcast (M&E)

Total advertising revenue

2021
£1,957m
+24% on 2020

Total advertising revenue grew 24% to £1,957 million, the highest in ITV's history. There was strong growth in online AVOD revenues, up 41%, along with growth across all other advertising categories including NAR, sponsorship and creative partnerships revenues. Compared to 2019, TAR was up 11%.

Online revenue growth

2021
41%

Online AVOD revenue continued to grow strongly, up 41% in the year. Since 2018 we have delivered a CAGR of 26%, in line with our target of delivering double-digit growth per annum over the period.

Total ITV viewing

2021
15.1bn hrs
-9% on 2020

Total ITV viewing declined by 9% to 15.1 billion hours with higher viewing on ITV Hub (simulcast and on demand, up 27%) offset by a decline in viewing across our live linear channels (down 11%). The increase in ITV Hub viewing was driven by our strong content offering in 2021, including the summer series of Love Island, the Euro 2020 Football Championships and pre-transmission series drops, as well as a significant increase in simulcast viewing during the 2021 winter COVID-19 restrictions in the UK.

Total broadcast viewing (all broadcast channels including TV VOD) declined by 10% impacted by fewer people at home than in 2020 in the daytime and growth in streaming viewing.

Total ITV viewing is below our target of 16.8 billion hours, as a result of the changes in viewing habits which have been accelerated by COVID-19.

External source: BARB/Advantage, Crocus and third-party platforms

ITV Family share of viewing (SOV)

2021
22.3%
+0.1% point
on 2020

ITV Family SOV was up 0.1% point year-on-year to 22.3%. Within this, ITV main channel was up 0.1% point to 16.8%, which is the third biggest SOV in a decade. ITV's other channels remained broadly flat at 5.5%, with ITV2 still the most-watched digital channel for 16-34s for the fifth year in a row. Three of the top five dramas of 2021 were on ITV, whilst ITV was also home to the most-watched programme of the year, with England's Euro 2020 Football Championships semi-final watched by 18.4 million viewers (across the entire coverage, including on ITV Hub).

22.3% is ahead of our original target to maintain share of viewing above 21% over the period.

External source: BARB/AdvantEdge

Online viewing

2021
630m hrs
+31% on 2020

The ITV Hub and ITV Hub+ are the online home for our family of channels and content. Following the content-driven decline in 2020 as a result of the pandemic, online viewing is up 31% on 2020 and 25% on 2019, driven by viewers' appetite for our content on catch up, VOD and simulcast. Viewing on connected TVs remained the biggest driver of growth in 2021.

Since 2018 we have delivered CAGR of 12% in line with our target of double digit growth per annum.

External source: Crocus

ITV Hub registered user accounts

2021
34.7m
+6% on 2020

The ITV Hub and ITV Hub+ grew the number of registered user accounts by 6% to 34.7 million in 2021, well ahead of our target of 30 million. This growth continues to be driven by our high-quality content and good user experience, which has been supported and enhanced by a process of continued improvement and investment in the year.

The ITV Hub helps ITV reach valuable light viewers and younger audiences, who are increasingly using the ITV Hub for simulcast as well as catch up. Simulcast viewing hours were up 38% year-on-year.

Brand consideration

2021
47.3%
-2.3% points
on 2020

Brand consideration in 2021 was 47.3%, down two percentage points on 2020. This was driven by the absence of key entertainment shows in the Q1 schedule, which would usually have a positive impact, along with strong competition from the SVOD platforms. However, in the summer months between June and August 2021, brand consideration was up one percentage point, following the success of sports and key entertainment shows. ITV's brand consideration for light viewers declined by two percentage points over the full year.

Brand consideration is below our target of 60%, as a result of the changes in viewing habits which have been accelerated by COVID-19 and increased competition from a growing number of streaming platforms. We remain one of the top three brands within all TV channels and platforms in the UK, demonstrating the high quality of our content and the positive impact of our marketing investment.

External source: YouGov

Direct to consumer revenue

Direct to Consumer revenue declined 9% to £75 million in 2021. The decline is mainly driven by competitions revenue which has strong comparatives in 2020, with stay-at-home restrictions boosting daytime viewing and competition entries.

Direct to consumer revenue is below our original target of £100 million by 2021 due to: i) the impact of COVID-19, with lockdown and travel restrictions impacting our ITV Hub+ subscriptions base which declined in 2020 through no summer Love Island, a lower volume of new content and a reduced need for EU portability; and ii) our strategic decision to focus less on pay per view opportunities and instead, focus on BritBox UK, which is not included in this revenue figure.

Note that our target also included gaming, licensing and merchandising revenues which have now been reclassified to ITV Studios.

Paying product relationships

Paying product relationships declined by 4% to 7.5 million in 2021. This excludes relationships from BritBox UK.

The decline in the year was largely due to a decline in competition participants and gaming users. However, this was partly offset by an increase in live event visitor numbers as lockdown restrictions were loosened as well as higher ITV Hub+ users.

This is below our original target of 10 million relationships by 2021 due to: i) the impact of COVID-19, with lockdown and government restrictions causing our live events to remain closed for part of 2021; ii) a lower ITV Hub+ subscriptions base in 2020 due to COVID-19; and iii) our strategic decision to focus less on pay per view opportunities.

Operating and Financial Performance Review

ITV delivered a strong operating and financial performance in 2021, with growth across all areas of the business, despite the ongoing challenges of the COVID-19 pandemic. We have successfully executed the first phase of our More Than TV strategy and are now in a strong position to accelerate into the next phase of building a digitally led media and entertainment company.

Key financial highlights

Group external revenue
£3,453m
+24% vs 2020
(2020: £2,781m)
(2019: £3,308m)

Total advertising revenue
£1,957m
+24% vs 2020
(2020: £1,577m)
(2019: £1,768m)

Adjusted EBITA
£813m
+42% vs 2020
(2020: £573m)
(2019: £729m)

Operating profit
£519m
+46% vs 2020
(2020: £356m)
(2019: £535m)

Adjusted EPS
15.3p
+40% vs 2020
(2020: 10.9p)
(2019: 13.9p)

Statutory EPS
9.4p
+32% vs 2020
(2020: 7.1p)
(2019: 11.8p)

Net debt
£414m
(2020: £545m)
(2019: £893m)

We use both statutory and adjusted measures in our Operating and Financial Performance Review. See APMs on page 59 for a full reconciliation between our statutory and adjusted results.

Saturday Night Takeaway is a peak time entertainment programme hosted by Ant and Dec in the UK. It had its 17th series in 2021.

ITV delivered a strong operating and financial performance in 2021. There was growth across all areas of the business following the adverse impact of the COVID-19 pandemic in 2020. ITV Studios had the majority of its programmes back in production and was able to deliver a wide range of new and returning programmes globally, helping to drive strong revenue and profit growth in the year. Within our Media & Entertainment (M&E) division, total advertising revenues in 2021 saw a significant rebound to be the highest in ITV's history, with our AVOD revenues being a key driver of this growth. We had a strong programming slate across the year and significant viewing on linear and VOD for the UEFA European Football Championships (Euros), Love Island and many of our dramas.

We remained focused on tightly managing our costs and cash flow during the year while continuing to invest in delivering our priorities, and we have now successfully executed the first phase of our More Than TV strategy. Within ITV Studios we have continued to grow in the UK and internationally; develop our creative pipeline of new scripted and unscripted shows; diversify our customer base and strengthen our creative talent. Within M&E, we accelerated our VOD strategy; continued the successful roll-out and further development of Planet V (our programmatic addressable advertising platform); extended the distribution and content on BritBox UK, and the international roll-out of BritBox with the Nordics launching soon. We have the foundations in place to enable us to enter the second phase of our strategy and digital transformation, as we evolve our products, user experiences and ways of working, which will place us firmly as a digitally led media and entertainment company.

Group financial overview

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

While the macro environment continued to be impacted by the COVID-19 pandemic during the year, ITV delivered a strong performance. Total ITV revenue increased by 24% to £4,042 million (2020: £3,260 million), with external revenue also up 24% at £3,453 million (2020: £2,781 million). Total advertising revenue was up 24% to £1,957 million (2020: £1,577 million) and total non-advertising revenue was up 24% to £2,085 million (2020: £1,683 million), of which ITV Studios was up 28% at £1,760 million (2020: £1,375 million). Overall, both total revenue and external revenue were above the pre-COVID-19 pandemic revenue of 2019 (2019: total revenue £3,885 million, external revenue £3,308 million).

Content costs were £175 million higher in the year at £1,154 million (2020: £979 million). We delivered £48 million of overhead cost savings in the period, of which £37 million were permanent and £11 million were temporary savings. The permanent savings were ahead of our planned £30 million and mainly due to phasing within M&E, with a proportion of cost savings expected in 2022 being delivered early. Permanent savings in the year included headcount savings from reorganisational changes, particularly in M&E; contract renegotiations; M&E infrastructure savings; and a permanent reduction in some discretionary spend across the business. The temporary savings were mainly due to a natural decrease in non-essential spend, such as travel and entertainment in the period due to government restrictions, particularly in the first half of 2021. We have delivered £83 million of cumulative cost savings since 2019 and are on track to deliver £100 million by the end of 2022.

Our essential investments to support our strategic priorities were £24 million in the year and broadly in line with our planned £25 million. BritBox UK venture loss was £61 million and in line with our guidance.

Group adjusted EBITA increased by 42% to £813 million (2020: £573 million), with a 41% increase in ITV Studios adjusted EBITA and a 42% increase in M&E adjusted EBITA. While the margin of the M&E division has recovered, the ITV Studios margin remains impacted by COVID-19 related costs, particularly those associated with social distancing guidelines and health and safety protocols. Group adjusted EBITA is 12% ahead of 2019, driven by the growth in M&E. Further detail on the two divisions is explained in the ITV Studios and M&E sections.

▼ **Physical** is a scripted title produced by ITV Studios America for Apple TV+. It has been recommissioned for a second season.

Adjusted financing costs were down in the year at £31 million (2020: £36 million) and our adjusted tax rate was 19.9% (2020: 18.0%). Adjusted EPS increased by 40% to 15.3p (2020: 10.9p), and was ahead of adjusted EPS in 2019, of 13.9p.

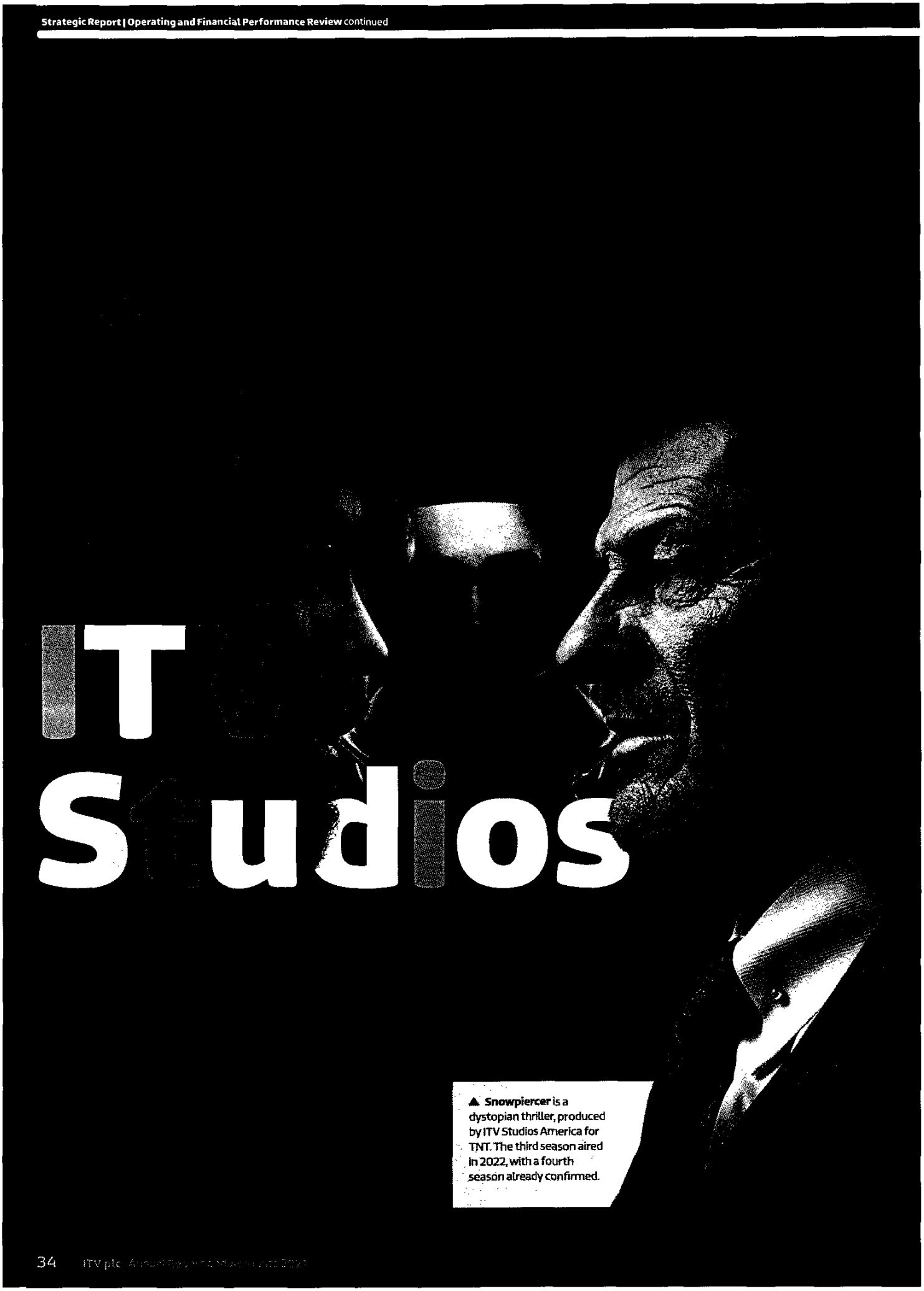
Operating exceptional items, before tax, were £196 million (2020: £118 million) and include acquisition-related costs, the largest item being an increase in the final Talpa earnout of £108 million, along with an onerous transponder provision within M&E of £16 million, and a £21 million estimate of the increased provision required for the settlement of the Box Clever pension case (see note 3.2 to the financial statements for further detail). Statutory net financing costs were £50 million, which was up year-on-year (2020: £44 million) due to higher interest payable on our exceptional acquisition-related expenses. Statutory profit before tax was up 48% at £480 million (2020: £325 million). Our statutory effective tax rate was 19.2% (2020: 13.5%), and statutory EPS rose from 7.1p to 9.4p year-on-year, however, this was 20% lower than statutory EPS in 2019 of 11.8p. See the Finance Review for further detail.

We have good access to liquidity. At 31 December 2021, we had cash and committed undrawn facilities totalling £1,514 million, including total cash of £736 million (includes restricted cash of £50 million). Our profit to cash conversion (which is an APM) in 2021 was 80% (2020: 138%). At 31 December 2021 our net debt was £414 million (31 December 2020: £545 million). Our net debt to adjusted EBITDA was 0.5x (31 December 2020: 0.9x).

Reflecting ITV's strong operational and financial performance in the year, and in line with previous guidance, the Board intends to propose a final dividend of 3.3p for the full year 2021, based on two-thirds of a notional full year dividend of 5.0p. The Board intends to declare a full year ordinary dividend of at least 5.0p in 2022 which it expects to grow over time whilst balancing further investment behind our strategy and our commitment to investment grade metrics over the medium term.

A range of scenarios reflecting ITV's principal risks has been modelled and considered in the assessment of ITV's longer-term viability. Refer to page 94 for further detail.

ITV Studios



▲ **Snowpiercer** is a dystopian thriller, produced by ITV Studios America for TNT. The third season aired in 2022, with a fourth season already confirmed.

▲ **Vigil** produced by World Productions (part of ITV Studios UK) was the most-watched new drama of 2021 in the UK.

ITV Studios is the largest commercial producer in the UK, as well as one of the largest producers in Europe and one of the largest independent unscripted producers in the US. With a combined content library of over 90,000 hours, it is also one of the pre-eminent distributors in the UK.

Growing UK and global productions is central to ITV's More than TV strategy. ITV Studios ambition is to be a leading force in the creation and ownership of intellectual property (IP), global content production and distribution. We have built an increasingly scaled and diversified business, by genre, geography and customer, in the key creative markets around the world.

We have achieved this by focusing on our four strategic pillars as follows: growing our scripted business, growing our global formats business, and further diversifying our customer base, all of which is underpinned by our ability to attract and retain leading talent.

Whilst challenges remain in delivering programmes under COVID-19 restrictions, particularly those requiring filming in multiple locations, the majority of productions have continued throughout 2021. We have strict procedures and protocols to minimise health and safety risks to our talent, crew, participants and colleagues, which have enabled us to continue to produce globally, including scripted titles such as Physical in the US and Summertime in Italy, and large scale entertainment formats such as I'm A Celebrity...Get Me Out Of Here!, Love Island and The Voice.

Growing our scripted business

Whilst unscripted content production remains important to ITV Studios, growing our scripted business is one of our key strategic priorities. In 2021, our scripted business accounted for 29% of total revenues (in 2015, it was around 15%) and we produced 175 hours of high-value scripted content (2020: 112 hours), with the ambition to increase this to 400 hours by 2026. Our total high-value scripted hours in the year was lower than expected due to the phasing of 2021 deliveries, with some titles now expected to be delivered in 2022.

Scripted content is key to platforms (both free-to-air and streamers) attracting and retaining viewers and subscribers. This together with the significant increase in the number of streamers over the last few years, has meant we have seen significant growth in the number of original scripted commissions in the UK and US as well as in Europe. Furthermore, the increasing globalisation of scripted content has led to rising demand for locally produced, non-English language scripted content. We expect this trend to continue and ITV Studios, with its global production presence and recent talent deals, is well-placed to serve this growing demand. In addition, we will continue to look at further opportunities to bring creative talent into the business, in key scripted markets to take advantage of the demand for local scripted content.

Many of our scripted labels are creating and producing high-quality content with global appeal for free-to-air (FTA) and streaming platforms. In the UK this includes: Mammoth Screen, creators of The Serpent, McDonald & Dodds, and Noughts & Crosses; and World Productions creators of Line of Duty, Vigil, The Pembrokeshire Murders and Bodyguard. In 2021, six of the top ten (including all of the top three) highest-rating dramas on UK television were produced by ITV Studios production labels.

Our established international scripted businesses are also performing well. Cattleya in Italy and Tetra Media Studio in France create and produce long-running and new critically acclaimed foreign-language dramas, including Paris Police 1900 and Balthazar in France, and Gomorrah, Suburra, and Romulus in Italy. Our newest international scripted labels, Windlight Pictures in Germany and Cattleya Producciones in Spain, as well as our majority stake in Appletree Productions in Denmark, will strengthen our scripted pipeline further. ITV Studios America is also seeing good momentum in its creative pipeline, and with output from recent talent deals starting to come through, such as Ten Year Old Tom from Work Friends, and Bedrock Entertainment's development slate, we now have more scripted hours in production in the US than ever before.

Global Distribution plays a key role in growing scripted value across the business. Global Distribution invests around £50 million each year (equating to around 200 hours of new scripted programming) in ITV Studios-produced content and selective third-party content (including A Year on Planet Earth and international spy drama The Ipcress File). Having the integrated producer-distributor relationship enables Global Distribution to make smart investment decisions around content funding, with a 360-degree approach. By finding co-production partners and licensees around the world for our scripted catalogue (of more than 22,000 hours), Global Distribution maximises the value of these projects over a long-term sales lifecycle. A key priority is looking at how we drive long-term revenues from new AVOD market entrants, as well as continuing to exploit new rights opportunities, such as through complete box sets.

Scripted

Unscripted

Core ITV

Growing our Global Formats business
Our Global Formats business oversees our portfolio of some of the world's most successful entertainment formats that travel internationally, as well as maximising commercial opportunities from our IP. We are focused on expanding our existing high-value formats as well as supporting the creation of new formats.

Our portfolio of world-class brands include (number of countries the format has been sold to date included in brackets); The Voice (72 countries), Love Island (21 countries), The Chase (19 countries), Come Dine With Me (46 countries), Four Weddings (24 countries) and I'm A Celebrity...Get Me Out Of Here! (15 countries). These formats continue to sell and generate strong mass audiences for our clients; I'm A Celebrity... Get Me Out Of Here! in the UK attracted an average of 7.5 million TV viewers and was ITV main channel's biggest entertainment series of the year for 16-34s, whilst series ten of The Voice Australia attracted a national total audience 45% higher than the 2020 series and was Seven Network's biggest entertainment show launch since 2016 (having moved from the Nine Network where it aired for series one to nine).

As well as protecting our biggest brands, we are also focused on expanding our franchises with successful spin-offs which allows us to constantly evolve existing formats. Examples include The Voice which now has six spin-off versions as well as The Chase with Beat the Chasers, Come Dine With Me with Couples and Celebrity versions and I'm A Celebrity...Get Me Out Of Here! with the new castle format. We are also exploring production hubs, driving further sales of formats by supporting productions in a cost-effective and safe environment (e.g. Love Island, I'm A Celebrity...Get Me Out Of Here!).

Several new formats have recently been commissioned in our UK, US and International production bases that have the potential to be future global hits. These include UK formats: Moneyball, Sitting On A Fortune, and Rat in the Kitchen, which has had its first commission in the US, and is produced by ITV America (airing in March 2022). Our US formats include I'd Do Anything For Love which is being piloted in the US, also produced by ITV America. In 2021, across our Global Formats business, we sold 58 (2020: 56) different formats internationally, 15 of which were sold to three or more countries (2020: 14). By 2026, we expect to have 20 such formats that will be sold in three or more countries, with a view that one of these may be a significant new format like The Voice or Love Island.

Through our Global Distribution business, we are focused on exploiting our 68,000+ hour library of global unscripted content assets and maximising the value of primary and secondary windows with FTA, Pay TV, SVOD and AVOD customers. In addition, Global Distribution's sales team actively taps into market intelligence locally, such as indications around market trends, and feeds this back to the ITV Studios teams, to inform ITV Studios latest thinking around what the next potential hit format could be. This is another way in which having Global Distribution and Formats embedded in ITV Studios is incredibly valuable.

Further diversifying our customer base
As the demand from global and local streaming platforms grows, this presents a significant opportunity for ITV Studios to further diversify its customer base. In the US, we have strengthened our relationships with streaming platforms, having both scripted and unscripted development projects and commissions in place with all the major platforms. Looking ahead, in 2022, we expect a third of US unscripted revenues and around half of US scripted revenues to come from streamers. Our UK and International Studios (aside from Italy) remain more reliant on local broadcasters, and going forward they will harness the strength and position of the ITV Studios group and key creative talent, to develop their relationships with these platforms.

In 2021, 13% of total revenues came from streaming platforms (2020: 10%), which we aim to grow to 25% by 2026. Scripted and unscripted programmes sold to streamers included The Serpent (internationally), Snowpiercer (internationally), Good Witch (internationally), Cowboy Bebop, Summertime and Generation 56K all for Netflix, Physical for Apple TV+, Ten Year Old Tom for HBO Max, and Love Island Netherlands for Videoland. New commissions for future broadcast by streamers include a limited series based on the book, A Great Improvisation: Franklin, France, and the Birth of America for Apple TV+, Love Island US which moves to Peacock in 2022, Why Didn't They Ask Evans? for BritBox US, Canada and the UK, A Spy Amongst Friends for BritBox UK, along with several other titles in progress with Disney+, Apple TV+, Netflix, Hulu and Amazon. Revenue from original commissions sold to streamers was up 95% in 2021.

Whilst further diversifying our customer base with streamers is a key strategic priority for ITV Studios, this will impact our working capital in the future due to the upfront cash requirements and the extended payment profile from the streamers. It may also limit the ability for

us to maximise margins on high-value scripted titles as streamers invariably want worldwide distribution rights for original commissions.

Attracting and retaining leading talent
A key part of ITV Studios investment strategy and pivotal to the business's success is its ability to attract and retain the best creative talent. ITV Studios offers talent a blend of creative independence, an entrepreneurial culture, the resources of a global studio business such as access to ITV Studios significant catalogue and in the UK, as an integrated producer broadcaster, a special relationship with ITV.

We continued to successfully strengthen our creative talent in 2021. In the UK, global hit format creators James Fox and Dom Waugh (creators of House of Games, All Together Now, Pointless, The Million Pound Drop) joined ITV Studios and launched a new entertainment label, Rollercoaster Television, to create and produce new formats for the UK and global markets. We also announced the launch of 5 Acts Productions in the UK, to be led by David P. Davis (executive producer of Industry), focusing on producing diverse drama for domestic and international markets.

In Europe, award-winning executive producer, Moritz Polter (executive producer of Das Boot, Arctic Circle) joined ITV Studios International to set up a new high-end scripted label in Germany called Windlight Pictures. In addition, renowned television executive and producer Arturo Díaz (credited for Las Chicas de Cable, Élite and Memorias de Idhún), joined Cattleya to launch ITV's first Spanish scripted label, Cattleya Producciones. These deals enable ITV Studios to further meet the demand for premium European drama around the world.

In the US, ITV America and Blumhouse Television have entered into an exclusive overall deal for unscripted programming. Blumhouse will have a dedicated team working in collaboration with ITV America to create an entirely new slate of projects, develop new concepts and IP, as well as amplifying existing ITV IP and formats. The first project derived from the partnership is horror competition format, Escape the Maze. In addition, ITV America has extended its partnership with Jimmy Kimmel's company, Kimmelot, and currently has titles in production at Discovery, ABC, FOX, and Hulu.

All our recent talent partnerships and new labels are building strong development slates with many having projects underway with broadcasters, networks and streaming platforms globally.

Queer Eye is an Emmy Award winning reality makeover series produced by ITV America for Netflix. It had its sixth season in 2021.

Why Didn't They Ask Evans? is a commission for BritBox North America. It will also be available on BritBox UK in 2022.

ITV Studios financial performance in 2021
ITV Studios saw strong revenue growth in 2021, with total revenue up 28% to £1,760 million (2020: £1,375 million), and external revenue up 30% to £1,177 million (2020: £903 million), with growth across all ITV Studios divisions. Total organic revenue at constant currency was up 31% (our definition of constant currency excludes acquisitions and assumes exchange rates remain consistent with 2020), with a £40 million unfavourable revenue impact from foreign exchange in the period.

When compared to 2019, prior to the COVID-19 pandemic, total ITV Studios revenue was down 4% (2019: £1,830 million, which includes the reclassification of gaming, merchandising and licensing revenue from M&E) and external revenue was down 6% (2019: £1,257 million). Assuming constant currency at 2019 rates, total 2021 ITV Studios revenue was down 2% compared to 2019, demonstrating the business' strong recovery in 2021.

Scripted revenue was up 43% to £505 million (2020: £354 million), with unscripted revenue up 22% to £948 million (2020: £778 million). There was a 26% increase in Core ITV revenues to £307 million (2020: £243 million), which primarily relates

Twelve months to 31 December	2021 £m	2020 £m	Change £m	Change %
ITV Studios UK	**683**	535	148	28
ITV Studios US	**372**	234	138	59
ITV Studios International	**407**	343	64	19
Global Formats and Distribution*	**298**	263	35	13
Total ITV Studios revenue	**1,760**	1,375	385	28
Total ITV Studios costs	**(1,545)**	(1,223)	(322)	(26)
Total ITV Studios adjusted EBITA**	**215**	152	63	41
ITV Studios adjusted EBITA margin	**12%**	11%		

* 2020 includes the reclassification of £5m of gaming, merchandising and licensing revenue from M&E as part of the restructure. The impact on adjusted EBITA is nil.

** Includes the benefit of production tax credits. Refer to Alternative Performance Measures on page 59 for key adjustments to EBITA and adjusted EBITA.

Twelve months to 31 December	2021 £m	2020 £m	Change £m	Change %
Sales from ITV Studios to M&E	**583**	472	111	24
External revenue	**1,177**	903	274	30
Total ITV Studios revenue	**1,760**	1,375	385	28

Twelve months to 31 December	2021 £m	2020 £m	Change £m	Change %
Scripted[1]	**505**	354	151	43
Unscripted	**948**	778	170	22
Core ITV[2] and Other	**307**	243	64	26
Total ITV Studios revenue	**1,760**	1,375	385	28

1 Includes high-end scripted and other scripted revenues

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

▶ **Grace** was ITV's third biggest new drama launch in 2021, behind The Pembrokeshire Murders and Finding Alice.

▼ **My Mom, Your Dad** is a reality dating series, produced by ITV America for HBO Max. The series was delivered in 2021 and aired in January 2022.

to soaps and daytime programming returning to normal volumes following the pause in production in 2020 due to COVID-19.

Reflecting our presence in key global production markets, 57% of ITV Studios revenue was generated outside the UK (2020: 55%). This was higher than the prior-year and reflects our strong growth in the US and international revenues. Further detail on the year-on-year movement in revenue is included in the sections that follow.

While ITV Studios revenue increased during the period, the number of hours delivered decreased by 6% to 6,700 hours (2020: 7,120 hours). This was largely driven by a year-on-year reduction in high volume unscripted titles predominantly in Europe, including programmes such as Koffietijd and Lang Leve de Liefde in the Netherlands.

ITV Studios adjusted EBITA was up 41% year-on-year at £215 million (2020: £152 million), with the adjusted EBITA margin at 12% (2020: 11%), despite a £5 million unfavourable impact from foreign exchange. During the period, there were investments of £13 million in line with our strategic priorities, which was more than offset by overhead cost savings of £18 million (£8 million of which are temporary and £10 million permanent). The ITV Studios margin continues to be impacted by costs associated with social distancing guidelines and health and safety protocols in productions. To help mitigate this we are looking at our property footprint, using technology and data to drive cost and revenue efficiencies, taking steps to digitise processes and using remote editing more routinely, particularly to reduce travel costs.

Compared to 2019, on a like-for-like basis (which includes the reclassification of gaming, merchandising and licensing from M&E), adjusted EBITA in 2021 was down 20% (2019: £269 million) which is partly due to the additional costs associated with COVID-19, along with 2019 including several high margin, multi-year deal renewals for The Voice.

ITV Studios UK

ITV Studios UK is made up of 28 production labels, with a diverse range of scripted and unscripted titles for broadcasters and streaming platforms. The business is built upon many long-running and recurring titles, the majority of which are sold to the M&E business for transmission on ITV's family of channels, ITV Hub and BritBox UK. The core portfolio includes daytime programmes such as Good Morning Britain, This Morning, Loose Women; the soaps Coronation Street and Emmerdale; and entertainment programmes, such as The Voice, Love Island and I'm A Celebrity... Get Me Out Of Here! Whilst the available network programme budget was higher year-on-year in 2021, ITV Studios UK's share of original content on ITV main channel was also up at 70% (2020: 68%).

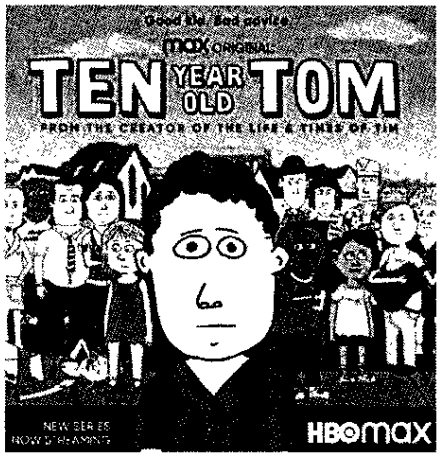
In 2021, ITV Studios UK revenue was up 28% to £683 million (2020: £535 million), and also up 28% on an organic basis, driven by internal sales and the delivery of programmes that were delayed in 2020. Internal sales to M&E was up 24% in the year, driven by more episodes of the soaps, which were reduced in 2020 due to the pause in production; dramas such as Grace, McDonald & Dodds, The Bay and Unforgotten; and entertainment shows such as The Cabins, Ready to Mingle and Beat the Chasers.

Internal deliveries in the first half of 2022 include new and returning dramas; The Suspect, Holding and Vera and returning entertainment including the second series of The Cabins, Dancing on Ice and Saturday Night Takeaway.

Following the delay of planned deliveries in 2020, off-ITV revenue (productions for non-ITV channels in the UK) increased by 33%, with new and returning programmes including Line of Duty, Vigil, The Outlaws and Showtrial all for the BBC; and Countdown and 24 Hours in A&E for Channel 4. Off-ITV deliveries in the first half of 2022 include The Reckoning and The Graham Norton Show for the BBC; and 24 Hours in A&E and Countdown for Channel 4.

ITV Studios US

ITV Studios US is a scaled production business, providing content to all the major networks and cable channels in the US, along with every major SVOD platform. It has a good foundation of core programmes, including unscripted titles with multiple seasons and a high volume of episodes. It also produces premium scripted content, which combined with the output from our investment in scripted content over the last few years, has enabled the business to grow its presence significantly in a highly competitive market.



Ten Year Old Tom was created by our primetime TV animation label, Work Friends, within ITV Studios America. It is produced for HBO Max.

A Year On Planet Earth originally commissioned by ITV in the UK, adds to Global Distribution's carefully curated collection of natural history programming.

Rat in the Kitchen is a food competition format produced for TBS by ITV America's Thinkfactory Media. It was created by UK-based ITV Studios label, Possessed.

This diversity of content and customer base enabled ITV Studios US to mitigate some of the impact seen from the pandemic.

ITV Studios US total revenue grew by 59% to £372 million (2020: £234 million) and 70% to £397 million when adjusted for the unfavourable foreign exchange impact, driven by both scripted and unscripted titles. Within ITV Studios America (scripted), deliveries included Snowpiercer S3 to TNT, Ten Year Old Tom to HBO Max, Physical to Apple TV+, a licensing deal for Cowboy Bebop, and Good Witch S7 to Hallmark. ITV America (unscripted) saw the delivery of new titles, including My Mom, Your Dad for HBO Max and Rat in the Kitchen set to air on TBS this year, along with returning titles such as The Chase for ABC, Real Housewives of New Jersey for Bravo, Love & Marriage for OWN, and Forged in Fire for History.

The development and commissioning pipeline for ITV Studios US in 2022 is strong; both ITV Studios America and ITV America have a number of projects in production or under development with existing and emerging streaming platforms as well as other traditional platforms. For ITV Studios America, these include Snowpiercer S4 for TNT, a limited series based on the book, A Great Improvisation: Franklin, France, and the Birth of America, and Physical S2 for Apple TV+, Let The Right One In for Showtime and One Piece for Netflix. Within ITV America, deliveries expected in 2022 include the return of Hell's Kitchen with two series in production for FOX and Marry Me Now for OWN, as well as Bullsh*t The Game Show for Netflix.

ITV Studios International

ITV Studios International has production bases in Australia, Germany, France, the Netherlands, the Nordics, Italy, Spain and Israel where we produce original scripted and unscripted content, as well as local versions of key formats developed through our Global Formats business. Growing our European scripted business allows us to benefit from the increasing demand for locally-produced content with global appeal, and we have several scripted projects in development with Amazon Prime, Netflix, Paramount+, HBO Max and Disney+.

Revenue within ITV Studios International increased by 19% to £407 million (2020: £343 million), and by 21% to £414 million when adjusted for the unfavourable impact of foreign currency. Growth was driven by deliveries, including Summertime S2 and Generation 56k for Netflix; the final season of Gomorrah in Italy; and Vise le Cœur in France; Nurses in Australia; My Gay Best Friend in Germany; and Love Island in Germany and Australia.

In 2022 we will continue to focus on growing our European scripted business to allow us to benefit from the increasing demand for locally-produced content with global appeal. Deliveries expected in the first half of 2022 include returning series Summertime S3 (Netflix), Petra S2 (Sky Italia), and Nero a Meta S3 (Rai), all from Cattleya, The Voice in France, and I'm A Celebrity...Get Me Out Of Here! in Australia and Germany.

Global Formats and Distribution

Global Formats and Distribution revenues were up 13% year-on-year to £298 million (2020: £263 million), and by 16% to £305 million when adjusted for the unfavourable impact of foreign currency. Much of this increase was driven by our Global Distribution business which benefited from the international distribution of Snowpiercer and The Serpent to Netflix, and the distribution of new scripted titles Line of Duty S6, Vigil and Grace. Finished tapes sales of unscripted formats were also strong, including The Voice, Love Island and The Chase, all delivering across multiple territories.

2022 should see an increased pipeline of new content for Global Distribution, including The Suspect, Litvinenko, and Karen Pirie along with returning scripted titles such as Snowpiercer, Romulus, and Vera.

Our Global Formats business has continued to strengthen its portfolio of successful entertainment and factual entertainment formats, with many new titles developed and commissioned during the year. In addition to those mentioned already, new formats that we expect to sell internationally in 2022 include My Mom Your Dad, Rat in the Kitchen and The Voice Generations.

Media Entertainment

◀ **An Audience with Adele** was watched by nearly nine million viewers in late 2021. It also had 2.7 million streams on ITV Hub.

Media & Entertainment (M&E) is the home of ITV's family of channels and platforms. Through our Broadcast business, we operate the largest family of free-to-air commercial TV channels in the UK. They offer unique audience scale and reach, as well as targeted demographics demanded by advertisers.

Through our Streaming business, we operate our streaming platforms, which include; our advertiser-funded platform, ITV Hub, which appeals to viewers appetite for our VOD, catch up and simulcast content; and our subscription services, ITV Hub+ and BritBox UK, which allows viewers to access content however they choose to watch it. Data and technology are key to evolving our M&E business and driving revenue growth.

The COVID-19 pandemic accelerated many of the changes we were already seeing in the viewing and advertising landscape, presenting both challenges and opportunities. As we continue to mitigate the long-term impact of changing viewing patterns, we recognise that we need to retain and attract audiences, especially younger viewers, that are increasingly moving away from linear viewing to digital platforms.

The launch of ITVX in 2022, which will combine ITV Hub, ITV Hub+ and BritBox UK into a simplified and seamless integrated AVOD and streaming platform, is key to this. With a digital-first content strategy, it will significantly strengthen our offering to viewers and attract them however they choose to watch. We will leverage our investments to date in ITV Hub, BritBox UK, Planet V and data to drive digital viewing and revenue growth with a digital-first content proposition. Further detail on this is included in our Strategy section on page 22 and in the sections that follow.

Continuing to deliver unrivalled audiences with high-quality programming

In 2021, ITV continued to inform and entertain the UK nation, providing audiences with high-quality programming across the full range of genres. ITV Family's share of commercial viewing (SOCV) (which is ITV's share of viewing compared as a proportion of all commercial ad-funded channels in the UK), is a new M&E KPI in the year and increased from 32.8% in 2020 to 33.1%. ITV main channel's share of viewing (SOV) (which includes the BBC) increased marginally in the year from 16.7% to 16.8%. Both benefited from the UEFA European Football Championships (Euros), the return of Love Island and a strong slate of new and returning dramas. ITV Family SOV was broadly flat year-on-year at 22.3% (2020: 22.2%).

While we had a strong schedule of drama, entertainment programmes and sport in the year, total ITV viewing (which combines live viewing of ITV channels, recorded and VOD) declined by 9%. Within this, live viewing of ITV channels saw the most significant decline, down 11%, impacted by the strong 2020 COVID-19 pandemic viewing comparatives, the easing of lockdown restrictions from Q2 2021, continued government COVID-19 updates and the strong news output on the BBC, and ITV's peak schedule, particularly on weekends, not performing as expected. Catch up and simulcast viewing via the ITV Hub was up year-on-year and helped offset some of this decline.

Total broadcaster TV viewing (live and catch up viewing to all broadcast channels, including TV VOD) declined by 10% in the year, which was marginally behind ITV's total viewing. Total TV set viewing, which includes unmatched viewing (content that cannot be matched to broadcast TV, such as streaming platforms, YouTube, games consoles) declined by 7%. This was less than the decline in broadcast TV viewing and was driven by an increase in viewing on streaming platforms during the period (Source: BARB).

▲ **Oprah with Meqhan and Harry** was broadcast on ITV in 2021. It was ITV's second biggest programme of the year, and the biggest on ITV Hub.

On ITV main channel, Coronation Street and Emmerdale maintained their position as the UK's two largest soaps. We successfully aired a range of new programmes, including three of the top five most-watched new dramas being The Pembrokeshire Murders, Grace and Finding Alice; successful returning dramas such as The Bay and Unforgotten, which both saw their biggest series to date; some of the most-watched entertainment shows, including The Masked Singer, I'm A Celebrity...Get Me Out Of Here! and An Audience with Adele; the most-watched current affairs programme, the Oprah with Harry and Meghan interview; and successful factual programming including Kate Garraway: Finding Derek, and Bradley & Barney Walsh: Breaking Dad. Our daytime shows continued to perform well and we had a return of live sport, including the Rugby Six Nations Championships, horse racing, and the Euros, which drove significant live audiences, with the England v Denmark semi-final peaking at 27.6 million viewers and was the biggest programme of the year. Our news programming continued to perform well, with our weekday afternoon and early evening bulletins increasing their share year-on-year. Viewing in the year was impacted by the decision to cancel this year's series of Britain's Got Talent due to the risks to filming under COVID-19 restrictions, however, it will return in 2022. In addition, our autumn Saturday night schedule was challenging and did not perform as well as expected.

On ITV2, while viewing volumes were down 5%, SOV and SOCV for 16-34s were up 18% and 7% respectively, helped by new entertainment series, The Cabins, which has been recommissioned for a second series, the return of the summer series of Love Island, and The Social Media Murders, which was the first new

true-crime series for ITV2 and ITV Hub. ITV2 remained the most-watched digital channel for 16-34s for the fifth year in a row.

On ITV3, ABC1 adults SOV was down 6% in the year, due to the high levels of viewing in 2020 with many of our classic dramas such as Downton Abbey, Midsomer Murders and Endeavour having a decline in viewing year-on-year. Despite this, ITV3 was still the most-watched digital channel in 2021 for both all individuals and ABC1 Adults.

On ITV4, Male SOV was flat, with good viewing for sport, which included horse racing and a range of group-stage matches in the Euros.

We have an exciting schedule on the ITV Family of channels in the first half of 2022 with new and returning dramas, including: The Ipcress File, Holding, Tell Me Everything, and The Bay; and new and returning entertainment, including Starstruck, Romeo & Duet, The John Bishop Show and Saturday Night Takeaway. Our sporting schedule includes the FA Cup, Premiership Rugby, England Women's football qualifiers and friendlies, and the FIFA World Cup. We are also extending our commitment to our national and international weekday evening news by increasing its length from 30 minutes to one hour.

Streaming viewing hours (which measures the total number of hours viewers are spending across our AVOD and SVOD services) was up 22% year-on-year to 1,048 million (2020: 856 million), with monthly active users (MAUs) up 19% to 9.6 million (2020: 8.1 million). This benefited from growth in viewing on BritBox UK, along with strong viewing on ITV Hub for our soaps, the Euros, Love Island and our dramas, with the full series of many of our dramas being made available on ITV Hub before being broadcast on linear. 2021 saw the number of programmes getting over one million viewers on ITV Hub doubling year-on-year, with The Bay being the most-watched drama, Oprah with Meghan and Harry being the most-watched programme and Love Island having one of its biggest series with over 200 million streams.

Dwell time on ITV Hub, which measures the average time spent viewing per session across all platforms, was up 14% in the year. Simulcast viewing hours were up 38%, as more viewers used ITV Hub as a destination for live viewing via connected TVs and streaming devices, particularly for coverage of the Euros.

Our operational performance on ITV Hub during 2021 has been strong with more people watching our content, more often and for longer. This continued growth is key as we focus on accelerating our actions to drive video on demand (VOD) viewing and the commercial proposition with the launch of ITVX. Further details are included in the ITVX section.

Dancing on Ice had its 13th series in the UK in 2021. The 14th series started on ITV in January 2022.

Gallagher Premiership Rugby will be broadcast on ITV until the end of the 2023-24 season in a new partnership with ITV commencing from January 2022.

Strong linear and online advertising proposition

We have seen a resurgence in total advertising spend since the end of Q1 2021, with advertisers across the majority of categories increasing their spend year-on-year. While there has been a strong tailwind from the rebound of the economy as COVID-19 pandemic restrictions were relaxed, we believe that the significant increase may be beyond a cyclical recovery and could be seen as a renaissance in TV advertising. Our Commercial team has continued to deepen its strategic relationships with clients and work more collaboratively with them, using data-driven insights to demonstrate the power of television, and advertising with ITV.

Over the last year we have: successfully brought new advertisers to television; encouraged existing digitally mature advertisers to rediscover TV and increase their spend and provided innovative ways for brands to advertise on television, such as through advertiser-funded programme (AFP), commercial partnerships, product placement and sponsorship, using the power of our brands to help advertisers engage with audiences in different ways. This is made possible and more valuable by being an IPB, with editorial, commercial, creative and production working together to provide valuable opportunities for advertisers.

Our product placement deals during the year included Purple Bricks in Coronation Street and TikTok in Saturday Night Takeaway. In July we had an AFP for our new prime-time entertainment show, Cooking with the Stars, with M&S helping to fund the production, with promotion across ITV, in-store and online, with extensive products and merchandise available for purchase. In addition, the summer version of Love Island had a record number of commercial partnerships, engaging in programme sponsorship, brand licences, in-store branding and product placement, including Just Eat, Boots, JD Sports, Spotify, and I Saw It First.

We no longer charge advertisers late booking penalties or for making amendments to existing campaigns to give advertisers as much flexibility as possible.

This, alongside the deflation in the price of advertising during Q2 2020, has helped many advertisers re-evaluate the brand-building capabilities of TV, many of which came to TV during the pandemic for the value and have stayed because of the results it delivers.

Television remains an efficient and effective medium for advertisers to achieve mass reach and in 2021, ITV Family delivered 92% of all commercial audiences over three million and 93% over five million. Our new M&E KPI for our share of the top 1,000 commercial broadcast TV programmes, was 93% in 2021, which was flat year-on-year. As viewing and advertising become more fragmented, the scale and reach of advertising that television, and particularly ITV, delivers becomes increasingly valuable, and as we evolve our strategy, our Broadcast business will continue to optimise its USP as the largest commercial public service broadcaster in the UK.

ITV provides a safe, trusted, measured and transparent environment in which to advertise, and television generates the highest return on investment of any media. With the proven return on investment which television offers, our Commercial team has several initiatives in place to attract new advertisers to ITV. These include the following, which have helped attract nearly 700 new to TV advertisers to ITV in 2021:

- ITV AdVentures Ignite is aimed at encouraging digitally native brands to advertise on television for the first time. During the year this included online mortgage comparison site Dashly, and natural pet food company Scrumbles. Butternut Box, a subscription service dog food brand returned to ITV after a successful on-air campaign in 2020.
- ITV AdVentures Invest is ITV's Media for Equity programme which launched during the first half of 2021 and involves ITV taking minority stakes in early-stage digital and direct-to-consumer businesses, in return for advertising inventory across ITV's channels and the ITV Hub. The initiative serves as an innovative opportunity for these businesses to build scale through TV advertising, alongside a strategic media partner. Investments to date include; menswear brand, SPOKE; location service, what3words; household bills saving platform, ismybillfair; and online health brand, Feel.
- ITV Ad Labs brings together all of ITV Commercial's innovation, which includes Digital Products, Digital Partnerships and Strategic Insight, encapsulating the various products and developments that ITV's Commercial team have been trialling and bringing to the market. This includes Dynamic Creative advertising on Planet V, widening the reach of Shoppable, and launching new commercial models with partners including Twitter. We are also bringing ITV's IP into the Metaverse – the John Lewis' Christmas campaign involved a bespoke I'm A Celebrity...Get Me Out Of Here! experience in Fortnite Creative. It included John Lewis inspired games and a branded shop, and was the first time ITV IP had been integrated with advertiser content in the Metaverse.
- ITV Backing Business, which makes it as flexible as possible for British businesses to advertise on television, with ITV providing them with marketing support and a wealth of resources to help them return to growth. The team worked with brands during the year, including NatWest – which has seen a 10% increase in SME account openings as a result, along with Juicy Couture, Weleda and HiHi.
- ITV Home Planet is ITV's initiative for sustainable brands to encourage viewers to reduce their carbon footprint. Brands that were advertised in the year included Quorn (meat substitute brand) and WWF. There was a 'Green Scenes' advertising break takeover in Coronation Street to mark World Environment Day. Brands involved included Volkswagen, Ribena and Sainsbury's. We also partnered with Nationwide to create a three-part AFP series for Climate Action week in the lead up to COP26 in November.

Online video advertising on the ITV Hub delivers targeted demographics in a high-quality, trusted and measured environment for advertisers. The demand for advertising during the period was strong, up 41%, and we had over 400 VOD only advertisers in the year. Planet V, our scaled programmatic addressable advertising platform, has been rolled out to all the large agencies, with over 1,000 users and more than 90% of ITV's inventory is booked through the platform. It is now the UK's second-largest programmatic video advertising platform, after Google.

Planet V is designed and deployed as a self-service platform for advertisers and agencies, enabling them to plan and buy ITV Hub inventory seamlessly and cost-effectively, create bespoke audiences, add their first-party data and monitor their campaigns via a custom-built user interface. There are 10,000+ data points for targeting within Planet V, which enables our Commercial business to offer 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.

Cooking with the Stars was a new advertiser-funded programme created with M&S. The prime-time entertainment show was broadcast on ITV in 2021.

The Bay had its second series in the UK in 2021. The whole series was made available on ITV Hub after the first episode was broadcast. It has over 19 million streams and was the most watched drama on the ITV Hub in 2021.

Love Island UK returned in the summer on ITV2 following a year hiatus due to COVID-19. It had over 200 million streams on ITV Hub.

In 2020 we invested in InfoSum, a data and identity infrastructure company, to augment Planet V's first-party data capabilities. We piloted a DataMatch product through our new AdLabs initiative, across key categories in 2021, and early return on investment results were positive, with nearly £2.50 for every £1 spent on the bespoke DataMatch audiences. We intend to automate and scale our DataMatch product in 2022. This allows for smarter targeting and measurement across ITV's premium video inventory, providing the capability to build new and more powerful audience segments, at scale and unique to each advertiser.

We also partnered with technology specialist Cablato on a dynamic creative product that allows advertisers to dynamically tailor creative treatments according to any number of data signals used for targeting in Planet V. The Army were the first advertiser to trial the solution to highlight the local proximity of its extensive network of Army reserve centres. We also released a real-time weather targeting product which enables drinks brands, grocers, online takeaways, hayfever remedies etc, to capitalise on sudden changes in weather patterns, such as rain, temperature, or pollen count.

To provide more insight into the effectiveness of television advertising, ITV has joined Channel 4 and Sky to launch a new total television advertising measurement system in the UK. CFlight (designed by NBCU in the US) is a post-campaign online evaluation tool, using combined linear television and Broadcaster VOD (BVOD) data to show advertisers and media agencies what the overall advertising exposure is for television advertising, including reach and frequency metrics. This will give advertisers and agencies a unique view of the coverage achieved by their commercial campaigns across both linear and BVOD. We expect this to be available in early 2022.

Growing and enhancing our AVOD and streaming proposition

ITV Hub

The ITV Hub has 34.7 million registered user accounts (2020: 32.6 million) and is available on 29 consumer-facing platforms.

Investment in the ITV Hub remained a key part of ITV's More Than TV strategy during the year. We continued to enhance and improve the user experience and content to make it a destination for viewers, not just a catch up service: redesigned the interface to improve the overall user experience; increased personalisation with recommendations and curated content rails; worked to improve prominence; and extended distribution.

We have focused on strengthening the content offering by doubling the number of hours on the service, particularly in drama and reality; and have extended the catch up window; increased the number of drama series available in full on the ITV Hub when the first episode launches on linear – such as Finding Alice, The Bay and Angela Black; increased the volume of short-form content; extended the availability of dynamic advertising insertion; and improved the curation of content using our vast archive.

During the Euros, for the first time, we put all episodes of Coronation Street and Emmerdale for the week ahead on the ITV Hub, giving audiences the option to watch at their convenience. Our newly redesigned ITV News website is now available through Facebook News and Apple News, and it recently won National News Site of the Year with The Drum. Our investment has helped to drive an increase in online viewing and monthly active users in the year.

ITV Hub+

The ITV Hub+ offers an ad-free subscription version of the ITV Hub with content download capability. The number of subscriptions[1] at the end of December 2021 was c.513,000 which was an increase of 26% year-on-year (2020: c.408,000). We have seen good growth in subscriptions through our distribution of ITV Hub+ on Amazon channels, along with our strong programming schedule in the year, particularly Love Island and our dramas.

BritBox

BritBox UK saw strong growth during the year with subscriptions increasing by over 45% to c.733,000 despite the loosening of lockdown restrictions in Q2 (2020: 500,000). Churn rates have halved since launch as the subscription base matures, and the distribution of BritBox UK was extended to Amazon Prime Video Channels and Xbox, which makes it accessible in over 90% of VOD homes. During the year BritBox UK saw a strong pipeline of new original content, including The Beast Must Die, Secrets of the Krays and Crime, which was selected in the Daily Telegraph's top ten dramas of the year. Spitting Image also returned for its second series. 2022 will have several new scripted originals including Hotel Portofino, Magpie Murders and Murder In Provence, along with the recommission of Sanditon for two series with BritBox as the UK streaming partner.

Our international BritBox joint venture with the BBC is currently available in the US, Canada, Australia, and South Africa and provides an ad-free streaming service offering the most comprehensive collection

1. Subscriptions – entitled users of ITV streaming services, which includes those who pay ITV directly, those who are paid for by an operator, and free triallists.

▼ **Planet V** is ITV's programmatic addressable advertising platform. It is now the second biggest platform after Google in the UK.

PLANET V

▲ **The Masked Dancer** was broadcast during 2021 on ITV. It is a spin-off of The Masked Singer.

of British content available in those territories. Subscriptions have grown strongly, and we now have over 2.4 million BritBox subscriptions internationally.

We expect to continue to roll-out BritBox internationally and by 2030, we expect to have 10 to 12 million international subscriptions. The service is on track to launch in the Nordics in the first half of 2022. Our funding for the next phase of the roll-out will be from our share of BritBox US cash flows, which is a profitable service, and we will undertake a full business case review for each territory before deciding to launch.

Across all our streaming services (including ITV Hub+) we now have over 3.6 million subscriptions globally.

ITVX

Our successful strategic, financial and operational performance to date across our AVOD and streaming services have helped lay the foundations for our digital acceleration within M&E. We have delivered on our key priorities through the investments we have made over the last three years around ITV Hub, Planet V, BritBox UK and data and technology, and we will leverage our scale, brand and experience as we move into the second phase of our strategy.

We intend to supercharge our streaming viewing and revenues, with the formation of a new integrated streaming service ITVX in Q4 2022. It will be an AVOD led service with a compelling SVOD proposition, providing a simplified and seamless viewer experience with a digital-first content supply, attracting those audiences who do the majority of their viewing on digital services. It combines the ITV Hub, ITV Hub+ and BritBox UK into a free and premium content offering, capitalising on the investments we have made to date.

To support our ambitions for ITVX, in 2022, we will invest £1.23 billion in content across linear, AVOD and SVOD. This will increase to £1.35 billion in 2023 and we expect total content spend to continue at around this level going forward. Our one content budget includes our existing network schedule budget,our content budget previously allocated to BritBox UK, along with incremental content investment for ITVX. We will invest in high-quality, trusted content across a wide range of genres, including large family entertainment shows, sport, drama, factual and news which will drive simulcast viewing on ITVX and mass audiences on linear channels. In addition, our digital-first strategy for ITVX will offer viewers new and exclusive shows every week; box sets made available in their entirety at the same time as linear transmission; FAST channels; acquired content and content partnerships and archive content.

Crime is a BritBox UK scripted original. It launched on the service to critical acclaim in 2021.

ITVX is ITV's new integrated AVOD/SVOD service which will launch in Q4 2022.

In 2022 and 2023 there will also be non-content investment for ITVX, which includes costs that will be ongoing in our cost base and covers our data and technology capabilities and variable streaming costs. In 2022 and 2023 this will be £25 million. Variable costs of streaming will continue to rise thereafter as streaming viewing increases. These costs will be offset by additional permanent cost savings in 2026.

In addition, there will be one-off costs of £20 million related to the launch of ITVX in 2022, reducing to £10 million in 2023.

Total non-content investment in ITVX for 2022 will therefore be £45 million in 2022 and £35 million in 2023.

ITVX will combine the experience of our linear advertising proposition with the precision of addressable to fully monetise the value of our digital audiences. We will have the opportunity to provide a more targeted offering through scaled addressable advertising inventory not previously available, using our established data and analytics capabilities to drive higher-value data-driven pricing models. The combination of our data-driven models and one content budget will enable significant flexibility to optimise viewing and revenue.

We are developing our linear addressable capabilities and look to test linear addressable advertising via IP delivery during 2022. This opportunity will allow us to capture new brands in the long tail of advertisers who cannot afford mass reach linear campaigns.

We will also provide a clear and compelling subscription upselling path between AVOD and streaming for our viewers.

M&E financial performance

The M&E income statement reflects the new reporting structure for the business following the evolution of the M&E strategy. It reflects how management views the business and will monitor its future performance. We have reclassified certain revenue streams and restated the comparatives – further detail on this follows.

M&E total revenue was up 21% in the year at £2,282 million (2020: £1,885 million). This increase was predominantly driven by total advertising revenue which was up 24% to £1,957 million (2020: £1,577 million). Within this, VOD advertising revenue was up 41%. Our new M&E KPI for digital revenue, which includes revenue from AVOD, digital sponsorship and our subscription services, was up 40% in the year to £347 million (2020: £248 million). M&E non-advertising revenues were up 6% in the year to £325 million (2020: £308 million) with growth across most areas. Further detail on the year-on-year movement in revenue is detailed below.

When compared to the same period in 2019, M&E revenue, on a like-for-like basis, was up 11% (2019: £2,055 million) largely due to the increase in TAR and BritBox UK subscriptions.

Total costs within M&E were up 15%, primarily driven by increased content costs, which were up 18% to £1,154 million (2020: £979 million) due to higher content costs compared to the prior year which was significantly impacted by the pandemic. 2021 included the rescheduled Euros, a normal schedule of the soaps, which were reduced in Q2 2020 due to the pause in production, and several scripted titles that had been delayed into 2021.

Variable costs were up 10% at £127 million (2020: £115 million), mainly driven by increased marketing for our content, which was significantly reduced in the prior year, an increase in bandwidth costs associated with the growth in ITV Hub viewing, along with higher marketing costs for BritBox UK, which had several originals during the year, and additional costs associated with our creative commercial partnerships.

M&E infrastructure and overhead costs increased by 9% to £403 million (2020: £370 million), due to the provision for the 2021 staff bonus, which was cancelled in 2020, higher share costs associated with our employee incentive share schemes, along with investments of £11 million in data, the ITV Hub, ITV Hub+ and technology in line with our strategic priorities. This was partly offset by £30 million of cost savings realised across M&E (£3 million of which are temporary and £27 million are permanent).

Twelve months to 31 December	2021 £m	2020 £m	Change £m	Change %
Total advertising revenue	**1,957**	1,577	380	24
Subscription revenue	**42**	27	15	56
SDN	**70**	73	(3)	(4)
Partnerships and other revenue*	**213**	208	5	2
M&E non-advertising revenue	**325**	308	17	6
Total M&E revenue	**2,282**	1,885	397	21
Content costs	**(1,154)**	(979)	(175)	(18)
Variable costs	**(127)**	(115)	(12)	(10)
M&E infrastructure and overheads	**(403)**	(370)	(33)	(9)
Total M&E costs	**(1,684)**	(1,464)	(220)	(15)
Total M&E adjusted EBITA**	**598**	421	177	42
Total adjusted EBITA margin	**26%**	22%		
BritBox UK venture loss***	**(61)**	(59)	(2)	(3)
Adjusted EBITA M&E (ex BritBox UK)	**659**	480	179	37
Adjusted EBITA margin (ex BritBox UK)	**29%**	25%		

* *As part of the M&E restructure gaming, live events and merchandising revenues have been reclassified to ITV Studios. The impact is a £5 million decrease to 2020 Other revenue, the impact to adjusted EBITA is £nil.*

** Refer to Alternative Performance Measures for key adjustments to EBITA and adjusted EBITA.

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

Emmerdale is the UK's second biggest soap and has been broadcast on ITV for nearly 50 years.

The net investment in BritBox UK in the period was £48 million (2020: £49 million) with venture losses of £61 million (2020: £59 million), both of which were in line with our guidance.

M&E adjusted EBITA (excluding BritBox UK) was up 37% to £659 million (2020: £480 million), with a margin of 29% (2020: 25%). Total M&E adjusted EBITA (including BritBox) was up 42% to £598 million (2020: £421 million), with a 26% margin (2020: 22%). Total M&E adjusted EBITA in 2021 grew 30% compared to the same period in 2019 on a like-for-like basis, (2019: £460 million), with the margin up four percentage points (2019: 22%), predominantly due to the impact of higher TAR.

Reclassification of revenue and costs in 2021 and 2020

Revenue

Following the M&E restructure and the evolution of the M&E strategy, the reporting of the M&E income statement has changed to better reflect how management views the business and measures its performance.

As a result, the Direct to Consumer (DTC) revenue line will no longer exist and this revenue stream has been renamed to Subscription revenue and will only include revenue associated with our streaming services. Our competitions revenue which was previously within DTC will now be included in Partnerships and other revenue.

Similarly, our BritBox UK subscription revenue which was previously included in Partnerships and other revenue, will be within Subscription revenue.

Our 2020 comparatives have been adjusted to reflect the reclassification with the impact being a net movement of £55 million between Subscription revenue (previously DTC) and Partnerships and other revenue.

Costs
There is now only one content budget allowing us to optimise our windowing strategy to optimise our viewing and revenues and create the most value for ITV. To reflect this change, we have renamed Network schedule costs to Content costs. This will also include content costs for BritBox UK which were previously within variable costs.

The 2020 comparatives reflect the reclassification of BritBox UK content costs from variable costs, being a net movement of £44 million.

Total advertising revenue (TAR)
The start of 2021 saw TAR down 6% in Q1 due to strong comparatives, and the impact of full UK lockdown restrictions in January and February 2021. From March onwards, advertising trends were positive, with a rebound in demand from advertisers resulting in Q2 being up 89%, Q3 up 32% and Q4 up 13%, with the full year up 24%, and the highest outturn in ITV's history.

Most advertising categories increased their spend during the year, with categories such as Retail, Entertainment & Leisure – particularly gaming during the Euros – and Publishing and Broadcasting seeing a significant rise year-on-year. Airlines and Travel remained the hardest-hit category due to ongoing travel restrictions in the UK and globally during the year.

Spend from online brands (excluding gambling) also increased significantly during the period, up 28%, with additional spend by food delivery brands, global online platforms and online-only retailers, who have benefited from more people being at home.

VOD advertising revenue on the ITV Hub was up 41% in the year with continued strong demand from advertisers, particularly around the Euros, Love Island and drama.

We have seen the positive trajectory from 2021 continue into the first quarter of 2022, with TAR expected to be up around 16%, against weaker comparatives in January and February 2021. April is expected to be up around 10%. Categories such as Cosmetics & Toiletries, Finance and Entertainment & Leisure have been strong in the quarter with Travel and Airlines significantly increasing their spend year-on-year following the relaxation of COVID-19 travel restrictions in the UK and many other countries. Q2 2022 will be impacted by tough advertising comparatives, which in 2021, saw a strong rebound from May onwards, along with the Euros in June.

Subscription revenue
Subscription revenue is generated directly from our streaming services and includes ITV Hub+ and BritBox UK. It does not include BritBox International, which is included within JVs and Associates.

In 2021, subscription revenue increased by 56% to £42 million (2020: £27 million) driven by good growth in both BritBox UK and ITV Hub+ subscriptions which both benefited from a strong content pipeline in the year.

In 2022, this will include revenue from our premium tier of ITVX, our new integrated streaming service, which will include the migration of ITV Hub+ and BritBox UK subscriptions.

SDN
SDN generates revenue by licensing multiplex capacity to broadcast channels, radio stations and data providers on digital terrestrial television (DTT) or Freeview.

SDN customers include ITV and third parties, with external revenue (non-ITV) decreasing by 4% in the year to £70 million (2020: £73 million), impacted by the renewal of a long-term contract with a third party which reverted to current market rates.

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

SDN's current multiplex licence expires towards the end of 2022. The government has given Ofcom the power to renew the SDN licence until 2034. Following this decision, we await the renewal from Ofcom, which we expect during 2022.

▲ **Trigger Point** is a new 2022 drama on ITV.

Partnerships and other revenue
Partnerships and other revenue includes revenue from platforms, such as Sky and Virgin Media O2, competitions revenue, third-party commission, e.g. for services we provide to STV, and commercial revenue from our creative partnerships.

Partnerships and other revenue was up 2% year-on-year to £213 million (2020: £208 million) predominantly due to an increase in third-party commission as a result of the corresponding increase in NAR during 2021. In addition, revenue from our creative partnerships grew, driven by creative campaigns produced for Marks & Spencer and The People's Lottery. This was partly offset by a decrease in our competitions revenue which had strong comparatives due to: more people viewing our programmes, particularly daytime, and entering competitions at the peak of the pandemic; and the absence of Britain's Got Talent from the schedule in 2021. Our competitions portal, ITV Win, continues to do well, with an increasing proportion of competitions revenue being generated through it.

We continue to build strong partnerships in the UK and internationally and during the year renewed our long-term commercial partnerships with Sky and Virgin Media O2.

In addition, ITV, together with the BBC and C4, brought together Digital UK and Freesat into a single, public service broadcaster (PSB) owned venture. It will benefit from a more streamlined approach to technological innovation and product development, helping to ensure viewers continue to have access to a range of high quality, free-to-view TV services in the UK.

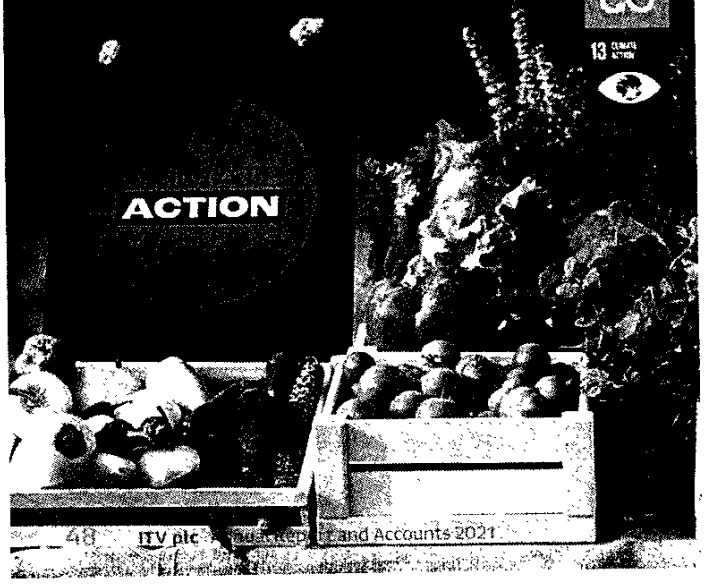
Social Purpose

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

Our Social Purpose strategy aims to shape culture for good across four priorities: Better Health, Giving Back, Climate Action and Diversity and Inclusion, each with clear goals. Better Health is the cause we want to be known for, and where we focus our major behaviour change campaigns.

The performance of our campaigns is monitored through extensive research commissioned from YouGov and other partners. Performance and plans are reviewed by the Board annually and the Management Board quarterly. The ITV Studios and M&E Boards review progress against climate action targets quarterly and progress against diversity targets biannually. The Board Nominations Committee and Audit and Risk Committee also review progress against diversity targets and climate change reporting at least annually.

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



Our priorities

Better Health

Our goal

Sustainable Development Goal

Mental wellness

Throughout 2021 we continued our award-winning campaign, supported by the charities Mind and YoungMinds, to encourage people to improve mental wellbeing by staying connected. It continues to be the UK's most recognised mental health campaign.

Britain Get Talking evolved in 2021, focusing on promoting not just more conversations, but but more quality interactions, using advice from charity partners and a clinical psychologist.

In the run-up to Mental Health Awareness Week, our campaign interrupted Saturday Night Takeaway with a sketch conducted entirely by text message. This was followed by a short-form chat show series, The How to Chat Show, with celebrity guests sharing tips on how to connect meaningfully.

During the Euros we broadcast special England, Wales and Scotland Get Talking messages, featuring the teams themselves, and our Britain Get Talking Christmas campaign, which featured many well-loved ITV faces, encouraged the nation to listen to each other over the festive period.

The results

1. Source: Extrapolated from YouGov, April 2021, Sample 2,081 UK adults
2. Source: Extrapolated from YouGov, Nov 2019 to April 2021, national representative sample UK adults

Mental wellness

COVID-19 has impacted the mental health of young people, with eight in ten 16-24-year-olds saying they worry about their mental health. To tackle this, ITV2 formed a partnership with the charity Campaign Against Living Miserably (CALM), aimed at helping one million young people take action to feel better able to cope with life's ups and downs.

The launch campaign was aimed at encouraging young people to think about coping mechanisms that could get them through the pandemic, and featured ITV2 celebrities sharing their tips.

Our summer campaign continued to build on this, tackling concerns around loneliness and fear of failure, with the message 'Hell Yeah to Self Care'. This involved on-air adverts and a specially-commissioned ITV series The Full Treatment.

Good Morning Britain also ran The 1 Million Minutes campaign in December, which is now in its sixth year and aimed at tackling loneliness in the UK by encouraging people to volunteer. 198,000 viewers pledged 166,028,640 minutes to combat loneliness – the highest total since the campaign began.

The results

3. Source: Based on the number of website sign ups at: itv.com/1millionminutes

The results

4. Source: Extrapolated from YouGov, April 2021, Sample: 2,081 UK adults
5. Source: Extrapolated from YouGov, April 2021, Sample: 2,081 UK adults, July 2021, Sample: 2,064 UK adults

In 2021, ITV launched a daily series of calming and reflective night-time programming encouraging mindfulness and self-care. Over 160 hours of mental wellbeing content has been aired on ITV channels as a result of this initiative.

The results

Colleague wellbeing

This continues to be a priority at ITV. Refer to Our People on page 56 for detail on how we support the mental health and wellbeing of our colleagues.

6. Source: ITV airtime data

Eat better

In 2021 ITV continued its award-winning partnership with Veg Power to encourage children to eat vegetables.

We launched a new campaign with 1,900 schools participating and reaching nearly half a million school children. Sky and Channel 4 also supported with commercial airtime, enabling a £3 million media campaign, with additional funding from an alliance of ten supermarket and retail brands.

The results

7. Source Data supplied by participating schools to Veg Power
8. Source: PearlMetrics econometric analysis based on 40g per serving for a child

Move More

School closures and class COVID-19 cases continued to impact children's physical health in 2021. To combat this, ITV once again supported the Daily Mile, an initiative encouraging schools to do 15 minutes of daily exercise.

The results

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

Our priorities

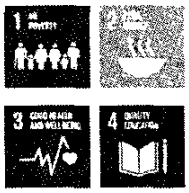
Giving Back

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

Our goals

Increase the amount raised by Soccer Aid for UNICEF. Encourage 500 mentoring partnerships by 2025.

Sustainable Development Goals



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

SOCCER AID
itv unicef

Fundraising

Soccer Aid for UNICEF

2021 marked the tenth Soccer Aid for UNICEF match, and 15 years of partnership between ITV and UNICEF. Teams of celebrities and former professional footballers played for 'Us against COVID-19' with money raised helping UNICEF limit the spread of coronavirus and its impact on children's lives around the world.

The event

The match took place in September, and for the first time in Soccer Aid history, the show was supported by a whole week of bespoke programming and special content on ITV quiz shows, daytime and weekend programming.

The results

Amount raised[1]

>£13 million

[illegible]

£60 million

[illegible]

Volunteering

ITV encourages colleagues to use three paid days a year to volunteer. In 2021, we introduced two new schemes to enable volunteering that also support our Diversity and Inclusion objectives.

We started a new mentoring scheme with long-term ITV partner Creative Access, which focuses on encouraging people from underrepresented groups in their early careers.

ITV also encouraged colleagues to help students think about a career in media through a partnership with access charity Education and Employers.

The results

150 mentoring partnerships begun through the Creative Access ITV scheme[3]

79 schools

[illegible] ITV [illegible] students[4]

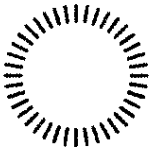
1. Source: Amount reported via: www.socceraid.org.uk
2. Source: UNICEF reporting of total raised since 2006
3. Source: Data provided by Creative Access
4. Source: Based on ITV sign-ups and schools data

itv | CREATIVE ACCESS
MENTORING PROGRAMME

Education and Employers

inspiring future

Our priorities



Climate Action

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

Our goals

- **Net Zero[1]: Reducing emissions we control (scope 1&2) by 46.2% and those we can influence (scope 3) by 28% by 2030**
- **Zero Waste by 2030**
- **100% sustainable supply chain by 2030**
- **100% albert certified and trained**
- **Increase on-screen Climate Action content**

Sustainable Development Goals

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

2021 was a pivotal year for Climate Action, and ITV's ambition has grown with the scale of the challenge we face. We made progress across all business areas – from engaging commercial partners with innovative ways to showcase sustainable products, to creating a dedicated Climate Action Week on-screen to engage our audiences. We are transforming so that ITV is fit to thrive in a changing world, playing a leading role in the transition to a sustainable society.

In 2021, ITV achieved a Carbon Disclosure Project (CDP global disclosure system for environmental reporting) rating of A-, putting us in the top 10% of companies who disclose.

We demonstrated our commitment to our Climate Action targets by announcing that from 2022 performance against these targets will be linked to the remuneration of ITV's senior team. We have also recently agreed our new Revolving Credit Facility which will be linked to the delivery of our carbon emissions targets, with ITV benefiting from a lower interest rate if it delivers emissions reductions in line with its Net Zero roadmap. This will be assessed on an annual basis and verified through independent assurance.

We have brought together expertise from across the business for Climate Scenario Analysis, to understand the risks ITV may be exposed to. This is part of our alignment with the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD).

See further detail in the TCFD section, pages 88 to 93.

Collaboration on Climate Change is vital, and ITV is part of several initiatives including: Ad Net Zero, albert, Business Ambition for 1.5c, DIMPACT, Media Climate Pact, and the Climate Content Pledge.

Energy

Net Zero: Reducing emissions we control by 46.2% and those we can influence by 28% by 2030

To progress to Net Zero, ITV has committed to emissions reductions targets that have been validated by the Science Based Targets initiative: a 46.2% reduction of our scope 1&2 emissions (such as fuel and electricity we use directly), and a 28% reduction of our scope 3 emissions (such as business travel and the products and services that we purchase) by 2030.

To help us achieve the targets, we have introduced a new software platform to get a more accurate view of our emissions. In 2022, our emissions data will be subject to independent verification, which will form part of our year end reporting disclosure from 2022 onwards. Refer to TCFD on page 88 for further detail.

Reducing scope 1&2 emissions (controlled by ITV)
81% of ITV's global electricity use now comes from renewable energy tariffs. We are working on the remaining non-renewable sites, alongside trials of new low-emission vehicles and modernising of our buildings. Refer to the Streamlined Energy and Carbon Reporting (SECR) table on page 52 for detail on our Energy Savings Opportunities Scheme (ESOS) review during the year.

Reducing scope 3 emissions (influenced by ITV)
ITV's Procurement team has rolled out a new global Supplier Code of Conduct and is working with our highest-impact suppliers to ensure they meet our sustainable supply chain targets. We are also working closely with the production community and other broadcasters as part of the BAFTA albert consortium, supporting the creative sector in transitioning to low-carbon production.

ITV's Technology and Procurement teams ensure that the delivery of content to audiences is as sustainable as possible. The DIMPACT project, in collaboration with other media organisations, allows us to better understand the footprint of our content distribution and consumption, and the impact of different technologies.

The results

In 2021, our Scope 1&2 emissions decreased by

44% and our Scope 3 emissions decreased by

6%

Refer to page 52 for further detail on our Scope 1&2 and Scope 3 emissions in the year

Energy continued

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

Scope		Description	Unit	2021 UK	2021 Global (excl UK)	2020 UK	2020 Global (excl UK)
1		Emissions from gas, refrigerants and owned vehicles	tCO_2e	**1,967**	**439**	1,631	923
2	Location-based	Electricity emissions using geographical location	tCO_2e	**8,185**	**1,050**	9,118	774
	Market-based	Electricity emissions using purchased electricity factor		**1,391**	**771**	4,954	595
1&2	Location-based	Total emissions	tCO_2e	**10,153**	**1,489**	10,749	1,698
	Market-based			**3,359**	**1,210**	6,585	1,518
		Direct & Indirect Energy Consumption	kWh	**33,532,542**	**5,735,172**	44,290,976	3,060,668
		Total revenue	£m	**4,402**		3,260	
1&2	Location-based	Normalised emissions to revenue	tCO_2e/£m	**2.3064**	**0.3383**	3.2971	0.5208
	Market-based			**0.7630**	**0.2748**	2.0198	0.4657
3		*Purchased Goods and Services*	tCO_2e	**318,418**		345,097	
3		Business travel	tCO_2e	**17,177**		13,650	
Total Scope 1, 2 & 3 (market-based)			tCO_2e	**340,164**		366,850	

Methodology
2021 emissions data covers global operations for which we have operational control. We use the Greenhouse Gases (GHG) Protocol Corporate Accounting and Reporting Standard and the latest conversion factors from the Department for Business, Energy & Industrial Strategy to calculate Scope 1 emissions, and the latest conversion factors from the International Energy Agency to calculate Scope 2 emissions in tonnes of carbon dioxide equivalents. 20% of our data set is based on estimated data. Estimates are calculated from previous consumption trends and published benchmarks.

As part of our review of the operational control of reporting emissions, we expect that in 2022 the emissions for three transmission towers, which are currently included in Scope 2, will be reclassified to Scope 3. We will ensure all comparatives and our 2019 baseline will be restated to reflect this reclassification. We expect to remain ahead of our targets even with the reclassification.

Scope 1&2 and Scope 3 emissions
Scope 1&2 emissions reduced by 44% in 2021 compared to 2020. The decrease was predominantly driven by an increase in the uptake of renewable energy across our sites, along with remote working continuing across most of our sites during the year. We remain ahead of our targets for Scope 1&2 emissions reductions.

Scope 3 emissions reduced by 6% compared to 2020. Despite an increase in production and travel as COVID-19 restrictions were lifted, we are firmly ahead of our target. Refer to the data section in the 2021 Social Purpose Impact report for our footprint across all Scope 3 categories.

The Board made the decision to consolidate ITV's London offices into one location from 2022. It is estimated this will reduce workplace emissions by up to 40% compared to the previous site arrangements.

2021 Energy efficiency initiatives

- In Leeds we replaced our district heating and cooling system with localised packages, which are more controllable and flexible allowing us to vary our heating depending on the weather. We also continued installing LED lighting in our Emmerdale studios in the UK, which had been delayed due to the pandemic.
- We reduced energy usage by up to 50% in four central apparatus rooms in Leeds, London and Manchester by making small adjustments to lighting and heating to increase efficiency.
- In our Media City office in Salford, we reduced our floor space by 25% due to hybrid working following the pandemic, making better use of the remaining space and reducing energy usage.
- We have started to test electric vehicles on some productions with the aim of making changes to our vehicle fleet during 2022.

Waste

Zero waste by 2030

ITV's commitment to zero waste by 2030 is initially focused on the UK. It pledges at least 90% of our waste in the UK will be reused or recycled.

We can now monitor waste across all sites through a centralised digital platform. We are also tackling the waste generated through productions by ensuring that all ITV content achieves albert certification standard, and by supporting waste free-innovative working practices. For example, Emmerdale has introduced a composter that can process the food waste generated on and off-screen, and turn it back into compost for the allotment.

Sourcing

100% sustainable supply chain by 2030

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

Our new global Supplier Code of Conduct sets out the expectations for all ITV suppliers in helping to deliver our 2030 climate action targets. The new 'Procuring with Social Purpose' framework helps weigh up decision-making factors, including cost, service, social and environmental factors.

Climate action on-screen

Driving climate action on-screen

In 2021, ITV continued to normalise climate action and sustainable living across a range of programmes.

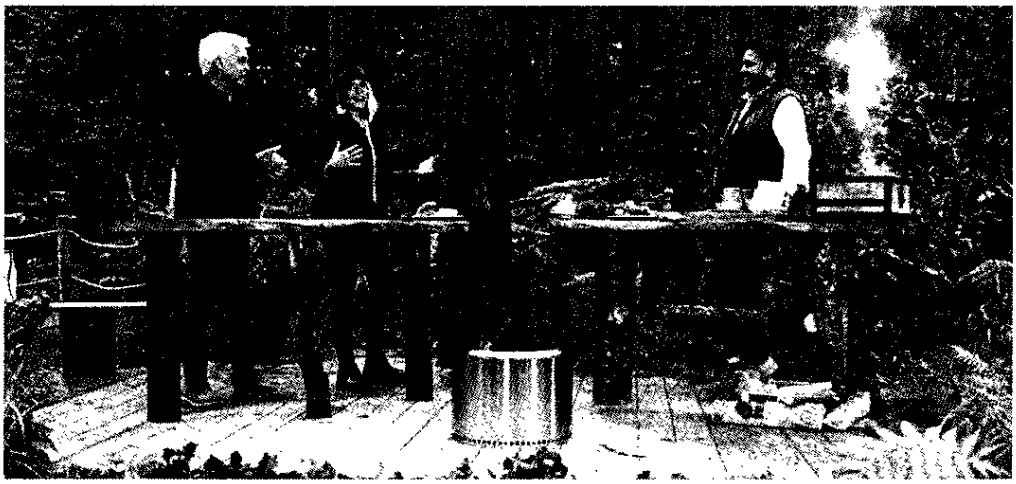
ITV marked COP26 in November with Climate Action Week, a whole week focused on telling the stories of climate change and the transition to a more sustainable world across a range of our daily programming. Our marketing campaign encouraged 2.2 million people to consider sustainable behaviours and 1.2 million sustainable swaps[1].

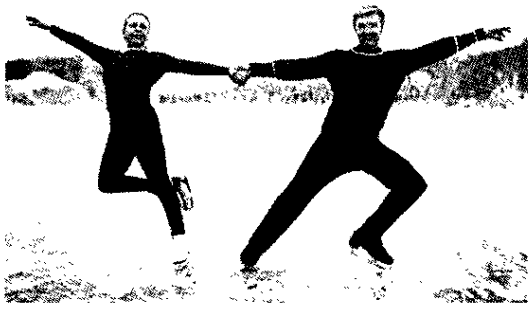
During COP26, ITV joined 11 other international broadcasters and streamers in creating and signing a global pledge to ensure that our content helps audiences understand what tackling climate change means for them, as well as inspiring and informing sustainable choices.

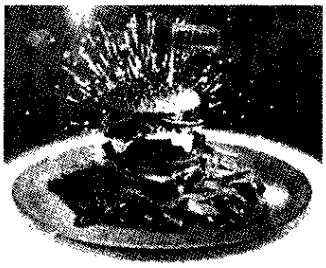
For more information see: www.itv.com/footprint/

ITV Home Planet is our Commercial initiative to help brands with sustainable products and services to showcase the changes that audiences can make to live more sustainably. In 2021 it included partnerships between Co-Op and Coronation Street and a collaboration with eBay during COP26.

1. Source: Extrapolated from YouGov, Nov 2021, Sample 2,020 UK adults







Culture

100% environmentally trained and certified

ITV mandates that all of our programmes produced and commissioned in the UK achieve the BAFTA albert certification standard.[2]

In 2021, 84% of ITV produced programmes in the UK (including sport and Regional News programming), achieved albert certification.

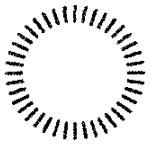
Internationally, Nurses, a documentary series produced by ITV Studios Australia, became the first-ever Australian TV show to receive albert certification, and marked a milestone for our international roll-out of the standard.

We have some progress to make on programmes we commission for ITV channels, with around 57% being albert certified. We are improving internal processes and working with suppliers to increase this to 100% in 2022.

ITV colleagues globally completed mandatory Climate Action training during 2021.

2. albert certification standard 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.

Our priorities



Diversity & Inclusion

Fostering creativity by championing diversity and driving inclusion

Our goals

Improve gender, ethnicity, disability and LGBT+ representation on-screen, off-screen, and within our workforce to meet our targets by the end of 2022.

Sustainable Development Goals

Overview

As the UK's largest commercial broadcaster, we recognise the power and reach of our programming, and our Public Service responsibility to ensure that we authentically represent and reflect the whole of the UK on-screen, off-screen in our production teams, and within our workforce. We want to appeal to all of our audiences – ITV is for everyone, no matter who they are.

We can change the hearts and minds of our viewers, helping to shape the way our society views the world. Within our workforce, we want everyone to feel equal, included and able to be themselves. By championing diversity across ITV, including in ways of thinking and working, we can generate the very best creative ideas.

In 2021, ITV was ranked first for Equality in the Tortoise Responsibility100 index, which ranks FTSE 100 companies on social, environmental and ethical objectives. ITV was also named the Best Place to Work for People of Colour by the TV Collective, and a Top 10 Inclusive Employer by the British LGBT Awards.

In July 2021, one year on from its launch, we published our first Diversity Acceleration Plan Report, having already made some notable progress:

- We saw a 33% increase in lead roles filled by Black, Asian and Minority Ethnic (B.A.M.E.) talent on-screen
- Through ITV's Step Up 60 initiative, 62 opportunities were created for B.A.M.E. production talent to gain more senior experience and step up to their next role
- We launched ITV's Rise Programme, for B.A.M.E. colleagues working towards their first line management role. Over 25% of the first cohort have moved into more senior roles

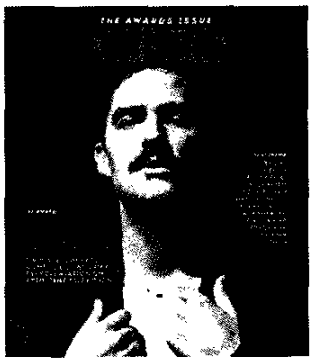
We will continue to focus on delivering on our Diversity Acceleration Plan commitments alongside a deeper focus on addressing disability inclusion. We are working to create long-term positive cultural change both internally and for our audiences. This will be achieved through our five commitments:

1. **Increasing representation of disabled people in senior editorial positions at ITV**
2. **Commissioning to ensure ITV better reflects the lives of disabled people on screen**
3. **Improving the career opportunities for disabled talent working on ITV programmes**
4. **Ensuring disabled people have entry-level career opportunities at ITV**
5. **Educating ourselves about disability and disabled people's experiences and ensuring accessibility is in-built into everything we do at ITV**

We have continued to work with other broadcasters on Diversity & Inclusion (D&I), for example, we collaborated on research from the Sir Lenny Henry Centre for Media Diversity reviewing B.A.M.E. terminology. We have appointed members to ITV's Cultural Advisory Council, a group of independent external advisers from a range of industries and specialisms who meet quarterly to challenge and provide counsel on our D&I activities.

On-screen

Our Production Principles are integral to our commissioning process and are helping to encourage greater diversity on and off-screen. At the point of commission, programme makers are asked to commit to principles around D&I (e.g. working to achieve a representative crew and cast), climate action, social impact, and preventing bullying and



Targets

Improve representation on-screen, off-screen, and within our workforce, achieving targets by the end of 2022.

Gender
50%
female

Ethnicity
15%
Black, Asian and Minority Ethnic

Disability
12%
disabled or with a long-term health condition

LGBT+
7%
Lesbian, Gay, Bisexual and Transgender

These targets are for our UK workforce (the Senior Leadership Team, managers, and all colleagues), on-screen representation, and off-screen representation in production teams.

On-screen and off-screen representation is measured using Diamond, an industry-wide data collection system for monitoring and reporting diversity in broadcasting

UK workforce diversity data
(based on disclosed population at 31 December 2021)

Characteristic	Senior Leadership Team (SLT)[1] 2021	Managers 2021	All colleagues 2021	Target 2022
Age 50+	42.0%	20.3%	16.6%	–
Black, Asian & Minority Ethnic	11.8%	10.5%	14.3%	15.0%
Disabled or with a long-term health condition	10.8%	9.0%	10.4%	12.0%
Female	45.6%	49.2%	52.6%	50.0%
LGB+[2]	4.4%	7.8%	8.2%	7.0%[2]
Transgender[3]	–	–	0.3%	–
Professional socio-economic background[4]	42.0%	37.9%	37.5%	–
Intermediate socio-economic background[4]	13.0%	14.2%	13.3%	–
Working class socio-economic background[4]	21.7%	24.1%	22.0%	–

1. The SLT is a defined group of 335 senior leaders within the business which includes the Management Board. For the purpose of this table, we have only included the 156 SLT members based in the UK. There is no separate target for the Management Board as the numbers are too small, however, there is an expectation that this will also be representative.
2. Our LGBT+ target combines sexual orientation and gender identity, but we measure and report these separately. Our target is based on estimated working population data in these communities. In Diamond: The Fourth Cut report, benchmarks are 6.4% LGB+ and 0.8% transgender representation.
3. We have not broken down data on transgender and non-binary staff by management level due to low numbers.
4. We have followed guidance from the Social Mobility Commission and categorised responses based on the NS-SEC category of the main wage earner's occupation when respondent was 14.

Note: Under the Companies Act 2006, we are required to report on the gender breakdown of our senior managers – this statutory definition is broader than our definition of members of the global SLT (a defined group of 335 senior leaders within the business). Of our global workforce of 5,987 and disclosed population (2,696 male, 3,218 female), 376 were senior managers (191 male, 160 female), which includes members of the SLT and directors on the Boards of undertakings of the Group (to the extent there are additional individuals), but exclude individuals who sit as directors on the Board of the Company.

See page 105 for the gender split of the Board of Directors.

harassment. Our D&I team actively supports producers through the process. Since the relaunch in March 2021, over 90 productions across all genres have signed up to our principles.

On-screen highlights in 2021 included; Peckham's Finest, The Long Call, Christmas Comedy Club With Lost Voice Guy, and Katie Piper joining Loose Women as regular panellist.

ITV celebrated Black History Month in October with high profile documentaries; will.i.am: The Blackprint, Ashley Banjo: Britain in Black and White, and Charlene White: Empire's Child, the return of Sorry, I Didn't Know, TV's first comedy panel show about Black History, as well as engaging and awareness-raising strands across ITV's daytime programmes.

Off-screen
As part of our work to create an inclusive culture and further develop colleagues' understanding around D&I, we have a range of training and development programmes.

We have continued inclusive leadership training and race fluency training, and the Management Board continues to participate in race fluency coaching circles.

We launched Creating Disability Inclusion training for leaders and managers, which educated colleagues about the social model of disability, helping ensure accessibility is in-built into everything we do at ITV.

See our People section for further detail

To better support disabled staff and new joiners, we introduced Disability Access Passports to help colleagues discuss their access requirements, adjustments and personalisations with their managers and colleagues.

Behind the camera, of the scripted writers we put into development in 2021, 40% were women and 13% were Black, Asian and Minority Ethnic writers.

ITV has published its Gender and Ethnicity Pay Gap Report www.itvplc.com/investors/governance

For more information on our Diversity Acceleration Plan, refer to www.itv.com/inclusion/articles/diversity-acceleration-plan

Our priorities

Ethnicity

We have surpassed our on-screen target for Black, Asian and Minority Ethnic (B.A.M.E.) talent with 17.5% representation and increased off-screen representation in production teams to 14.2%. We have increased representation of B.A.M.E. staff at all levels over the last three years to 14.3% of all colleagues, 10.5% of managers and 11.8% of the Senior Leadership Team (SLT).

LGBT+

We have surpassed most of our targets for LGBT+ representation on-screen, with 17.2% LGB+ and 1.1% trans, along with off-screen in our production teams with 21.3% LGB+, and in our workforce at all colleague and manager levels being 8.2% and 7.8% LGB+ respectively. We have further to go to improve LGB+ representation at SLT which is 4.4% and trans representation off-screen and in our workforce.

Gender

We have 49.6% female representation on-screen and 46.9% representation off-screen in production teams. In our workforce, 52.6% of all colleagues are female, 49.2% of managers and 45.6% of SLT. We are continuing to work towards 50% female representation across ITV. The 2021 Hampton-Alexander report ranked ITV fifth in the FTSE 250 for female representation in our combined Executive Committee and direct report roles (in 2020, ITV ranked tenth).

Disability

We have 9.6% representation of disabled people on-screen and 4.5% representation off-screen in production teams. In our workforce, representation of disabled staff and those with a long-term health condition is at 10.4% of all colleagues, 9% of managers and 10.8% of SLT. We do have further to go to meet our target, and our new commitments in our Diversity Acceleration Plan set out how we are prioritising disability inclusion.

Our People

Our people are pivotal to the success of ITV. Our people development offering is designed to drive our inclusive culture, where everybody can perform at their best, realise their potential and thrive. Our ambition is to be an employer of choice across Media and Entertainment and to make ITV a destination of choice for careers in digital, data and technology.

Composition of our workforce

Our workforce consists of permanent and fixed term employees, freelancers (an individual who provides their services on a specific project or programme for a finite period of time); and contractors (companies or suppliers which provide a service to ITV). At ITV we call these our colleagues.

Investing in and rewarding our people

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

Our apprentice programme continues to provide a diverse pipeline of entry level talent into ITV, developing individuals at the beginning of their career in the media industry. This year we welcomed 44 apprentices recruited across our business and regions.

We invest in the development of our workforce through a range of online workshops, as well as access to our online development portal 'My Academy'.

Through the workshops and access to My Academy, we continue to build leadership and line manager capability and support personal skills development, wellbeing and resilience for all colleagues. During 2021, we focused our development offering across these key areas:

1. **Agile Leadership Labs** for our leaders and managers, which brought to life and reinforced the application of a set of ITV Agile principles co-created with the Executive Leadership Team (ELT); these are:
   - Define outcomes, not solutions
   - Start with needs
   - Trust extraordinary teams
   - Start small, test early, learn fast
   - Work in the open
2. To support the transition to a **hybrid working environment**, we have offered development for leaders, managers and colleagues to equip them with the resources and skills to lead and work in this ever changing environment. This included sessions with an external partner designed to support colleagues to return to the workplace 'psychologically fit', with strategies to maintain a healthy mind, balance and build resilience.
3. Our **Talking Performance** (performance review) approach continues to drive high performance and regular, good quality performance conversations, with a focus on equipping managers and colleagues with the skills and tools to set goals, discuss progress, review outcomes and provide candid feedback.
4. Working with an external partner we have designed and launched a series of **career development** sessions and materials. Events included workshops, videos, podcasts and reading materials to support annual career conversations and to continue to increase awareness of opportunities and the role each individual plays in owning and driving their careers.

The ITV Way

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

Make it brilliant

Creativity for everyone

Make it new

Openness to change, with no barriers

Make it together

Collaborating and embracing differences

[illegible]

At ITV, we understand the need to stay competitive to attract and retain our talent. In 2021 the increasingly competitive landscape (particularly in skill sets such as technology and data) put additional pressure on the business to attract and retain its talent. The business adapted to ensure we have the required skills to accelerate into Phase Two of our More Than TV strategy. For example, through investment in additional resource, continued evolution of our total reward offering and a focus on targeted development and capability building. Our approach to attracting and retaining talent through pay, and information on the Remuneration Committee's consideration of workforce remuneration and related policies, are set out on pages 144 and 145. Our successful and popular Save As You Earn scheme gives our workforce the opportunity to engage with and celebrate ITV's success, and encourages voluntary investment in ITV shares.

Building an inclusive culture

At ITV, we understand and value the creativity that diversity brings to our business and strive for an inclusive environment where everyone can be their authentic self. Our aim is to reflect the diversity of modern society both on and off-screen. In support of our Diversity Acceleration Plan (see page 54 for further details) there are a number of workforce initiatives in place.

Leaders and managers attend a tripartite programme of diversity & inclusion workshops, designed to equip them with education, insights and tools for building an inclusive culture. These programmes focus on being an inclusive leader, race fluency and inclusive hiring.

Our Senior Leadership Team participated in an Inclusion Summit, which provided them with the opportunity to come together to drive inclusion at ITV, commit to actions and demonstrate their commitment to an inclusive environment where everyone can reach their potential and be their authentic self.

In 2021 we designed and launched our inclusion insight series for all colleagues. This consisted of a series of bite-size learning of on demand video content, providing insight and recommended actions to drive understanding and knowledge around the role we all play in making ITV a place where everyone can reach their potential.

The delivery of ITV Rise, our holistic 12-month culture change programme, has concluded with 132 colleagues, line managers and senior leader advocates taking part. ITV Rise was designed to build race confidence, promote minority ethnic talent progression and accelerate inclusive culture change.

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

- Expanding our reach through specialist job board partners, for example Evenbreak, a specialist disability job board with extensive reach
- Running career guidance sessions with new partner organisations such as The Care Leaver Covenant, a government funded scheme to support care leavers aged 16-25 in their transition from care to independence
- Hosting a series of virtual CV workshops and clinics for blind graduates and school leavers through the charity Blind in Business
- Running a Masterclass with the charity Working Options in Education who support the most deprived 16-19 year old students to achieve their potential in the world of work

ITV's Able network group continues to champion the disability agenda throughout the organisation, supported by our Group Chief Technology Officer at the Management Board level. ITV's continued commitment to recruiting, retaining and developing disabled people is 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 example, we have introduced Disability Access Passports (see page 55). For any employee who becomes disabled whilst in employment

itv Balance.

itv Women's Network.

itv Pride. The LGBT+ Network

itv Embrace. Black & Asian Minority Ethnic Network

itv Able. The Disability Network

▲ **ITV Colleague Networks.**

▲ **Ahmed Mudawi** on the set of This is Deaf.

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 are members of the global disability inclusion group, Valuable 500, and as a member we are committed to putting disability inclusion on the leadership agenda.

Engagement

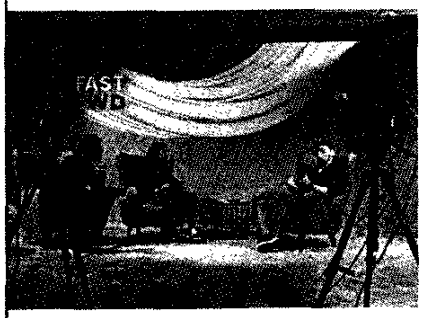
We continue to connect and engage with our workforce, providing a forum for colleagues to have their views heard and this year ran a full engagement survey for all permanent and fixed term employees globally. Globally, 76% of our employees shared their views and the survey allowed us to get an updated measurement of engagement. Our overall engagement result is 67%, when compared with our 2019 score this is broadly flat. The UK is slightly ahead at 69% and the international teams (including the US) are slightly behind at 66%.

These results demonstrate the work that has been done to support our colleagues during 2021 as they navigate the changing ways of working and the impact of the pandemic. For further details of our engagement survey, including survey results and insights, please see page 117.

The following areas have been identified as the key opportunities to that will have the biggest impact on overall engagement:

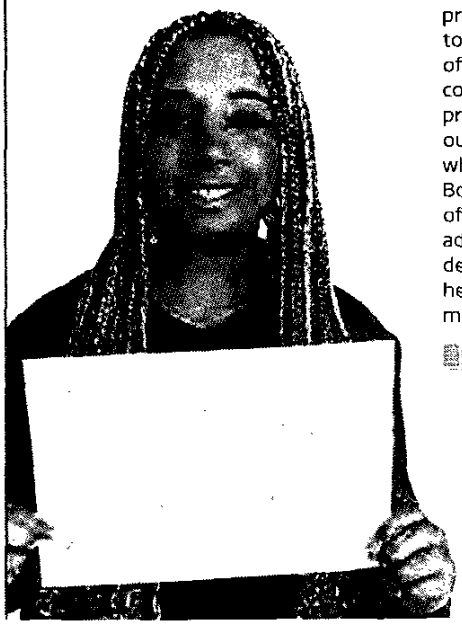
- The Management Board at ITV has communicated a vision that inspires me – 53%
- I believe action will take place as a result of this survey – 48%
- I am given tools to help me manage my career – 52%
- I believe there are good career opportunities for me at ITV – 53%

Drag queen, The Vivienne, at Emmerdale Pride 2021



Cutting Edge Climate Innovations *with Chris Ramsey presented by ITV* Fast Forward.

Naomi Bharwani holds up the 'Proud To Be African' message.



Mental health, wellbeing and duty of care

Supporting the mental and physical health of colleagues remains a key priority, particularly in light of the changing ways of working, which the pandemic has accelerated. The move to a hybrid working environment has been supported with the use of specific online workshops and curation of resources each focused on building personal resilience, psychological fitness and managing high performing teams in a hybrid world. Additionally, our ITV Feel Good offering continues to provide advice, support and tools for inspiring and enabling colleagues to look after their own wellbeing and have a balanced and healthy working lifestyle.

The Duty of Care Operating Board and Mental Health Advisory Group (comprising external subject matter experts as well as relevant ITV leaders) meet regularly to provide practical guidance and support on all aspects of our approach to the mental health and wellbeing of our colleagues, programme participants, and viewing public. Their advice includes best existing practice and evolving new thinking on mental health, which in turn is reflected in our policies and decision-making, for example in 2021 this included further focus on freelancer support and welfare.

ITV's duty of care processes continue to evolve and during 2021 included a refresh of the Duty of Care Framework, which will continue into 2022. This will also align closely with a review of ITV's Speaking Up framework to ensure that, where colleagues may have concerns relating to duty of care matters, they understand the appropriate channels for reporting. The review focused on initiatives to empower those working on productions and throughout the business to effectively and confidently manage duty of care issues and on the alignment of comprehensive duty of care guidelines and processes across the business. In addition, our Independent Chief Psychological Officer, who reports to the Duty of Care Operating Board and works closely with the Duty of Care team, took on a broader role in advising the Company on the strategic design and delivery of ITV's global mental health and wellbeing strategy across multiple business areas.

Alternative Performance Measures

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

Our APMs and KPIs are aligned with our strategy and business segments and together are used to measure the performance of our business and form the basis of the performance measures for remuneration. Adjusted results exclude certain items because, if included, they could distort the understanding of our performance for the period and the comparability between periods. APMs are not defined terms under IFRS and may not be comparable with similarly titled measures reported by other companies.

As adjusted results exclude certain items (such as significant legal, major restructuring and transaction items), they should not be regarded as a complete picture of the Group's financial performance. The exclusion of other adjusting items may result in adjusted earnings being materially higher or lower than statutory earnings. In particular, when significant impairments, restructuring charges and legal costs are excluded, adjusted earnings will be higher than statutory earnings.

The Audit and Risk Committee has oversight of ITV's APMs and actively reviews, revises and approves the policy for classifying adjustments and exceptional items. Further detail is included in the following section

Key adjustments for EBITA, adjusted EBITA, profit before tax and EPS

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

Production tax credits

The ability to access tax credits, which are rebates based on production spend, is fundamental to our ITV Studios business when assessing the viability of investment in decisions, especially with regards to high-end drama. ITV reports tax credits generated in the US and other countries (e.g. 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.

Exceptional items

These items are excluded to reflect performance in a consistent manner and are in line with how the business is managed and measured on a day-to-day basis. They are typically material amounts related to costs, gains or losses arising from events that are not considered part of the core operations of the business, though they may cross several accounting periods. These include, but are not limited to, costs directly related to acquisitions, costs related to major reorganisation and restructuring programmes, material onerous contracts, significant impairment of sports rights, the impact of COVID-19 in 2020, and other items such as non-routine legal costs (e.g. legal costs related to items which are themselves considered to be exceptional items). We also adjust for the tax effect of these items. Further detail is included in note 2.2 to the Financial Statements.

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 statutory results. In our view, these items also form part of the capital transaction or are one-off and material in nature and are therefore excluded from our adjusted measures.

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

Material onerous contracts
A contract is considered onerous when the unavoidable costs of the contract exceed the revenues associated with it. In 2021 and 2020, we have had material onerous transmission contract provisions relating to committed costs of transmission capacity on satellite transponders that are no longer used in the M&E business. There are no revenues associated with this capacity as there are no channels on the relevant satellite transponders.

Impairment of sports rights
COVID-19 impacted our planned 2020-21 sporting schedule. This combined with the consequential impact on TAR, changing forecasts of audience mix and revenues for certain sporting events resulted in a material impairment to our sports rights in 2020. Further adjustments to the provisions to reflect updated forecasts have been made in 2021.

COVID-19 related costs
These are direct incremental costs incurred exclusively in 2020 as a result of COVID-19 and include: costs associated with the closure of ITV Studios productions and their subsequent restart in a safe environment, and additional costs incurred to maintain the production of daytime and news programming during the government imposed lockdown. We incurred no costs directly related to COVID-19 in 2021.

Reconciliation between statutory and adjusted results

Twelve months to 31 December	2021 Statutory £m	2021 Adjustments £m	2021 Adjusted £m	2020 Statutory £m	2020 Adjustments £m	2020 Adjusted £m
EBITA[1]	**784**	**29**	**813**	561	12	573
Exceptional items (operating)[2]	**(196)**	**196**	**–**	(118)	118	–
Amortisation and impairment[3]	**(69)**	**49**	**(20)**	(87)	68	(19)
Operating profit	**519**	**274**	**793**	356	198	554
Net financing costs[4]	**(50)**	**19**	**(31)**	(44)	8	(36)
Share of profits on JVs and associates	**12**	**–**	**12**	9	–	9
(Loss)/Gain on sale of non-current assets, subsidiaries and investments	**(1)**	**1**	**–**	4	(4)	–
Profit before tax	**480**	**294**	**774**	325	202	527
Tax[5]	**(92)**	**(61)**	**(153)**	(44)	(51)	(95)
Profit after tax	**388**	**233**	**621**	281	151	432
Non-controlling interests	**(10)**	**–**	**(10)**	4	–	4
Earnings	**378**	**233**	**611**	285	151	436
Shares (million), weighted average	**4,005**		**4,005**	4,002	–	4,002
EPS (p)	**9.4p**		**15.3p**	7.1p	–	10.9p
Diluted EPS (p)[6]	**9.3p**		**15.1p**	7.1p	–	10.8p

1. £29 million (2020: £12 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. EBITA is not a statutory measure
2. Exceptional items of £196 million (2020: £118 million) largely relate to acquisition-related costs and includes a £108 million adjustment to the earnout payment in relation to Talpa following the final determination. Refer to the Finance Review.
3. £49 million (2020: £68 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.
4. £19 million (2020: £8 million) adjustment is £9 million for non-cash interest cost and £10 million exceptional interest payable on the Talpa exceptional acquisition-related expense. This provides a more meaningful comparison of how the business is managed and funded on a day-to-day basis.
5. 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.
6. Weighted average diluted number of shares in the period was 4,051 million (2020: 4,025 million).

Amortisation and impairment

Amortisation and any initial 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 profit before tax as management consider these assets to be core to supporting the operations of the business.

Net financing costs

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

Other Alternative Performance Measures

Total revenue

As an integrated producer broadcaster, we look at the total revenue generated by the business including internal revenue, which is the sale of ITV Studios programmes to M&E. ITV Studios selling programmes to the M&E 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.

Twelve months to 31 December	2021 £m	2020 £m
External revenue (Reported)	**3,453**	2,781
Internal supply	**589**	479
Total revenue (Adjusted)	**4,042**	3,260

Net pension deficit/surplus

This is our defined benefit pension scheme surplus or deficit under IAS 19 adjusted for other pension assets, mainly gilts, which are held by the Group as security for future unfunded pension payments for four Granada executives and over which the unfunded pension scheme holds a charge. See note 3.6 to the Financial Statements.

Profit to cash conversion

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

Adjusted free cash flow

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

Covenant net debt and covenant liquidity

Covenant net debt is our leverage as defined in the revolving credit facility (RCF) agreement, which existed at 31 December 2021 (and has since been redeemed and replaced). This calculation is materially different to how we define net debt and is relevant in demonstrating we have met the required RCF financial covenants at our reporting date.

	31 December 2021 £m	31 December 2020 £m
Net debt (including IFRS 16 lease liabilities)	**(414)**	(545)
Impact of IFRS 16 lease liabilities	**92**	105
Long-term trade payables	**(18)**	(54)
Other pension asset	**62**	62
Covenant net debt	**(278)**	(432)
Covenant net debt to adjusted EBITDA*	**0.3x**	0.7x
Cash and cash equivalents	**736**	668
Undrawn RCF	**630**	630
Undrawn CDS facility	**148**	199
Covenant liquidity**	**1,514**	1,497

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

** Covenant liquidity is defined as cash and cash equivalents (including restricted cash) plus undrawn committed facilities.

Finance Review

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

Chris Kennedy, Group CFO and COO

Group financial performance

Twelve months to 31 December	2021 £m	2020 £m	Change £m	Change %
ITV Studios total revenue*	**1,760**	1,375	385	28
Total advertising revenue	**1,957**	1,577	380	24
M&E non-advertising revenue	**325**	308	17	6
M&E total revenue*	**2,282**	1,885	397	21
Total non-advertising revenue	**2,085**	1,683	402	24
Total group revenue	**4,042**	3,260	782	24
Internal supply	**(589)**	(479)	(110)	23
Group external revenue	**3,453**	2,781	672	24
Group adjusted EBITA	**813**	573	240	42
Group adjusted EBITA margin	**24%**	21%		
Operating profit	**519**	356	163	46
Adjusted EPS	**15.3p**	10.9p	4.4p	40
Statutory EPS	**9.4p**	7.1p	2.3p	32
Dividend per share	**3.3p**	–	3.3p	–
Net debt as at 31 December	**(414)**	(545)	131	24

* 2020 comparatives for M&E have been restated to reflect the reclassification of gaming, live events and merchandising revenues to ITV Studios. The impact is a £5 million decrease to 2020 M&E revenue and a £5 million increase to ITV Studios revenue, there is no impact on adjusted EBITA.

Exceptional items

Twelve months to 31 December	2021 £m	2020 £m
Acquisition-related expenses	**(109)**	(13)
Restructuring, reorganisation and property costs	**(16)**	(11)
COVID-19 related costs	**–**	(11)
Sports rights impairment	**(1)**	(23)
Pension-related costs	**(21)**	(37)
Transponder onerous contract	**(16)**	(19)
Employee-related tax provision	**(22)**	–
Other costs	**(11)**	(4)
Operating exceptional items	**(196)**	(118)
Exceptional finance costs	**(10)**	–
Total exceptional items	**(206)**	(118)

Total exceptional items in the period were £206 million (2020: £118 million). Acquisition-related expenses of £109 million are predominantly performance based, employment-linked consideration to former owners. The increase year-on-year reflects an additional amount paid to Talpa of £108 million following the final independent determination of the second earnout.

Restructuring and reorganisation costs of £16 million relate to one-off restructuring projects stemming from the Group-wide commitment to reduce the overhead cost base and reorganisation costs to deliver the strategy. In 2021 these costs largely relate to the M&E restructure and other business transformation projects and costs related to the head office move to Broadcast Centre in early 2022.

COVID-19 related costs are direct incremental costs incurred exclusively as a result of the pandemic. In 2020 the £11 million of costs incurred was due to the closure of ITV Studios productions and the subsequent restart in a safe environment along with additional costs incurred to maintain the production of daytime programming during the government imposed lockdown.

Impairment of sports rights relates to the impact of COVID-19 on the planned sporting schedule across 2020 and 2021, and the consequential impact on TAR, along with changing forecasts of audience mix and revenues for certain sporting events. During 2020, as the provision left at 31 December 2020 was £18m, the Group recognised a provision for these sporting events of £23 million. The £1 million net charge in 2021 adjusts the remaining exceptional provision for changes in the expected scheduling of the remaining games and the related TAR forecasts in the period under review.

Pension-related costs in 2021 represent an increase to the provision in respect of the settlement of the Box Clever case of £21 million (2020: initial provision of £31 million). The total exceptional provision held is £52 million, and reflects management's best estimate of the provision required. Further detail is included in note 3.5 to the Financial Statements.

Transponder onerous contract relates to satellite transponder capacity no longer required. In 2020, we commenced a review of the efficiency of our satellite transponder capacity usage, aimed at reducing our capacity requirements. This allowed us to reorganise and clear all channels from one transponder in the second half of 2020 that we were no longer utilising in our M&E business. In 2021 we cleared a second transponder and, as such, we are recognising a £16 million (2020: £19 million) increase in the onerous contract provision.

Employee-related tax provisions of £22 million reflects management's best estimate of potential employment taxes due to HMRC in relation to the employment status of individuals contracted by the Group. Further detail is included in note 2.2 to the Financial Statements.

Other costs include legal matters which are considered to be outside the normal course of business. In 2021, this relates to a provision made to cover the committed costs for The Voice of Holland which was suspended mid-season in early 2022 due to allegations of inappropriate behaviour. Further detail is included in note 2.2 to the Financial Statements.

Exceptional finance costs of £10 million is principally interest accrued on exceptional acquisition-related expenses.

Net financing costs

Twelve months to 31 December	2021 £m	2020 £m
Financing costs directly attributable to loans and bonds	**(26)**	(27)
Cash-related net financing costs	**(4)**	(9)
Amortisation on bonds and gilts	**(1)**	–
Adjusted financing costs	**(31)**	(36)
Imputed pension interest	**–**	(2)
Exceptional interest	**(10)**	–
Other net financial losses and unrealised foreign exchange	**(9)**	(6)
Net financing costs	**(50)**	(44)

Adjusted financing costs were down £5 million year-on-year at £31 million (2020: £36 million) reflecting lower levels of net debt in the year. Net financing costs were £50 million, which was up £6 million year-on-year (2020: £44 million) and largely due to interest payable on exceptional earnout costs relating to acquisition-related expenses.

JVs and associates

Our share of profits from JVs and associates in the period was £12 million (2020: £9 million). This was our share of the net profit arising from our investments, such as BritBox US and Canada, Bedrock Entertainment and Blumhouse Television.

Profit before tax

Statutory profit before tax increased significantly year-on-year to £480 million (2020: £325 million). Production tax credits increased to £29 million (2020: £12 million) as a result of more high-value dramas compared to the same period in 2020 when productions were paused. Adjusted profit before tax was up 47% to £774 million (2020: £527 million).

Profit before tax (PBT)

Twelve months to 31 December	2021 £m	2020 £m
Profit before tax	**480**	325
Production tax credits	**29**	12
Exceptional items (excluding exceptional finance costs)	**196**	118
Loss/(Gain) on sale of non-current assets	**1**	(4)
Amortisation and impairment*	**49**	68
Adjustments to net financing costs	**19**	8
Adjusted profit before tax	**774**	527

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

Tax

Adjusted tax charge

The total adjusted tax charge for the period was £153 million (2020: £95 million), corresponding to an effective tax rate on adjusted PBT of 19.9% (2020: 18.0%), which is higher than the standard UK corporation tax rate of 19% (2020: 19%). We expect the adjusted effective tax rate to be around 20% in 2022, and then move to around 25% over the medium term as a result of the increase in the UK statutory rate to 25% from April 2023.

On a statutory basis, the tax charge is £92 million (2020: £44 million) and corresponds to an effective tax rate of 19.2% (2020: 13.5%). This rate in 2021 is higher than in previous years due to the exceptional Talpa earnout cost and prior-year tax adjustments. The adjustments made to reconcile the tax charge with the adjusted tax charge are the tax effects of the adjustments made to reconcile PBT and adjusted PBT, as detailed in the table above.

Twelve months to 31 December	2021 £m	2020 £m
Tax charge	**92**	44
Production tax credits	**29**	12
Charge for exceptional items	**16**	21
Charge in respect of amortisation and impairment*	**12**	16
Charge in respect of adjustments to net financing costs	**4**	2
Adjusted tax charge	**153**	95
Effective tax rate on adjusted profits	**19.9%**	18.0%

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

Cash tax

Cash tax paid in the period was £119 million (2020: £88 million) and is net of £13 million of production tax credits received (2020: £22 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 increase in our 2021 forecasted taxable profit. 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	2021 £m	2020 £m
Tax charge	**(92)**	(44)
Temporary differences recognised through deferred tax	**(12)**	(1)
Prior year adjustments to current tax	**7**	(7)
Current tax, current year	**(97)**	(52)
Phasing of tax payments (including in respect of pension contribution benefits)	**(6)**	(46)
Production tax credits – timing of receipt	**(16)**	10
Cash tax paid	**(119)**	(88)

Tax strategy

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

We have four key strategic tax objectives:

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

Our tax strategy is aligned with that of the business and its commercial activities and establishes a clear Group-wide approach based on openness and transparency in all aspects of tax reporting and compliance, wherever the Company and its subsidiaries operate. The strategy confirms that ITV does not engage in or condone tax evasion or the facilitation of tax evasion in any form and that we have in place reasonable procedures to prevent the facilitation of tax evasion. Within our overall governance structure, the governance of tax and tax risk is given a high priority by the Board and Audit and Risk Committee (ARC). The ITV Global Tax Strategy, approved by the Board and ARC in September 2021, and as published on the ITV plc website, is compliant with the UK tax strategy publication requirement set out in Part 2 Schedule 19 of the Finance Act 2016.

EPS – adjusted and statutory

Overall, adjusted profit after tax was up 44% to £621 million (2020: £432 million). Non-controlling interest was a share of profit of £12 million (2020: £4 million share of losses) which is the net result from the non-ITV owned share in entities such as Tomorrow Studios, Cattleya, Tetra Media and BritBox UK.

Adjusted basic EPS was up 40% to 15.3p in the year (2020: 10.9p), this compares to 13.9p in 2019. The weighted average number of shares increased to 4,005 million (2020: 4,002 million, 2019: 4,000 million). Diluted adjusted EPS was 15.1p (2020: 10.8p) reflecting a weighted average diluted number of shares of 4,051 million (2020: 4,025 million).

Statutory EPS increased by 32% to 9.4p (2020: 7.1p). Compared to the same period in 2019, statutory EPS declined by 20% (2019: 11.8p) due to higher operating exceptional costs in 2021.

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

Dividend per share

Reflecting ITV's strong operational and financial performance in the year, and in line with previous guidance, the Board intends to propose a final dividend of 3.3p for the full year 2021, based on two-thirds of a notional full year dividend of 5.0p. The Board intends to pay a full year ordinary dividend of at least 5.0p for 2022 which it expects to grow over time whilst balancing further investment behind our strategy and our commitment to investment grade metrics over the medium term.

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 2021 full year dividend will be paid on 26 May 2022.

Acquisitions

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

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

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

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

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

The table on page 65 sets out the initial consideration payable on our acquisitions, additional consideration subsequently paid, our expected future payments based on our current view of performance and the total expected consideration payable, which is only payable if exceptional compound earnings growth is delivered.

Acquisition-related liabilities or performance-based employment-linked earnouts are amounts estimated to be payable to previous owners. The estimated future payments of £79 million are sensitive to forecast profits as they are based on a multiple of earnings. The range of reasonably possible outcomes for the liability is between £66 million and £143 million. The estimated future payments, treated as employment costs, are accrued over the

Acquisitions – between 2012 and 2021 (undiscounted)

Company	Geography	Genre	Initial consideration £m	Additional consideration paid £m	Expected future payments* £m	Total expected consideration** £m	Expected payment period***
Total for 2012–2021	**Various**	**Content & Broadcast TV**	**959**	**479**	**79**	**1,517**	**2022-2026**

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

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

*** £26 million is expected to be paid in 2022.

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 £79 million have decreased by £148 million since 31 December 2020, mainly due to the payment made on the final Talpa earnout following the determination of the final payment by an independent arbiter, and the associated impact of foreign exchange.

As at 31 December 2021, £64 million of expected future payments had been recorded on the balance sheet, with the balance of £15 million to be accrued over the period in which the sellers are required to remain with the business.

Following the determination of the second and final earnout payable on the Talpa acquisition by the independent arbiter, €298 million (c.£256 million) was paid during August 2021 and is included within additional consideration paid.

There were no material acquisitions in 2021. However, during the period we agreed several talent deals within ITV Studios to strengthen our creative talent pool.

Cash generation

Profit to cash conversion

Twelve months to 31 December	2021 £m	2020 £m
Adjusted EBITA	**813**	573
Working capital movement	**(141)**	237
Adjustment for production tax credits	**(16)**	10
Depreciation	**59**	57
Share-based compensation	**12**	6
Acquisition of property, plant and equipment and intangible assets*	**(45)**	(66)
Lease liability payments (including lease interest)	**(29)**	(26)
Adjusted cash flow	**653**	791
Profit to cash ratio	**80%**	138%

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

Cash generated from operations is reconciled to the adjusted cash flow as follows:

Twelve months to 31 December	2021 £m	2020 £m
Cash generated from operations	**407**	693
Cash outflow from exceptional items	**307**	68
Cash generated from operations excluding exceptional items	**714**	761
Removal of Receivables Purchase Agreement	**–**	100
Adjustment for production tax credits	**13**	22
Acquisition of property, plant and equipment and intangible assets	**(45)**	(66)
Lease liability payments (including lease interest)	**(29)**	(26)
Adjusted cash flow	**653**	791

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 in scripted content and BritBox UK, through having a disciplined approach to cash and costs. This has been particularly important during the COVID-19 pandemic. Remaining focused on cash and costs means we are in a good position to continue to invest across the business in line with our strategic priorities, an important focus of which going forward includes a step up in our content investment for ITVX, our new integrated AVOD/SVOD streaming platform which will launch in 2022.

In the year, we generated £653 million of operational cash (2020: £791 million) from £813 million of adjusted EBITA (2020: £573 million), resulting in a profit to cash ratio of 80% (2020: 138%). The year-on-year movement is the unwind of the working capital benefit from 2020, which had a large working capital inflow arising from a reduction in programme stock (where we delivered programmes but were unable to continue producing due to the COVID-19 pandemic) and the timing of VAT payments which were deferred to the first half of 2021 (see further detail below). This was offset by our strong TAR revenues in 2021 and tight working capital management.

Free cash flow

Twelve months to 31 December	2021 £m	2020 £m
Adjusted cash flow	**653**	791
Net interest paid (excluding lease interest)	**(40)**	(17)
Adjusted cash tax*	**(132)**	(110)
Pension funding	**(74)**	(59)
Free cash flow	**407**	605

* Adjusted cash tax of £132 million is total cash tax paid of £119 million plus receipt of production tax credits of £13 million, which are included within adjusted cash flow from operations, as these production tax credits relate directly to the production of programmes.

Our free cash flow after payments for interest, cash tax and pension funding was £407 million (2020: £605 million). As agreed with the tax authorities and our pension trustees in 2020, we deferred £90 million of payments out of 2020, being £75 million of VAT payments which was paid in the first half of 2021 and £15 million of pension contributions payable across 2022 to 2025.

Funding and liquidity

Debt structure and liquidity

The Group's financing policy is to manage its liquidity and funding risk for the medium to long term. ITV uses debt instruments with a range of maturities and has access to appropriate short-term borrowing facilities and a policy to maintain a minimum of £250 million of cash and undrawn committed facilities available at all times. As at 31 December 2021, we had two committed facilities in place to maintain our financial flexibility including a £630 million Revolving Credit Facility (RCF) due to mature in December 2023. Following the year end, this was subsequently refinanced to a new syndicated £500 million RCF maturing in January 2027, with the opportunity to renew for one or two years from the expiry date, and therefore potentially providing funding until 2029. The financial covenants in the new RCF remain unchanged (refer to APMs for further detail), requiring us to maintain a covenant net debt to adjusted EBITDA ratio of below 3.5x and interest cover (adjusted EBITDA to net finance charges) above 3.0x. The new RCF is also linked to the delivery of ITV's science-based carbon emissions targets. Under the terms, ITV will benefit from a lower interest rate if it delivers emissions reductions in line with its Net Zero roadmap, which will be assessed on an annual basis and verified through independent assurance.

As at 31 December 2021, ITV's financial position was well within its covenants and the RCF was undrawn – and had been throughout 2021.

We also have a bilateral financing facility of £300 million, which is free of financial covenants and matures on 30 June 2026. These two committed facilities (including the new RCF), provides us with sufficient liquidity to meet the requirements of the business in the short to medium term under a variety of scenarios, including a severe but plausible downside scenario. At 31 December 2021, the £630 million RCF was undrawn and £148 million of the £300 million bilateral facility was available, which with cash of £736 million (including restricted cash of £50 million), provided total liquidity of £1,514 million (31 December 2020: £1,497 million).

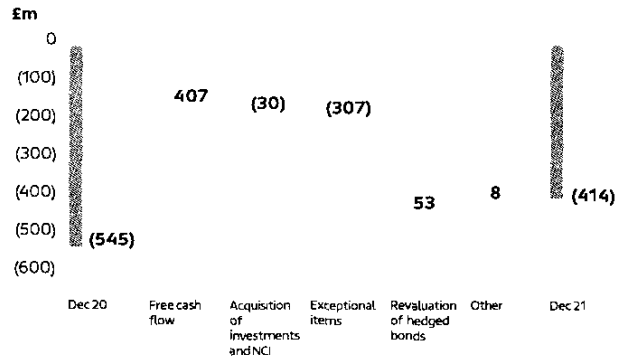
After acquisitions and acquisition-related costs, pension and tax payments, we ended 2021 with net debt of £414 million (31 December 2020: £545 million).

Net debt

At 31 December	2021 £m	2020 £m
Gross cash*	**736**	668
Gross debt (including IFRS 16 lease liabilities)	**(1,150)**	(1,213)
Net debt	**(414)**	(545)

* Gross cash includes £50 million of restricted cash in relation to the LTVC Pension Funding Partnership (2020: £50 million of restricted cash).

Net debt tracker



Financing – gross debt

We are financed using debt instruments and facilities with a range of maturities. Borrowings at 31 December 2021 were repayable as follows:

Amount repayable as at 31 December 2021	£m	Maturity
£630 million Revolving Credit Facility	–	Dec 2023
€600 million Eurobond*	**540**	Sep 2026
€335 million Eurobond	**281**	Sep 2022
€259 million Eurobond	**218**	Dec 2023
Other loans	**19**	Various
Total debt repayable on maturity**	**1,058**	

* Includes £36 million cross-currency interest rate swaps

** Excludes £92 million of IFRS 16 lease liabilities

Capital allocation and leverage

Our objective is to run an efficient balance sheet and manage our financial metrics appropriately, consistent with our commitment to investment grade metrics over the medium term. At 31 December 2021 our leverage, or net debt to adjusted EBITDA was 0.5x (31 December 2020: 0.9x). Our priorities remain as follows: to invest organically in our key assets and value drivers in line with our strategic priorities; maintain an investment-grade balance sheet; sustain a regular ordinary dividend that can grow over the medium term; continue to consider value creating inorganic investment against strict financial and strategic criteria, and any surplus capital will be returned to shareholders.

Credit ratings

We continue to be rated investment grade by both ratings agencies. Our current ratings are 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 and exposure to the economic cycle, as well as business and geographical diversity.

Foreign exchange

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

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

Finally, ITV is exposed to foreign exchange risk on the retranslation of foreign currency loans and deposits. Our policy is to hedge such exposures where there is an expectation that any changes in the value of these items will result in a realised cash movement over the short to medium term. The foreign exchange and interest rate hedging strategy is set out in our Treasury policies which are approved by the ITV plc Board.

Contract assets and liabilities

In 2021, contract assets increased by £133 million and contract liabilities increased by £88 million compared to 31 December 2020. Both increases were predominantly driven by ITV Studios, where contract assets rose by £126 million reflecting higher production volumes during the year. ITV Studios contract liabilities increased by £91 million primarily for the same reason and, where applicable, reflects production milestone payments received in advance of delivery from our customers.

Pensions

The net pension deficit for the defined benefit schemes at 31 December 2021 was £8 million (31 December 2020: £26 million deficit). The decrease in the year was principally due to the Scheme's liabilities reducing in the year from higher bond yields and deficit funding contributions which were partly offset by an increase in inflation assumptions.

The net pension assets include £62 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 3.6 to the Financial Statements.

Actuarial valuation

We expect to agree the triennial actuarial valuation as at 1 January 2020 shortly, and will agree a new funding contribution plan based on that. We do not expect the new funding profile to be materially different from the current plan (1 January 2017: £470 million).

Deficit funding contributions

The accounting deficit does not drive the deficit funding contribution. The Group's deficit funding contributions in 2021 were £74 million (2020: £59 million). For 2022, we do not expect the deficit funding contribution to be materially different from 2021.Refer to note 3.6 to the Financial Statements for further detail.

SDN pension funding partnership

In 2010, ITV established a Pension Funding Partnership (PFP) with the trustee backed by the asset of SDN which resulted in the assets of Section A of the defined benefit pension scheme being increased by £200 million. The Group is contracted to provide additional collateral to support the original value of the structure at the rate of £50.7 million each year from March 2019 to March 2022. The contract provided that the cash collateral would not leave the Group but would be maintained in a restricted bank account. The trustee agreed to accept a letter of credit as an alternative to the 2019, 2020 and 2021 collateral instalments with the result that £152 million cash collateral did not become due in March 2021. The Scheme's interest in these Partnerships reduces the deficit on a funding basis but does not impact the deficit on an IAS 19 basis as the Scheme's interest is not a transferable financial instrument.

The PFP is currently being reviewed as we look to replace it with an arrangement which is broadly equivalent in value, using a combination of an alternative asset backed by SDN and cash contributions to the scheme. There may be a short delay in implementing this alternative, in which case we may have to arrange an additional £50 million of collateral for the trustee.

Planning assumptions for full year 2022

Profit and Loss impact

- Total content costs are expected to be around £1.23 billion which includes BritBox UK content costs
- Total investment of around £55 million in 2022, which includes: investment associated with ITVX in data, technology and streaming of £25 million and one-off launch costs of £20 million; along with investment of £10 million in our digital capabilities including Planet V, and our digital innovations business, Studio 55 Ventures
- Permanent overhead cost savings are expected to be around £17 million in 2022. We will deliver around £100 million of annualised permanent overhead cost savings by the end of 2022.
- Adjusted financing costs are expected to be around £36 million, which is in line with 2021
- The adjusted effective tax rate is expected to be around 20% 2022, and then move to around 25% over the medium term due to the increase in the UK corporation tax rate from April 2023
- The translation impact of foreign exchange, assuming rates remain at current levels, could have a favourable impact of around £6 million on revenue and £nil impact on EBITA
- Exceptional items are expected to be around £60 million, mainly due to costs associated with our digital transformation and our London property move

Cash impact

- Total capex is expected to be around £70 million as we further invest in our digital acceleration
- The cash cost of exceptionals is expected to be around £50 million, largely relating to costs associated with our digital transformation and our London property move
- Profit to cash conversion is expected to be around 80%
- Total pension deficit funding contribution for 2022 is not expected to be materially different to 2021
- The Board intends to propose a final dividend of 3.3p for the full year 2021, based on two-thirds of a notional full year dividend of 5.0p. This will be paid in the first half of 2022. Going forward, the Board intends to pay a full year ordinary dividend of at least 5.0p which it expects to grow over time

Foreign exchange sensitivity

The following table highlights ITV Studios sensitivity, on a full year basis (using internal forecasts), 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	±47–57	±5–7
Euro	±44–54	±8–10

Post Balance Sheet Event

To give ITV greater control over BritBox UK and enable its integration into ITVX, the BBC has ceased to be a shareholder in BritBox UK. The BBC continues as a strong partner for BritBox UK and BritBox International and we have agreed a new long term content supply deal with the BBC. All PSB partners are committed to BritBox UK which offers consumers a large library of the majority of PSB British content in one place from the past and recent past. As envisaged by the original shareholder agreement the BBC has transferred its shares to ITV for nominal consideration. This disclosure is being made in accordance with Listing Rule 11.1.10 R due to the fact that the BBC is deemed to be a related party of ITV plc under the Listing Rules.

Chris Kennedy
Group Chief Finance Officer & Chief Operating Officer

Our Commitment to Section 172(1)

The Directors consider that they have acted, in good faith, in a way that is most likely to promote the success of the Company for the benefit of its members and stakeholders as a whole, having regard (among other matters) to the matters set out in section 172(1)(a-f) of the Companies Act 2006. As the Chairman makes clear in his introduction, the Board regularly considers stakeholder groups and their most significant issues, views and interests as well as the financial and long-term impact of key actions throughout its decision-making process. The Board also undertakes a formal assessment on an annual basis of whether the key stakeholders identified remain appropriate.

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

See page [illegible] and more on stakeholder engagement

See page [illegible] and more on shareholder engagement

See pages [illegible] and our common purpose

See page [illegible] and our culture

See page [illegible] and Principal Risks and Uncertainties

Long-term impact | Interests of colleagues | Fostering business relationships | Impact on community and environment | Maintaining reputation for high standards of business conduct | Acting fairly between members

Supercharging ITV's streaming strategy, including the launch of its new integrated AVOD/SVOD platform with radical evolution of its content strategy with accelerated investment in AVOD

Directors' consideration of key factors set out in section 172(1)	Outcomes of Board decision-making and other key strategic decisions
Long-term impact: The Board believes that supercharging ITV's streaming strategy to grow digital viewing and revenues will ensure that ITV's offering to viewers will better reflect and serve shifting viewing habits in the longer term and accelerate delivery of ITV's strategic priorities and long-term value. In reaching its conclusions the Board considered briefings on the UK streaming market and competitors, M&E financials, and proposed content spend for Phase Two of the More than TV strategy. The Board also assessed both qualitatively and quantitatively a wide range of scenarios, recognising a need to balance scale of investment in the proposition with shareholders' and other stakeholders' interests.	• Following careful analysis and modelling, the Board concluded that the accelerating into Phase Two of the More than TV strategy would be in the long-term interests of the Company (and therefore all stakeholders, including shareholders) • Ongoing monitoring of viewing and subscription figures and impact of the supercharged streaming strategy and competitor actions on revenue and profits • Investment in product, content, distribution, data, tech and analytics to supercharge streaming
Shareholders: The Board was mindful of shareholders' concerns regarding the impact of Phase Two of the strategy on ITV's financial performance and the acceleration of ITV's existing digital strategy (which is a critical component of the supercharged streaming strategy). The Board reviewed the implications of the streaming strategy on EBITDA, EPS and revenue versus consensus, and recognised the need to give shareholders the opportunity to further understand the Studios and M&E businesses and the impact the strategy would have on bolstering their propositions.	• Having discussed in detail the impact of the proposals on the investment case, including discussions with the Company's financial advisers and brokers, the Board felt that the strategic and long-term financial benefits of ITV's streaming strategy were in the best interests of shareholders • Investor seminars were held with shareholders (also attended by Board members) on Commercial (in November) and Studios (in December) to give investors deep dives into those business divisions. An investor seminar on the M&E business in March 2022 will provide detailed insight into ITV's streaming ambitions
Regulators and legislators: An important input into ITV's future strategic direction is ITV's status as a PSB. ITV is engaging with Ofcom and the government to seek reform of the PSB framework in which it operates. The Board was briefed on the implications for ITV and the accelerated streaming strategy in light of a range of scenarios arising from the PSB review.	• Ongoing appraisal of ITV's commercial and strategic interests in remaining a PSB • The Board continues to be updated on progress as the government considers its PSB review. The Chairman met with the Ofcom Chair on a wide range of policy and regulatory issues and the Chief Executive regularly meets with Department for Digital, Culture, Media & Sport (DCMS) ministers and the Chief Executive of Ofcom on matters, including the future of PSB, and other key issues of concern to the TV industry

Supercharging ITV's streaming strategy, including the launch of its new integrated AVOD/SVOD platform with radical evolution of its content strategy with accelerated investment in AVOD continued

Colleagues: The Board considered the impact that this strategy would have on colleagues, notably the new teams and additional capabilities needed to bolster current teams to deliver Phase Two of our strategy, through an assessment of the business' current bench strength, capabilities and skills with particular focus on the Technology and Product teams. There was also a need to continue to transform internal systems, processes and behaviours to support an increasingly streaming-focused business. It was recognised that ITV's culture is key in having the right mindset and ways of working to achieve this strategy at pace. The Board also considered the people impact of re-prioritising resources across the business to refocus resources on the delivery of ITV's streaming ambitions.

Partners, customers and business relationships: The Board considered the increasing amount of engagement and collaboration the strategy would require with platform owners, distribution partners, technology partners and other PSBs (for content) – fostering business relationships with these key partners and ITV maintaining high standards of business conduct would be critical to the successful delivery of Phase Two of our More Than TV strategy. The strategy would provide advertisers with a more targeted offering at scale through a compelling streaming service. Strengthening our streaming proposition would provide viewers with a seamless experience, with a much stronger content offering. The Board assessed how the supercharged streaming proposition would be structured for consumers and how the proposition would be positioned and received within the streaming market, as well as other aspects of the strategy such as consumer branding.

- Board approval of the ITV Together programme, a global programme focused on digital transformation of Finance and HR in four key areas – how ITV is organised, our processes, our systems, and our culture
- Deep dive session for Audit and Risk Committee members on the ITV Together programme
- Board's endorsement of investment in additional resource to ensure the business has the required skills to deliver the supercharged streaming strategy. For example, the Board supported the use of outsourced resource (at higher financial cost) whilst the internal Technology team builds its capabilities to the required strength, rather than lose strategic momentum

- The Board will continue to monitor the technology and product plans to build and roll-out the new service, including the role that ITV's partners play in distribution of Phase Two of our strategy
- Board support for management to supercharge ITV's streaming proposition
- Board support for the progression of, and investment in, innovative, addressable advertising products
- Increased engagement with partners, customers and business relationships to ensure they understand what the supercharged streaming strategy will mean for the business

Moving ITV's two London offices to Broadcast Centre

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

Long-term impact: The Board considered whether the new proposed office space would continue to fulfil ITV's requirements over the long-term, both in delivering run-rate cost savings and in giving the business flexibility over future London office space, while also considering market uncertainties. The Board reviewed the key commercial terms of the lease, and the financials and accounting treatment to understand the financial impact of the new lease and the phased move away from the current offices. The environment and options to increase and decrease floorspace in the future to determine flexibility in the long term were also considered.

Colleagues: The Board believes the move to the new office space is in the best interests of colleagues as a collective group. Bringing ITV's London-based staff together into one location will help foster ITV's culture allowing face-to-face collaboration crucial for creativity and innovation, and being close to where ITV creates and broadcasts many of its biggest shows. Directors took account of the impact on their colleagues, and reviewed the mapping of staff journey times, discussed the potential impact of higher rates of attrition and possible difficulties with recruitment but the Board also recognised the consistent feedback from colleagues that the new hybrid working style, balancing office based and remote working, was favoured by the majority of colleagues who could work remotely. In considering this decision, Board members asked further questions related to communications to colleagues regarding the move and the hybrid working practices which ITV was already adopting.

Community, environment, viewers and subscribers: The Board considered whether ITV should consider reducing the size of its London presence further and move more of its operations outside of London. However, given that London remains the primary commissioning and production centre for all UK channels and SVOD players, and the major sales agencies and advertisers are predominantly based in London, a substantial ITV presence in London was appropriate. The sustainability of our sites and buildings is now a key consideration when making decisions on office moves and closures. The Board noted that the reduction in UK office capacity as a result of this move would help facilitate our net zero transition.

Outcomes of Board decision-making and other key strategic decisions

- Following these analyses, the Board concluded that the move to Broadcast Centre would be in the long-term interests of the Company
- Consideration of property relocation cost savings as part of the 2022 budget and five year plan decision
- Ongoing monitoring of the status of the property relocation project and lease negotiations through regular Group CFO & COO Board updates

- The Directors plan to visit Broadcast Centre in early 2022 to meet with colleagues and see the new London office environment (prior to all colleagues relocating)
- The Directors are kept appraised of management's communication and engagement plans to help London colleagues with this change to their working practices and location
- Ongoing two-way communication between the Ambassador Network and Board, through the Workforce Engagement Director, for example on colleagues' views on preferred working patterns and changes in office space and location
- Endorsement of the move included integrating London-based independent production labels and delivering network connectivity and tech infrastructure to support production

- Continued efforts to reduce our carbon emissions and increase our use of renewable energy in our properties both in the UK and internationally. The move to the new office is estimated to reduce workplace carbon emissions by around 40% compared to the previous site arrangement
- Discussions with suppliers to ensure they are well placed to support ITV at Broadcast Centre
- Continued efforts to ensure sustainable practices and minimise waste, for example reusing furniture and equipment from current offices, and efficient waste collection to maximise recycling and help meet our Zero Waste target

Non-Financial Information Statement (NFIS)

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

The impact of our Business Model, risk policies and strategy [illegible] and 21

Environment

Policies	Due diligence and implementation	Outcomes of policies and related KPIs	Related principal risks (pages 72 to 87)
• Our Environmental Management Policy sets out our commitment to Net Zero Carbon, zero waste and a sustainable supply chain by 2030 • We are a signatory to the Task Force on Climate-related Financial Disclosures (TCFD), which provides a framework for assessing our exposure to climate-related risks and processes to mitigate against these risks • Our Supplier Code of Conduct sets out our expectation of our suppliers to align with our 2030 environmental targets	• We evaluate and monitor climate change risks and progress against our environmental targets through our governance structure, which includes the Climate Action Delivery Group, and is referenced in further detail in our TCFD report (see pages 88 to 96) • Progress against our environmental targets are reported to the Studios, Media & Entertainment, and Management Boards up to four times a year, and annually to the Board. The Audit and Risk Committee also has oversight of environmental matters (see page 134) • All colleagues are required to complete mandatory training on climate action	• Reducing our impact on the environment is one of the priorities of ITV's Social Purpose strategy (see pages 48 to 55) • Refer to page 52 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 produced or commissioned in the UK are albert certified	• Climate change is not currently recognised as a principal risk, but is categorised as an emerging risk and kept under regular review through our risk management framework. In 2021 we performed climate scenario analysis in order to identify specific climate risks for ITV. The result of this assessment is detailed in our TCFD report on pages 89 to 92

Colleagues

Policies	Due diligence and implementation	Outcomes of policies and related KPIs	Related principal risks (pages 72 to 87)
• Our Code of Ethics and Conduct (Our Code) promotes the highest standards of ethical business, underpinning our values and corporate culture • Adherence is a key requirement of our overall compliance framework • Our Diversity and Inclusion strategy is aligned with and supports our business strategy • Our employment and recruitment policies are based on equal opportunities and non-discrimination, and set out our commitment to an open and inclusive culture • ITV's Duty of Care Charter sets out our commitment to the physical and mental health and safety of employees, participants and others we work with • ITV has a 'Speaking Up' framework for anyone working for or with ITV to raise concerns and grievances in confidence (and if they wish anonymously), as well as a freelancer complaints procedure • We also have policies on bullying, harassment and dignity at work, and grievances	• All colleagues complete annual mandatory training aligned with Our Code, which Board members also completed in 2021 • Our Code is reviewed regularly • Our Inclusion and Diversity Council, chaired by the Chief Executive, drives the organisation's diversity and inclusion agenda (see pages 54 and 55) • Progress against our diversity targets are reported to the Studios and Media & Entertainment Boards biannually, the Management Board four times a year, the Nominations Committee regularly, and annually to the Board • The Audit and Risk Committee reviews the Group's health and safety procedures at least annually, and receives regular reports from the Duty of Care Operating Board, the meetings of which the Chair of the Audit and Risk Committee attends • Our Speaking Up framework is monitored and reviewed by the Audit and Risk Committee biannually. Statistics on concerns raised are reviewed at each Board meeting	• In 2021 an all colleague engagement survey was carried out, allowing us to measure engagement across the organisation, as well as providing insights in areas such as wellbeing, inclusion and our strategy. The results will inform ongoing Board discussions • In 2021 we launched a new Speaking Up framework, making it easier to raise concerns and enhance ITV's open culture (see pages 119 and 133) • Diversity and Inclusion is one of the four priorities of ITV's Social Purpose strategy (see pages 48 to 55) • In 2021 we published our Diversity Acceleration Plan Report, one year on from the launch of the Diversity Acceleration Plan. This reported on our successes and new areas of focus, which aligns with and supports our business strategy (see page 54)	• Non-compliance with laws and regulation is recognised as a principal risk with which the Board has zero tolerance for known and deliberate non-compliance. We regularly assess potential risks associated with employee conduct and ethics as part of our compliance processes • Failure to deliver our Diversity Acceleration Plan is not recognised as a standalone principal risk but is recognised as an important factor within the recruitment and retention of talent principal risk and remains under review, monitored by the Nominations Committee • Failure to create the right organisational culture, which allows colleagues to speak up and deliver the strategy (Risk 10), and failure to extend an adequate duty of care or a major health and safety incident (Risk 11) are recognised as principal risks

Social impact

Policies

- Social Purpose is a core enabler in delivering part of ITV's overall strategy. We use ITV's scale and creativity to shape culture for good (not just within ITV but across the UK and other markets that we might impact). We have set and published ambitious targets which align to the United Nations Sustainable Development Goals (UN SDGs)

Due diligence and implementation

- We evaluate and monitor all our Social Purpose campaigns and progress against our goals. 2021 carbon emissions data will be independently verified by a third party
- ITV's Mental Health Advisory Group, chaired by Ruth Davidson SMP, comprises external expert advisers and ITV representatives, and provides guidance on best practice for looking after the welfare of people, productions and campaigns
- ITV is a member of the Responsible Media Forum
- Progress against our targets and the impact of our campaigns are reported to the Management Board four times a year, and annually to the Board

Outcomes of policies and related KPIs

- Our Social Purpose strategy has four priorities relating to Better Health, Diversity and Inclusion, Climate Action and Giving Back (see pages 48 to 55)
- The Social Purpose strategy is aligned to the UN SDGs. ITV has identified SDGs 3, 5, 7, 10, 12, 13 as those where it can have the most impact

Related principal risks (pages 72 to 87)

- Social impact matters are not considered to be a standalone principal risk, however social impact matters which influence other principal risks are detailed in our Risks and Uncertainties report on page 75

Anti-corruption and anti-bribery

Policies

- Our Code of Ethics and Conduct (Our Code) promotes the highest standards of ethical business and reinforces the importance of awareness of compliance requirements and maintaining high ethical standards
- Our Anti-Bribery Policy sets out our responsibilities and provides information and guidance on what bribery is and how to deal with bribery and corruption issues. Those working for or with us must observe and uphold the Policy
- Our Sanctions Policy ensures that the business complies with all relevant international and financial sanctions in force at the time by the UN, EU or UK government
- Our Supplier Code of Conduct sets out our expectation of our suppliers to comply with all anti-bribery laws

Due diligence and implementation

- All colleagues are required to complete annual mandatory training aligned with Our Code, and systems are in place through the Speaking Up framework to enable employees to identify and raise issues, including suspected wrongdoing, fraud or malpractice in the workplace
- Bespoke training on the Anti-Bribery Policy is provided to employees working in roles or territories at higher risk of bribery and corruption issues
- Compliance with the Anti-Bribery Policy is kept under review and reported to the Management Board and Audit and Risk Committee biannually
- Bribery and corruption risks are reviewed annually by the Audit and Risk Committee, as is wider policy compliance

Outcomes of policies and related KPIs

- 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

Related principal risks (pages 72 to 87)

- Legal and regulatory non-compliance (including with 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, which is articulated in our Anti-Bribery Policy

Human rights

Policies

- ITV is fully committed to ensuring that we do not participate in the violation of human rights and expects 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 to identify, address and prevent modern slavery and human trafficking in our business and supply chain
- Our Supplier Code of Conduct sets out our expectation of suppliers to protect human rights of workers and communities impacted by operations and supply chains

Due diligence and implementation

- Ultimate oversight belongs to the Board
- ITV's Modern Slavery Steering Group is responsible for overseeing modern slavery risk management for ITV in a manner that places concerns for potential victims at the centre. It agrees strategies for addressing key risks identified and raises awareness among ITV's decision-makers of labour rights considerations and seeks their support for appropriate initiatives
- Our Modern Slavery Statement is reviewed by the Board on an annual basis

Outcomes of policies and related KPIs

- No incidences of human rights abuse or modern slavery have been identified
- In 2021 we evolved Our Code of Ethics and Conduct, explaining ITV's aim to address and identify risks of modern slavery. We also launched a procurement process and Supplier Code of Conduct which include expectations of suppliers in regards to human rights and labour. Suppliers are required to understand and address the risk of modern slavery in their operations and supply chains

Related principal risks (pages 72 to 87)

- Legal and regulatory non-compliance (including labour rights issues) is recognised as a principal risk (Risk 12) with the Board having zero tolerance for known and deliberate non-compliance. We have a compliance and risk management framework in place to identify potential risks and mitigate these

Risks and Uncertainties

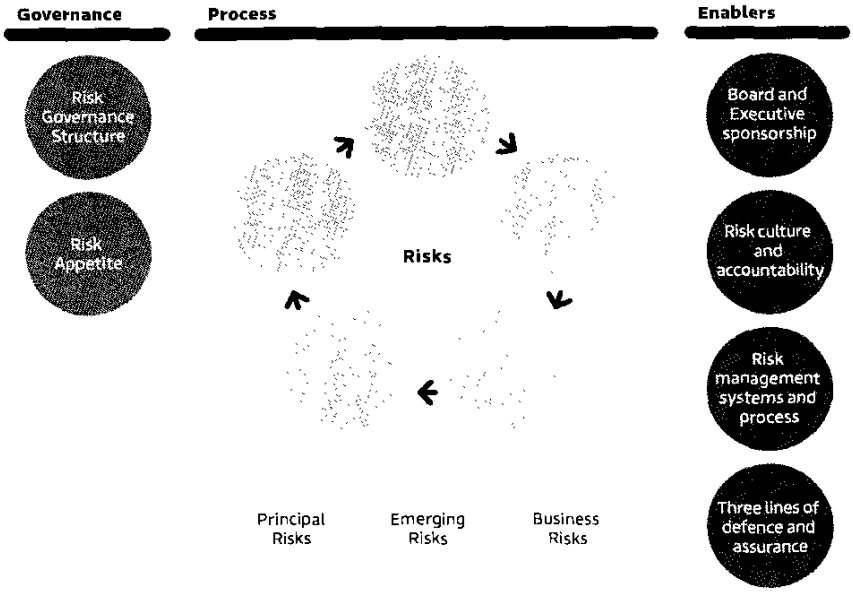
ITV operates in a rapidly changing business environment. Viewer behaviours, macroeconomic trends, competitors and the broader industry are evolving rapidly, creating an increasingly complex risk landscape.

We understand that taking certain risks is unavoidable, and necessary, to enable us to continue to produce and broadcast market-leading quality content and achieve our strategic goals. However, we must also adequately manage and respond to risks which represent a threat to our reputation, operations, finances, and the safety of our staff, contributors and the environment. Our continued success is dependent on striking the right balance between risk-taking and risk-mitigation.

At ITV the Board actively promotes a culture where risk management is not seen to be a process that stifles creativity, but rather one in which risks can, and should, be taken to achieve our goals, providing they are justified, actively managed and/or creating opportunity. ITV's risk management framework is designed to support strategic and operational decision-making by providing ITV with the tools to identify, manage and monitor these risks.

Risk management framework

The key objective of our risk management framework is to support the achievement of our strategic goals. The framework seeks to drive clarity and proactivity and enable us to respond to threats, by defining the required governance, process and enablers for effective risk management at ITV.



Enhancing risk management

We are continually iterating and enhancing our risk management framework to respond to developments inside and outside our business and meet our objectives.

Key enhancements in 2021

- Continued to embed risk management culture and awareness within and across the business
- Refreshed the Code of Ethics and Conduct, and Speaking Up policies and processes, to better communicate and monitor compliance and conduct matters
- Performed a number of deep dives with management, the Audit and Risk Committee and the Board, to further scrutinise principal risk mitigation and compliance with risk appetite (detail of the deep dives completed in 2021 are outlined within each principal risk identified on pages 76 to 87)
- Developed quantitative risk appetite metrics for key operational risk areas to better monitor compliance
- Reviewed the existing crisis management framework, taking into consideration learnings from COVID-19 and the M&E restructure
- Performed climate scenario analysis to better understand and quantify climate related risks and our resilience
- Initiated projects to further enhance our financial and technology controls environment
- Performed a robust review of interconnectivity of data related risks, taking into account strategic changes, security, data governance and privacy

Building on these priorities in 2022

- Building on the successes to date to further develop risk management capability and processes within the newly created Media and Entertainment division
- Enhancing compliance monitoring and reporting across the business, in line with refreshed Code of Ethics and Conduct
- Increasing visibility and oversight over Studios international operational risks and ongoing management of those risks
- Improving risk appetite reporting, including developing quantitative risk metrics to monitor key strategic and emerging risks
- Reviewing business continuity and resilience measures in key operational and central functions areas
- Developing the second line assurance over the financial and technology controls environment
- Ensuring the smooth transition of Internal Audit to our new provider
- Further enhancing the process to manage the interconnected data related risks

Risk governance structure

The Board has overall responsibility for ensuring that ITV is appropriately identifying and managing the risks the business is exposed to. The Board is supported by the Audit and Risk Committee, which oversees the effectiveness of the risk management and internal control environment, and Management, who implement the necessary risk mitigation and internal control plans to ensure the Group is operating within the tolerances of the Board determined risk appetite.

Board

- Sets strategic objectives
- Reviews and evaluates principal risks and uncertainties
- Sets our strategy on risk and establishes tolerance levels and risk appetite
- Ensures the effective operation of the risk management framework and internal control systems

Management Board

Has responsibility for:
- The development and operation of the risk management framework and systems of internal control, including:
  - Reviewing and monitoring the effectiveness of internal controls and putting in place remedial plans where required.
- Serious control weaknesses (if any) are reported to the Board and action is taken as appropriate
- Routinely reviewing and challenging risks, risk assessment ratings 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
- Reviewing emerging risks

Divisional Boards and Central Functions

Have responsibility for ensuring appropriate risk management within their business area, including:
- Routinely reviewing and challenging risks and mitigations, including relevant reports or other performance indicators
- Reviewing local policies and monitoring the local implementation of key group policies and procedures
- Reviewing emerging risks identified through the risk management framework

Audit and Risk Committee

Has responsibility for:
- Overseeing and advising the Board on risk exposures and future mitigation strategy
- Reviewing the effectiveness of the risk management framework and internal control systems
- Conducting in-depth reviews of high-risk business areas or processes
- Setting the internal audit plan to gain assurance of the effectiveness of key risk controls and mitigations
- Reviewing implementation of internal audit actions
- Overseeing and monitoring the business's compliance with the risk appetite set by the Board

Details of risk reviews undertaken during the year are set out in the Audit and Risk Committee Report within the Governance section of the report.

Group Risk Function

Has responsibility for:
- Maintaining the risk management framework, systems and processes and supporting management in its adoption and embedding
- Coordinating all risk identification, reporting and governance forum activity, ensuring consistency in approach
- Developing risk capability and culture in the business
- Supporting and advising the business on the development of risk management solutions

Key

- Direction and Management
- Reporting and Escalation
- Advice and Oversight

Three lines of defence

The three lines of defence model is a core enabler within our risk management framework and provides ongoing assurance over the effectiveness of our risk management activities and internal controls environment.

The Board: Oversight over principal risks

Audit and Risk Committee: Oversight over risk management framework

Senior management: Oversight over all business risks

Reporting

Business Operations and Divisions: Divisions and Central Functions identify, assess and manage risk on an ongoing basis, including maintenance and operation of the internal control framework to mitigate key risks. These risks are reported and escalated through the risk governance structure.

Risk

Reporting

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

Risk

Reporting

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

Risk appetite

The Board has developed statements that define our risk appetite for each principal risk and across other key areas, to better focus risk management activities and help the business strike the right balance between risk taking and risk mitigation. This includes, but is not limited to, liquidity, acquisitions, data privacy, business continuity and resilience, and people and culture. Our risk appetite reflects ITV's willingness to be innovative and open to new ideas as we pursue our strategy, whilst maintaining our low tolerance in operational areas such as compliance, duty of care, cyber and data protection.

During 2021 we focused on educating the business on the risk appetite and developing quantitative metrics to help us focus on areas of high risk that are operating outside of appetite. In 2022, we intend to build on this work by enhancing our risk appetite reporting, to better support the Board's roles in monitoring compliance against risk appetite.

Principal risks

As part of our risk management framework, we have a process to oversee all risks which may threaten ITV, with particular Board scrutiny over our principal and emerging risks. All risks are assigned a risk owner responsible for monitoring and implementing mitigations, with principal risks owned by a member of the Management Board, who is responsible for monitoring and implementing mitigation on an ongoing basis. The risk owner is also responsible for identifying any potential opportunities associated with the risk and capitalising on those as appropriate. The principal risks are reviewed on an ongoing basis by senior management, subject to periodic deep dives at the Board, Audit and Risk Committee, Management Board and Divisional Boards, and are formally assessed by the Board twice a year.

COVID-19

Last year we included a new principal risk relating to COVID-19, which reflected both the wide ranging impact the pandemic had internally on our financial position and operations, and the broader implications in the macro-economic environment and viewing habits. Despite the unprecedented challenges presented by the ongoing COVID-19 pandemic, we have recovered well with the highest Media and Entertainment revenue in our history and Studios revenue set to recover in 2022. We have focused on increasing the resilience of our operations and developing innovative procedures to continue filming during the pandemic.

However, there is still some uncertainty and COVID-19 remains an operational risk to our business. We provide an overview of the operational risk factors related to the pandemic below, including, where appropriate, additional context in each principal risk, to reflect the acceleration of those risks as a result of COVID-19.

Brexit

We continue to monitor the risks associated with the UK's withdrawal from the EU in 2020. Whilst the development of a deal between the UK and the EU went a considerable way to mitigating this risk, there remain some uncertainties. There remain operational challenges associated with the free movement of people and goods/services, impacting both our productions and supply chains. These risks are largely mitigated within ITV, however, we recognise that challenges continue to impact our advertisers and contribute to broader macroeconomic risks which may impact our Commercial revenue.

There has been renewed attention in some quarters in the EU on the qualification of UK content as European works. There is a risk that UK content might no longer qualify as European works (in whole or in part) for the purposes of EU TV and Streaming quotas, which may impact the demand for UK made content including that made in the UK by ITV Studios. We are currently monitoring developments in this area and engaging with the European Commission, some EU governments and others on the topic. Where relevant, we have provided Brexit commentary in each of our principal risks below.

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

The Board and Management are responsible for identifying emerging risks and ITV's Group strategy and Risk teams support this by undertaking horizon scanning, maintaining ongoing dialogue with the business and keeping up to date with wider market developments. Emerging risks are tracked and escalated through the risk management framework and are formally assessed by the Board twice a year. Our key emerging risks fall into the Environmental, Social and Governance categories. In addition, we closely monitor the technological environment to understand how disruptive technology creates emerging risk and opportunity for our business.

Environmental, Social and Governance (ESG) issues

ESG matters underpin everything we do and are core to our Social Purpose strategy. We understand that purpose driven organisations are more resilient to external threats and therefore we need to have strong risk management processes around emerging ESG-related issues.

We recognise the climate crisis and the risks and opportunities it poses for ITV. In 2021, we significantly increased our focus on environmental risks as part of our work on TCFD. We completed climate scenario analysis, across high and low carbon scenarios, and our assessment suggests our strategy remains resilient to the risks posed by climate change and environmental changes. However, we recognise there still remains uncertainty around the potential significance, impact or timing of these risks and we continue to categorise climate change as an emerging risk for ITV. Further detail on the risks and opportunities specifically related to climate change are provided in our TCFD report page 88 to 93.

As a public company, ITV is particularly exposed to societal risks. Conversely, we are uniquely positioned to use our scale and visibility to increase awareness around social issues. Failure to recognise and respond to social issues may impact the relevance of our content and, in turn, our viewing. In addition, failure to implement processes to address social inequality within our business may result in ITV being perceived as a less attractive employer and impact our ability to attract and retain talent. Our Social Purpose strategy and internal values are centred around using our platform to educate viewers, our colleagues and the general public on social issues. Please refer to page 48 to 55 for further information on the work we are doing as part of our Social Purpose.

ITV is committed to implementing the highest standards of corporate governance, in order to provide transparency to our shareholders and wider stakeholders and to ensure we remain compliant with laws and regulations. We recognise failure to implement adequate corporate governance standards may result in failure to attract investment and impact how our business is valued. For further information, please refer to our Corporate Governance report at page 104.

Overall, whilst we do not categorise ESG as a standalone principal risk, which could materially threaten our viability or strategy, we recognise that ESG matters need to be considered as part of our everyday activities and are intrinsically linked to many of our risks. These risks are identified and managed through our existing bottom-up risk process, with escalation to the relevant board as required. Importantly, all these emerging risks also present opportunities for our business, therefore we manage them in a way to enhance our brand and perception in the market. Where relevant, we have provided ESG commentary on each of our principal risks below.

Principal risks and mitigations

Link to strategy

Expand
UK and global production

Optimise

Risk direction of travel
(after current mitigations)

Risk is increasing

Risk is reducing

Risk remains static

Principal and emerging risks

Indicates where there are COVID-19 related factors, which may influence the risk.

Indicates where there are ESG related factors, which may influence the risk.

Indicates where there are Brexit related factors, which may influence the risk.

N.B. – Risks are grouped by category and are not disclosed in order of importance or significance

Strategic/Financial, External risks

External business environment risks, including macroeconomic, socio-political or market changes, that may impact ITV's financial position or strategic vision

1. Changing viewing habits

Link to strategy

Management Board owner: Kevin Lygo

Description

A failure to anticipate or respond to fast changing viewer habits and behaviours may impact total viewing and the success of our channels/services.

Context

- Content is now available across many different devices and platforms, which is impacting how viewers consume video
- Viewers are watching less linear television and are increasingly accessing content through Streaming services
- Our advertising revenue and continued success is dependent on being able to retain viewers and increase the volume of content they consume on our services

Changes in direction of travel

COVID-19 accelerated some of the changes in viewer habits that we had started to see prior to the pandemic. The growing level of competition for viewer attention, coupled with the acceleration of video on demand viewing (even amongst traditionally linear-skewed viewers) has resulted in this risk continuing to trend upwards.

Mitigating activities

Our strategy is focused on enabling our audiences to access our content wherever, whenever and however they choose to watch. This involves continuing to broadcast great content on our channels to encourage mass simultaneous reach and focusing on accelerating our Streaming strategy, with a new proposition, ITVX, launching in 2022.

The new vision for Streaming will focus on developing a leading VOD platform in the UK, driving greater value for viewers, advertisers and ITV through a stronger integrated proposition. We aim to do this by: capitalising on the success of our ITV Hub, ITV Hub+ and BritBox UK; *increased digital-first content investment; strong user* experience; using data to drive viewing; investment in marketing; and developing a brand which attracts VOD-first viewers. Through this, we will offer advertisers premium addressable audiences at scale in a trusted, brand safe and measured environment through Planet V.

Our strategy also involves investing in alternative media products to more effectively compete for non-viewing time and allow viewers to engage with the ITV brands and formats in different ways. This includes investing in gaming, short form content and podcasts.

Board oversight

- Regular updates on viewing figures and evolving viewer behaviours at the Board

Risk direction

2021

2020

2. Advertising market changes

Link to strategy

Management Board owner: Kelly Williams

Description

Ongoing changes in the advertising market may result in reduced demand for ITV's advertising products and a longer-term decline in advertising revenue.

Context

We have noted significant recovery in the TV advertising market; however, significant downturn in the economy, driven by Brexit, COVID-19 and/or other macroeconomic factors may impact advertiser spend.

- An increasing proportion of advertising budgets is being spent on digital offerings and with media owners with advanced features, such as audience attribution

Certain sectors are either already or may become subject to regulatory advertising restriction, impacting the advertising they can place with ITV. Particular industries which are at higher risk of advertising restrictions are: gambling, and food and drink. In addition, we are monitoring the potential for advertising restrictions on high-carbon emitting products and services, for example air travel and motor vehicles.

Changes in direction of travel

Continued uncertainty in the economic environment means this risk is trending upwards.

Mitigating activities

We continue to closely monitor the economic environment and track the potential financial impact on advertising revenues.

Our Commercial strategy is focused on demonstrating the benefits of advertising on ITV, whilst seeking to increase awareness within growing sectors. We continue to innovate our solutions to compete with digital offerings, including by investing in enhanced addressability. Our Planet V product provides advertisers an easy to use, self-service platform to deliver highly targeted ads on our Streaming products. Our new Streaming strategy seeks to deliver a more compelling proposition for advertisers seeking to reach an addressable audience at scale.

In 2021, we also launched ITV AdLabs which seeks to offer advertisers innovative products, such as metaverse solutions. During 2022, this will also involve investigating options to deliver linear addressable ads.

We monitor the regulatory landscape and engage with the UK government to understand and limit the impact of advertising restrictions on our revenues. Specifically, in relation to the intended ban on advertising for high fat, sugar and salt products, we are assessing the potential financial impact and identifying approaches to mitigate the loss of revenue while we wait for further details on the scope of the ban and timing of application. More broadly, we seek to use our content to educate our viewers on social issues, such as healthy foods and the environment.

Board oversight

- Strategy session with the Board on our Commercial strategy, in light of this risk (July 2021)

Risk direction

2021 ↑

2020

3. Evolving demand in the content markets

Link to strategy

Management Board owner: Julian Bellamy

Description

Fundamental changes in the content market may result in reduced opportunities, non-renewal of premium programmes, and/or impact the profitability of ITV Studios content.

Context

Production has now resumed globally, however, it remains operationally challenging and more expensive as a result of COVID-19.

The demand for content globally continues to increase, in particular from SVOD buyers. However, market competition is intensifying and recent large mergers in the media market represent both a threat and an opportunity to ITV.

- The profitability of the Studios business may continue to be impacted by buyers seeking better terms on pricing and rights and increased costs of production as a result of limited resources and new ways of working during COVID-19

Costs associated with carbon offsetting and new technologies to reduce the environmental impact of our productions may also impact margins in the future.

There also continues to be some uncertainty around the longer-term qualification of UK made content as EU works for EU TV and streaming quotas, which could result in reduced demand for UK content.

Changes in direction of travel

The global demand for content remains high and we are able to use our scale to support us manage the risk associated with the rising cost of production, resulting in this risk remaining static.

Mitigating activities

ITV continues to implement COVID-19 secure protocols, which allow us to continue producing during COVID-19 whilst protecting those involved on our programmes. These protocols support our production resilience and can be rapidly flexed to respond to the evolving situation.

We are also growing and maintaining relationships with a diversified set of local and global customers, with varied business models. Our strategy is focused on growing the volume of drama hours we produce and increasingly working with SVOD customers. We have continued to invest in developing and attracting creative talent in order to ensure we can continue to provide quality content to these customers.

We believe that by taking action now to reduce the environmental impact of our productions, we are mitigating against longer-term increases in costs e.g. arising from carbon taxation or higher prices of fossil fuel. From a cost perspective, we are also continually implementing new processes to drive efficiency in our production and project margins. These include robust procurement procedures, maximisation of tax credits and technological approaches to optimise filming.

We are assessing the implications in relation to the qualification of UK content as EU works, whilst we await further detail on the potential measures.

Board oversight

- Strategy sessions focused on ITV Studios, and response to risks and changes in the market

Risk direction

2021

2020

4. Platform relationship risk

Link to strategy

Management Board owner: Chris Kennedy

Description

An inability to develop and maintain adequate relationships with major platform and distribution providers may result in viewers being unable to find our content and lack of fair value for that content.

Context

- Video content is viewed across a wide variety of platforms and devices and ITV needs to work with these platform providers to ensure viewers can continue to find ITV content whenever and wherever they choose to watch
- As a Public Service Broadcaster (PSB), we are guaranteed prominence in the UK within the linear Electronic Program Guide (EPG) grid. However, this prominence is not guaranteed for digital viewing and other ways viewers now or will choose to consume ITV content.
- The PSB ecology is integral to the broader society in the UK and a lack of regulatory intervention to protect this ecology may threaten this wider societal benefit. There is a risk that global platforms may use their scale and influence to limit the visibility and prominence of PSB content and/or the value PSBs are able to take from the content PSBs distribute on their platforms

Changes in direction of travel

During 2021 we finalised long-term deals with both Sky and Virgin Media O2 which supports mitigation of this risk in the medium term. However, as we develop our Streaming proposition we need distribution arrangements in place to ensure the product is available on as many platforms as possible.

Mitigating activities

Our aim is to allow viewers to access our content, wherever, whenever and however they choose to watch and this is underpinned by a defined partnership and distribution strategy, which has been further developed throughout 2021. We will continue to focus on this as a priority as we deliver our enhanced Streaming strategy.

We have a dedicated team that has developed relationships and commercial arrangements with all the major distribution providers and TV platform/device manufacturers in the UK. This team is also responsible for inputting into product and commercial decision-making, to confirm ITV remains an attractive proposition from a distribution perspective. We are therefore in a position to negotiate the prominence and monetisation of ITV's content on their platform/devices.

We also continue to actively participate in dialogue with Ofcom and the UK government regarding the modernisation of the PSB regulatory regime and make the case for addressing the key areas of inclusion, prominence and fair value.

Board oversight

- Ad-hoc updates on partnership and platform developments

Risk direction

2021

2020

5. Pension deficit increase

Link to strategy

Management Board owner: Chris Kennedy

Description

A financial crisis or macroeconomic change could impact the value of pension scheme investments and liabilities and increase the deficit.

Context

- Changes in credit spreads could result in material movements in the Group's defined benefit pension scheme liabilities
- A major change in longevity, investment values or in the discount rate affecting the value of liabilities could have a material impact on the net pension liability. ITV may need to respond in such an event by increasing future contributions

Changes in direction of travel

The pension scheme trustees' approach has always been focused on taking a conservative approach to limit the impact of uncertainty. Therefore, the wider implications of the economy have not impacted the value of the scheme significantly or our ability to meet liabilities.

Mitigating activities

The pension scheme assets are invested in a diversified portfolio, with a significant proportion held in lower risk bonds, with interest rate and inflation hedging in place, designed to match the cash outflows of the scheme liabilities as far as possible. We have worked with the pension trustees to manage contributions to the pension schemes through a series of asset backed arrangements.

Increased monitoring of the pensioner population and mortality rates of the schemes has taken place to assess the likely risk of a mortality shock as a result of COVID-19. This would result in a requirement to increase collateral in relation to the longevity swap and restrictions on the preferred investment strategy. However, a mortality shock would also reduce the scheme's liabilities, partly offsetting the risk of the deficit.

Board oversight

- Annual pension process and controls review at the Audit and Risk Committee (September 2021)

Risk direction

2021

2020

6. Regulatory policy changes

Link to strategy

Management Board owner: Magnus Brooke

Description

Changes to policy and regulation, or a failure by the UK government to regulate, may have a negative impact on the future of public service broadcast, our business model and/or the cost of operations.

Context

- Public service broadcasters (PSB) regulation needs reform to respond to changes in viewer behaviours and the increasing scale of digital media companies. The outcome of the ongoing PSB regime review presents both risks and opportunities for ITV's business model and strategy

Changes in advertising regulation for certain sectors may have a negative impact on the revenue we are able to generate from these sectors.

The agreement of a deal between the UK and EU has gone some way to managing Brexit uncertainty. However, there continues to be some uncertainty around the longer-term qualification of UK made content as EU works for EU TV and streaming quotas, which could result in reduced demand for UK content.

Other areas of regulation and policy which could have an impact on our business include sustainability, child protection, broadcasting regionality and longer-term regulation in relation to pandemic preparedness.

Changes in direction of travel

Reform of the PSB regime remains a significant uncertainty and critical component to ongoing protection of the PSB ecology, resulting in this risk trending upwards.

Mitigating activities

We have an experienced Policy and Regulatory Affairs team that monitors for potential policy, legal and regulatory developments. We have a systematic approach to analysing the impact of potential changes and are proactive in putting forward our position during the development of new policies, legislation and regulation.

We continue to engage with the government and regulators on the PSB regime and many other topics affecting our industry. This includes collaborating with other organisations in the industry, where appropriate in line with competition law and aligning objectives.

Our Social Purpose team works alongside the Policy and Regulatory Affairs team to identify regulatory changes related to the environment/sustainability and to support the business implement processes to comply. This included advising the business on requirements for TCFD, of which we were an early signatory.

Board oversight

- Regular reports to the Board on PSB reform
- Regular updates on emerging regulation in light of COVID-19

Risk direction

2021

2020

Strategic, Internal/Change risks

Internal risks, including culture and capability, that may impede the achievement of strategic and/or operational change goals

7. Content pipeline risk

Link to strategy

Management Board owner: Kevin Lygo

Description

Failure to sustain a diversified *commissioning and* content strategy that is resilient and financially viable may reduce profitability.

Context

- In order to protect viewing and, in turn, advertising revenues, we must develop a content pipeline that *is both resilient to changes in viewer preferences* and is financially viable. In particular, we must commission programmes with broad appeal that attract younger audiences
- Our Streaming strategy requires us to invest in more content and we must balance these rising costs with the need to grow viewers on those products

The public response to the Black Lives Matter movement has further highlighted the need *to respond to increasing scrutiny of on-screen* diversity. Furthermore, we also need to be conscious of the environmental impact of our programming and how environmental behaviours are presented in our content.

Changes in direction of travel

The cost of content is increasing, as a result of increased competition due to more players entering the market. This, coupled with the need to secure greater numbers *of content hours for our Streaming proposition, results* in this risk increasing.

Mitigating activities

Within our Broadcast business unit, our commissioning focus remains on mass simultaneous reach and *identifying programmes* and formats which have national appeal, led by our experienced Commissioning team. In order to increase the resilience of our pipeline and reduce our reliance on historically successful programmes, we continue to invest in new premium formats, live sports and high-end drama.

A Content approach has been developed as part of the launch if ITVX, and will focus on implementing the content strategy needed to attract and retain viewers *on ITVX, including content acquisitions, original* commissions and content windowing approaches.

We also have dedicated Research and Data teams, who provide insight on audience preferences and in 2021, we also invested in data products to provide enhanced insight into our Streaming viewing that is used to inform our content strategy. This data is supplemented with BARB data, which captures linear, BVOD viewing and has been extended to also cover SVOD viewing.

We have developed a Diversity Acceleration Plan which aims to improve our on-screen diversity, develop a representative talent pipeline and better represent all communities in our programmes.

We are also committed to reducing our environmental impact and communicating the need to respond to climate change to our viewers. In 2021, we along with other broadcasters signed the 'Climate Content Pledge', which outlines principles that we will commit to in order to help our audiences engage with this topic.

Board oversight

- *Sessions on Content strategy in light of this risk* (December 2021)

Risk direction

2021

2020

8. Insufficient growth in our Streaming products

Link to strategy

Management Board owner: Rufus Radcliffe

Description

Our Streaming products do not grow at the pace required to deliver the desired strategic or financial outcomes.

Context

- The video Streaming market is a highly competitive market, both in the UK and internationally
- We have launched a new Streaming strategy and the success of that strategy is dependent on maximising the number of viewers on our Streaming service, the volume of content they view (consumption) and successfully converting a proportion to paying subscribers and subsequently retaining them
- We must also manage the significant delivery and change risks associated with delivering the new product on time and to the right quality
- We need to maintain strong relationships with platforms and distributors to maximise the availability and reach of our Streaming services

Changes in direction of travel

ITV is pursuing Streaming growth strategy in a competitive market and recent mergers in this market have intensified competition, resulting in this risk trending upwards.

Mitigating activities

We are significantly investing in supercharging our Streaming strategy and have developed a robust roadmap to deliver our integrated AVOD/SVOD service, ITVX, to the market in Q4 2022.

ITVX content will reflect our digital-first strategy and will be AVOD led, with a compelling SVOD proposition. The new Streaming proposition will drive viewing amongst younger and VOD-leaning audiences, that may not otherwise engage with ITV content. We have developed an extensive data-driven marketing plan, to increase awareness of the product in the lead up to launch in Q4 2022.

We will invest heavily in content through both acquisitions and original commissions for Streaming. Our content strategy for Streaming also includes creative ways to deliver this content, including curated collections, fast channels, streaming exclusive premieres and simulcast/live viewing.

We have developed a product and technology workstream, to deliver a compelling user experience and functionality. In addition, we continue to invest in data to improve the user experience, drive viewing and maximise revenues.

In order to extend our reach, we are developing distribution deals to make our products available on a growing number of major platforms and devices. We have also aligned our Commercial and Streaming strategies to ensure improvements for advertisers are a central part of the strategy.

We have revised KPIs to track and evaluate the performance of our Streaming strategy and will both monitor these internally and report them externally.

Board oversight

- Board strategy sessions on Streaming, in light of this risk (July and December 2021 and January 2022)

Risk direction

2021 ↑

2020

9. Strategic and digital transformation risk

Link to strategy

Management Board owner: Daniel Colton

Description

Failure to successfully deliver key components of our strategy and digital transformation, due to the speed and extent of change required, may negatively impact our business.

Context

- Digital transformation underpins all elements of our strategy and is a key enabler for increasing operational efficiency. Failure to effectively deliver digital transformation projects could impact ITV's ability to keep pace with changes in the market and ultimately future growth
- As we digitally transform the business, our exposure to cyber security and data privacy risk increases. We need to manage these risks in order to protect our viewer and staff data and protect our operations. For further detail on these risks and mitigations, refer to the cyber security and data breach risk and the legal and regulatory non-compliance risk below

COVID-19 has resulted in an acceleration of previously observed viewer trends and the need to increase the pace of strategic delivery. This requires significant alignment and effort across the whole group.

Changes in direction of travel

We have initiated a significant number of strategic and digital change programmes within the year, which increases the level of delivery and execution risks resulting in this risk trending upwards.

Mitigating activities

Despite the challenges presented by COVID-19, we have continued to successfully deliver against our strategy. Our strategy is articulated through defined strategic initiatives. Each initiative is sponsored by a Management Board member and led day-to-day by a member of the ITV Executive Leadership Team. We have formal processes in place, led by the Group strategy team, to report monthly on the performance of each of these initiatives to the CEO and Group CFO & COO.

We have developed a Transformation Management Office, reporting into the Group Strategy & Transformation Director, that is responsible for supporting transformation and monitoring the associated delivery risks across the business. Forums are in place to discuss risks associated with digital transformation activity and support with managing interdependencies, prioritisation and change management to ensure we are committing to a manageable level of change activity. Key actions and risks from these meetings are also reported to the CEO and Group CFO & COO.

Underpinning this, we have Management Board sponsors and Steering Groups in place for each major transformation programme, with responsibility for reviewing the progress, challenges and delivery risks associated with each programme.

Board oversight

- Deep dive session with the Board on execution and delivery risks associated with the strategy and transformation agenda (July 2021)

Risk direction

2021

2020

10. Insufficient cultural change

Link to strategy

Management Board owner: David Osborn

Description

Failure to evolve the underlying culture of the business may result in an inability to deliver the level of change required to achieve our strategic objectives.

Context

- We could be negatively impacted if we fail to create the agile and collaborative culture required to deliver our strategy

Our culture needs to support agility, collaboration and openness to new initiatives. During COVID-19, we have seen increased adoption of digital tools in the business, which demonstrates a positive shift towards moving to a digital culture. However, there remains a risk that the protracted period of home working may lead to siloed working and impact collaboration.

- There is a risk that engagement and morale may be negatively impacted by fatigue as a result of home working and the level of change being pursued by the business

Changes in direction of travel

We have taken many steps to move towards our cultural vision, including the organisational restructure. As a result, this risk remains static.

Mitigating activities

Regular meetings focused on cultural and strategic topics take place with the senior leadership teams, who are responsible for cascading key messages to their teams. We also hold regular CEO-led vodcasts and online events. In 2021 we held our first series of 'Fast Forward' events focused around digital transformation, which aimed to inspire colleagues and also improve understanding around what digital transformation means for ITV. Feedback from these events was very positive and we intend to hold further events in the future. All of these initiatives are focused on ensuring that the culture we are aiming to create remains visible to, and resonates with, our colleagues.

In 2021 we completed a full Engagement Survey. Learnings from this have fed into short-term actions and longer-term improvement plans.

The Board undertakes a formal programme of employee engagement (led by a Non-executive Director), in order to obtain insight into our culture. We also continue to positively reinforce desired behaviours and attributes through direct links to reward and recognition. In 2021, we also began developing a set of enhanced metrics to support the Board in monitoring our culture and will begin formally reporting on these in 2022.

Board oversight

- Regular updates to the Board from the Non-Executive Director on employee engagement and HR on culture topics, and Internal Audit report to the Board on culture (refer to page 116 in the Values in Action section for further detail)

Risk direction

2021

2020

Risks that could impact our operational and business as usual activities

11. *Duty of care and health & safety incident*

Link to strategy

Management Board owner: Carolyn McCall

Description

Failure to extend an adequate duty of care, the occurrence of a major health and safety incident or a global pandemic, could result in physical and mental harm, loss of human life and reputational damage.

Context

- We have a duty of care (DoC) to our staff, cast, crew, programme participants and the general public

COVID-19 has resulted in increased risks to health and safety (H&S), both in our offices and on our productions.

- As we continue to increase production hours, our risks in relation to H&S continue to increase. We need to consider the DoC across all aspects of productions, taking into account the physical health and safety risks posed by COVID-19 and broader aspects of *mental wellbeing*

Changes in direction of travel

Whilst we have improved the robustness of our mitigations in this area, as we increase our production hours and the volume of content we commission, our exposure increases, resulting in this risk increasing.

Mitigating activities

We have a central team with responsibility for implementing controls and processes for DoC and H&S. During the pandemic, we have leveraged existing controls and implemented new processes in order to further protect our staff and individuals involved on our productions. This has included implementing a new mental health peer-to-peer platform for staff (employees, contractors and freelancers), implementation of home working for the majority of staff and the development of robust office and production safety protocols, which have been agreed with the UK government and the industry.

We have also enhanced our existing DoC processes, which encompass procedures relating to both physical and mental health and safety. This has included engaging two medical professionals (a former Chief Medical Officer and a clinical psychologist) on an advisory basis, to provide ongoing support and challenge to our DoC activities. We have a Duty of Care Operating Board (DoC Board) in place, with responsibility for monitoring implementation and continuous improvement of our DoC framework and policies. This DoC Board is chaired by the Chief Executive (CEO) and includes senior representation from our Studios, Media & Entertainment, Legal, HR and Risk areas of the business. The DoC Board meetings are also attended by the Chair of the Audit and Risk Committee on behalf of the Board.

Board oversight

- Deep dive on DoC risk with the Audit and Risk Committee (July 2021)

Risk direction

2021

2020

12. Legal and regulatory non-compliance

Link to strategy

Management Board owner: Kyla Mullins

Description

Failure to comply with applicable laws and regulation could result in reputational damage, financial penalties or suspension of our licences to operate.

Context

- We are a global business and are therefore subject to multiple local and international legal and regulatory regimes. These cover a range of areas including: broadcasting and media regulations; anti-trust and competition law; anti-bribery and corruption; data privacy; and health and safety

During the COVID-19 pandemic, the scope of laws and regulations has increased and we have needed to respond to various government guidelines and restrictions across all the territories in which we operate.

- As we develop our data and digital strategy, and evolve the way we use personal data to deliver transformation in our Media and Entertainment business, we need to confirm that we remain in compliance with data protection and privacy regulation at all times

Changes in direction of travel

This risk is trending upwards, due a potential broadening of our data privacy compliance obligations as a result of our digital and data strategy.

Mitigating activities

We have a Group Legal and Business Affairs team in place, which consists of subject matter experts who oversee, and are responsible for, ensuring business compliance with all elements of regulatory and legal requirements. Where appropriate, we also engage specialist external legal advisers to support.

We operate a compliance programme which is embedded within our internal policy framework. Internal policies are owned by business leaders, regularly reviewed and approved by the Management Board and the Audit and Risk Committee. The Group Legal and Business Affairs team works with the business to support the adoption and implementation of these policies.

During 2021, the Data Protection team has enhanced the Group's data protection framework, which has included working closely with the Chief Data Officer to implement effective data mitigations to ensure ITV is able to leverage data in an appropriate way when delivering its data strategy. A key enhancement by the team has been to embed data privacy and cyber specialists into the data transformation programme, to support designing privacy and security into new processes and activities from the outset.

We also have a suite of mandatory compliance training and learning in place, which helps drive positive attitudes to compliance across the whole business.

Board oversight

- Deep dives on compliance framework and risk with the Audit and Risk Committee (January and July 2021)
- Data protection deep dive with the Audit and Risk Committee (December 2021)

Risk direction

2021

2020

13. Cyber attack or data breach incident

Link to strategy

Management Board owner: Mark Smith

Description

A cyber attack may result in major operational disruption, critical system outage or loss of IP, customer or business data and potentially lead to material financial fines/ *penalties and* reputational damage.

Context

- We operate in a highly public environment and, due to our reputation, we are at greater risk of attack (than the norm) from well organised threat groups
- As technology becomes increasingly more complex and we transition to a digitally led business, we are required to evolve our cyber security procedures in order to effectively protect against and respond to evolving cyber threats

Remote working results in increasing activity occurring outside the enterprise network and increases cyber and data breach risk.

- As we continue to grow our digital product offerings, we work increasingly with third-party partners and suppliers. A failure by these partners to implement suitable security processes may result in increased risk to ITV

Changes in direction of travel
The increasing activity of threat actors and the increases in the level of technological change in the business, results in this risk continuing to increase.

Mitigating activities

We have implemented a robust cyber security risk management framework across the organisation to address the evolving nature of the cyber security threats. *Our framework incorporates a variety of technical* preventative and detective measures to mitigate the risk of an incident, as well as an extensive training and awareness programme. We have strengthened and accelerated previously planned enhancements to our controls and technical measures in response to the increased risk caused by remote working.

We actively manage cyber and data security in our supply chain and undertake due diligence assessments on key suppliers as part of procurement activities. We also have an incident response and notification process in place, which are to be followed in the event a cyber or data breach incident occurs.

The strength of our control environment is tested on an ongoing basis by independent security experts and recommendations are implemented in a prioritised manner. We also work with our security partners to *undertake cyber simulation exercises at all levels of* the organisation to continuously improve our response to cyber or data attacks.

Board oversight
- Update on cyber risk with the Board and Audit and Risk Committee (January 2022)

Risk direction
2021
2020

14. Recruitment and retention of talent risk

Link to strategy

Management Board owner: David Osborn

Description

An inability to attract, develop and retain key creative, commercial, technical and managerial talent could adversely affect our business.

Context

- The market for talent is extremely competitive, with salary expectations materially increasing in areas of key talent (e.g. technology)
- We must be able to attract, develop and retain the best creative, technological, commercial and managerial talent in order to successfully grow our business

There is increasing scrutiny in relation to diversity and inclusion. We must commit to improving inclusivity and diversity across our *business (across all aspects, including race,* gender and disability) through both our recruitment and retention processes.

Changes in direction of travel
Activity in the job market has increased. This, coupled with challenges in sourcing skilled technologists and ability to offer remuneration packages that are comparable with our competitors, has resulted in this risk increasing.

Mitigating activities

There is a deep understanding of the skills and capability required to deliver our strategic objectives and our HR department works closely with the business to ensure those needs are met.

We also continue to strengthen our existing capability, through a combination of learning, development and performance. The Board Nominations Committee is responsible for reviewing the skills and capability of senior leadership and the whole Board joins a Committee *meeting annually to undertake a deep dive on senior* management succession planning and bench strength.

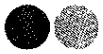
We have developed a Diversity Acceleration Plan, which *aims to improve diversity and inclusion within the ITV* workforce, through a combination of development, training and recruitment initiatives.

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).

Board oversight
- Ongoing updates to and succession planning reviews with the Nominations Committee

Risk direction
2021
2020

15. COVID-19 pandemic

Link to strategy 

Management Board owner: Carolyn McCall

Description

The COVID-19 pandemic and the resulting government interventions may have longer-term implications on our operational continuity, safety of our people and cost base.

Context

- We have recategorised COVID-19 as an operational risk (previously strategic risk), with the acknowledgement that managing the risks associated with the pandemic is now a business as usual requirement and we have significantly increased our resilience to the potential strategic impacts
- We are continuing to observe operational challenges associated with the pandemic, including:
  - The potential for high employee absence, resulting in challenges in operational and production delivery.
  - Increased costs of operating, as a result of ongoing implementation of COVID-19 safety protocols in our offices and on our productions.
  - Challenges associated with international travel, resulting in some impact to productions.

Changes in direction of travel

Whilst we acknowledge COVID-19 will remain an ongoing uncertainty, and have operational impact on our business, our increased resilience to this risk, as a result of our mitigations, means this risk is static.

Mitigating activities

We have developed a COVID-19 response governance structure, with responsibility for managing the risks associated with the crisis. This is supported by a Project Management Office function, which regularly reports into the Management Board and the Board.

Our focus is on managing the risks associated with COVID-19 across five fronts:

- Situational Analysis: Regular conversations with government and external advisers to understand how the crisis is playing out medically, politically and economically
- Cash and Costs: Modelling our financial position across a range of scenarios (informed by situational analysis), developing cost mitigations (with defined trigger points), and cash monitoring and management
- Revenue: Developing and implementing plans to continue identifying opportunities and mitigate against negative sales impacts
- Technology and Operations: Invoking existing business continuity plans to ensure critical operations can continue through the crisis
- People and Comms: Putting in place processes and responses that protect the health and wellbeing of our people, cast, crew, participants and support the wider community

We also continue to make improvements to our crisis management and business continuity approach across the Group, in response to the COVID-19 pandemic. We have identified further activities to protect our critical services and have implemented these activities into business as usual. This has included implementing additional security measures on our enterprise systems, improving efficiency and resilience in production through technology and remote editing and increasing the adoption of tools to facilitate remote working.

Board oversight

- Monthly reports to the Board on the emerging COVID-19 situation and impact to ITV

Risk direction

2021

2020

Task Force on Climate-related Financial Disclosures (TCFD)

We recognise the climate crisis and the potential impact it may have on both the wider world and the success of our business. The threat continues to evolve and we believe businesses globally have a responsibility to take meaningful action to mitigate and prevent further climate change.

We are committed to reducing the impact of our business on the environment and this is demonstrated by the climate action targets we have set. This includes emission reduction by 2030, our commitment to set an additional long-term target to meet the Science Based Targets Initiative's new standard for Net Zero, as well as our ongoing reporting on the progress we are making to meet these targets. In January 2022 we agreed a new Revolving Credit Facility (RCF), which is linked to the delivery of ITV's science-based carbon emissions targets. Under the terms, ITV will benefit from a lower interest rate if it delivers emissions reductions in line with its Net Zero roadmap, which will be assessed on an annual basis and verified through independent assurance.

Alongside this we are committed to providing greater transparency to our investors and stakeholders regarding ITV's exposure to climate-related risk, the mitigating actions we are taking against these risks and the potential to take advantage of climate-related opportunities. This TCFD report has undergone rigorous internal review by the Audit and Risk Committee and has also been subject to review by external advisers. Our disclosure now meets the minimum requirements outlined within the TCFD framework and from 2022 we intend to build on this disclosure, including obtaining independent verification over our emissions data.

Governance

To successfully evaluate and respond to the challenges and opportunities posed by climate change, we must embed an understanding and awareness of climate change issues across the business, supported by effective governance.

In 2020 we implemented our Climate Action Governance Structure, which is aligned to our broader business and risk management governance structures (see page 104 and 132).

Within this governance structure, the Board has ultimate accountability for all risks, including climate-related risks and opportunities, and the delivery of our environmental targets. The Board fulfils this accountability through ongoing review of principal and emerging risks, and through specific sessions on climate related topics. In 2021 the Board held various sessions on the climate agenda, including reports from Social Purpose and Risk teams on progress to meet our climate science based targets and a deep dive session into climate related

TCFD progress roadmap

ITV has supported TCFD and made disclosures structured around the TCFD framework since 2019. We have built on this throughout 2021, making significant improvements in how we manage our environmental targets and climate-related risks and opportunities. However, we recognise that we can build on these priorities further, to continue enhancing our approach and strengthen the quality of our reporting.

2020

- Updated Environmental Governance
- Established CADG[1]
- Launched environmental targets
- Achieved a B+ CDP rating
- Began climate risk and opportunity identification

2021

- Obtained SBTi[2] validation for environmental targets
- Launched new global environmental data platform
- Achieved an A- CDP rating
- Completed first stage of climate scenario analysis on key areas of our business
- Started developing offsetting strategy
- Signed the Climate Content Pledge
- Signed Business Ambition for 1.5C committing to making 2050 targets in addition to 2030 targets
- New RCF, linked to the delivery of emissions reduction targets

2022

- Align environmental targets to new SBTi Net Zero standard
- Link management remuneration to environmental targets
- Obtain independent assurance over emissions data
- Build on climate scenario analysis
- Continue developing emissions reduction plans
- Enhance and consider further relevant climate-related metrics
- Finalise editorial commitments, aligned to the Climate Content Pledge[3] to increase on-air content on the climate crisis and how to address it

1 Climate Action Delivery Group, please see Governance section for further detail
2 Science Based Targets Initiative
3. Please see our Social Purpose report for further detail

Climate Action Governance structure

PLC Board

Cadence
At minimum, annual consideration of (i) climate related targets and (ii) climate risks and opportunities

Audit and Risk Committee

Cadence
At minimum, annual scrutiny of TCFD and other climate related reporting

Management Board and Divisional Boards

Cadence
Twice yearly consideration of (i) climate related targets and (ii) climate risks and opportunities

Climate Action Delivery Group

Cadence
Quarterly meetings focused on (i) climate related targets and (ii) climate risks and opps

Green Teams

Cadence
Monthly meetings focused on identifying innovative ideas to reduce emissions and meet environmental targets

risks and opportunities, including the results of our climate scenario analysis. Climate-related topics were also considered as part of broader conversations, around topics such as corporate strategy and risk. These discussions resulted in enhancements to our Social Purpose strategy, including ITV's signatory to the Climate Content Pledge. The Board is supported by the Audit and Risk Committee, who oversee climate related external reporting and alignment to TCFD recommendations.

The management sponsor and risk owner for this topic is Chris Kennedy, the Group CFO & COO. In 2020, we established ITV's Climate Action Delivery Group (CADG), chaired by Chris and consisting of senior management representation across the business, including Finance, Technology, Regulatory Affairs and Policy, Risk and Social Purpose teams. The CADG have received ITV's climate action training and bespoke training with regards to TCFD and emissions reporting. The CADG is responsible for day-to-day delivery of the climate action agenda and environmental targets, ensuring business activities align to our climate action agenda, and for implementing strategies to respond with climate-related risks and opportunities. In the CADG meetings we monitor the status of climate-related risk and opportunities, through a combination of ongoing updates of activities from the Group Risk function and the business representatives. This included a 'deep dive' session on the results of our risk and climate scenario analysis work in the September 2021 meeting. On a quarterly basis, the Group also reviews reports from our environmental data platform to monitor progress against our environmental targets and considers what improvements are required. Refer to page 93, for further detail of our environmental data platform. This Group reports into the Divisional and Management Boards, who oversee delivery.

Risk management

Climate-related risks have been identified by the Board as an emerging business risk. Climate-related risks are identified, assessed, managed and monitored in line with the risk management framework set out in the risks and uncertainties section on page 72 and are reported in line with the governance section above (which is aligned to the overall risk management approach).

In 2020, ITV began climate scenario analysis supported by the Group Risk team and external environmental consultants. This started with a detailed identification of climate-related risks and opportunities in the short, medium and long term and in both a 2°C and 4°C warming scenario. Following the SBTi publication of new guidance on Net Zero in October 2021, this was supplemented with a high level assessment to determine which of the identified risks would also be relevant in a 1.5°C warming scenario. Members of the Climate Action Delivery Group performed an initial assessment of these risks and opportunities, using the existing risk assessment methodology, and made a decision on which risks and opportunities should be prioritised. The primary factors considered to assess the risks were the likelihood of the risk materialising and the potential significance across the following impact categories:

- Strategic/Financial, external – reputational impact, revenue and expenditure impact
- Strategic, internal – strategic change impact; revenue and expenditure impact
- Operational – operational impact; balance sheet impact

When reviewing the opportunities we assessed the alignment and relevance to our corporate strategy of commercial opportunity, cost savings and importance to our Social Purpose to shape culture for good.

Ownership is a key component of the overall risk management process, and Executive Leadership Team owners were assigned to each climate risk and opportunity identified as part of this process. Risk owners have responsibility for actively monitoring the risks and opportunities, including defining and implementing appropriate management strategies with support and advice provided by the Risk and Social Purpose teams.

These risks and opportunities were formally reviewed at the CADG and subject to an emerging risk deep dive with the Board in 2021, in line with our overarching risk reporting processes.

Strategy

Risks

Our initial assessment identified three key risk themes, which have been subject to further modelling to understand whether the potential impact is material to our financial position and strategy.

For each of these key risk themes we conducted quantitative modelling and qualitative assessment of the potential impact both physical and transitional risks may have on our business in a 1.5°C, 2°C and 4°C warming scenario, as at 2030. The modelling assumed that our business model and activities remain the same as today.

Our overall assessment of the risks, although based on a number of key assumptions, indicates that as a business ITV is not significantly exposed to physical or transition climate risks in our operations and our strategy remains relevant even in light of evolving climate risks. The risks

(individually or collectively) do not represent a threat to our long-term viability, liquidity or ability to operate and no risks were identified which suggested we need to impair balance sheet assets.

We have developed plans to deliver our net zero targets and in 2022, we will continue to develop these further, with a focus on the changes needed to deliver our waste targets. Our net zero plans involve taking incremental steps to deliver our ambition, including replacing our buildings with renewable energy buildings as leases renew and replacing our fleet with renewable energy vehicles as vehicles are written off. Our initial assessment indicates this will not require significant additional financial investment to achieve, however we will continue to monitor this as our plans develop.

Given the evolving nature of climate change and the future policy changes governments globally are considering, there remains a number of uncertainties in our modelling. We will continue to review our risks to understand what adjustments need to be made to our mitigation measures or strategy and we intend to continue building on this climate scenario analysis by modelling further risks and opportunities, as they are identified.

Detailed risks

Temperature scenarios			Impact time horizon	From (years)	To (years)	Aligned to
High carbon scenario ('business as usual'/4°C/RCP 8.5) This is where **physical impacts** of climate change are likely to be most impactful, for example with higher sea level rise, **higher temperatures** and **extreme weather events**	**Low carbon scenario** ('acceptable limit'/2°C/RCP 2.6) This is where the impacts of transitioning to a low carbon economy are likely to be observed as governments worldwide commit to driving down emissions; this could be manifested as **higher carbon prices** and **greater regulation**	**Very low carbon scenario** ('net zero transition'/1.5°C/RCP 1.9) ITV has committed to targets to reduce emissions in line with a 1.5°C science based emission scenario. This scenario would require significant investment on the part of governments and industry to achieve and is where the **impacts of transitioning to a low carbon economy are likely to be most impactful**	**Short term**	start 2022	end 2022	ITV annual reporting period
			Medium term	2023	end 2024	ITV long-term viability assessment period and strategic planning cycle
			Long term	2025	end 2030	ITV science-based and Net Zero targets We intend to extend the lookout horizon to 2050 from next year to align with our additional 2050 emissions commitments

1. Carbon pricing

Context

As governments increasingly intervene to limit the impact of climate change, we may see an increase in carbon pricing/taxations on organisations to encourage carbon reduction.

As a result, we may be exposed to some additional costs of operating in all areas of our business. This may include direct pricing on our Scope 1&2 emissions or an increase in the cost of procured goods and services, as a result of suppliers passing through their direct carbon pricing costs (e.g. travel providers).

Time horizon
Medium

Impact area
Expenditure increase

High carbon scenario impact
Expenditure increase – not applicable
Based on climate scenario models, we have assumed that government intervention on climate change is limited and further carbon pricing is not introduced.

Low carbon scenario impact
Expenditure increase – minimal
We have assumed that we meet our environmental targets, which includes limiting our carbon emissions and increasingly procure from suppliers with similar sustainability targets. Therefore we would be less exposed to carbon pricing.

Very low carbon scenario impact
Expenditure increase – moderate
We have assumed that we meet our environmental targets, which includes limiting our carbon emissions in our direct operations. However, we recognise that government intervention may be significant and in particular may result in increasing costs in our supply chain, resulting in a moderate exposure.

How we are responding

By committing to our net zero carbon target we are actively seeking to limit the amount of carbon we use in our business, including in our direct operations, through the suppliers we work with and through our activities, such as travel. As we reduce our carbon emissions and increase our use of renewable energy to deliver against this target, our exposure to this risk will be reduced.

The sustainability of our sites and buildings is now a key consideration when making decisions on office moves and closures. In 2021, we made the decision to reduce our UK office capacity, which will help facilitate our net zero transition.

Link to existing principal risk
N/A

2. Extreme weather events

Context	High carbon scenario impact	Low carbon scenario impact	Very low carbon scenario impact	How we are responding
If governments and organisations fail to adequately respond to climate change, we are likely to see an increase in physical climate risks, such as extreme weather events causing floods, wildfires and acute heat waves. Extreme weather events have the capacity to result in operational interruption on our international productions, which may result in unforeseen costs. An immediate example is the high risk of wildfires in Australia, which is the location for one of our high value productions, I'm A Celebrity...Get Me Out Of Here! **Time horizon** Medium **Impact area** Expenditure Increase	**Expenditure increase – minimal** We have assumed there is an increase in the frequency and severity of extreme weather events, however as our production operations are globally diversified and we are able to make choices around where and how we film this impact is minimal.	**Expenditure increase – minimal** As the world is already experiencing the impacts of extreme weather events globally, the increase in frequency and severity of these events under this scenario is assumed to be manageable within ITV's existing business continuity procedures.	**Expenditure increase – minimal** As the world is already experiencing the impacts of extreme weather events globally, the increase in frequency and severity of these events in this scenario is assumed to be manageable within ITV's existing business continuity procedures.	Within the international Studios business, the environment and potential weather events are now a key consideration when making decisions on filming locations. Should a situation arise we would respond on a case-by-case basis, supported by our existing business continuity measures, which include insurance, evacuation protocols to ensure we keep talent and crew safe, and sourcing alternative filming locations. This resilience and agility has been tested during the COVID-19 pandemic, for example changing the I'm A Celebrity...Get Me Out Of Here! filming location from Australia to a castle in Wales. We were impacted by an extreme weather event on our filming set in Wales and were able to address this within three days in order to resume production, with minimal financial impact. **Link to existing principal risk** N/A

3. Advertising restrictions

Context	High carbon scenario impact	Low carbon scenario impact	Very low carbon scenario impact	How we are responding
Many governments globally have announced their commitments to changing consumer behaviour in response to climate change. We may be impacted by changing regulations in the area of advertising, for example restrictions or bans on advertising high carbon products and services (e.g. fossil fuel and travel companies). **Time horizon** Medium to Longer term **Impact area** Revenue loss	**Revenue loss – not applicable** Based on existing climate scenario studies, we have assumed that government intervention on climate change is limited in a high carbon scenario and advertising restrictions are not introduced.	**Revenue loss – minimal** We have assumed that limited categories of our advertising clients are subject to such a ban (flights and cruises) and we are unable to show their advertising, however we are able to replace a portion of this revenue through clients advertising low carbon alternative products.	**Revenue loss – minimal** We have assumed that a higher proportion of our advertising clients are subject to such a ban (including flights, travel, fast fashion and some retail brands) and we are unable to show their advertising, however, we are able to replace a portion of this revenue through clients advertising low carbon alternative products.	No proposals for advertising restrictions have been put forward by the UK government to date and details of such a ban, including scope and timing are difficult to predict. Should proposals be made to introduce advertising restrictions in this area, we would engage with the government and regulators and participate in any relevant consultations to limit their potential impact on ITV and continue to work with advertisers to seek out alternative options to replace potential lost revenue. **Link to existing principal risk** Advertising market

Detailed opportunities

Our More than TV strategy, and our history of being a climate leader in our sector, puts us in a good position to benefit from the opportunities that exist as we transition to a sustainable world. We see a number of opportunities taking shape which are linked to our relationship with audiences and advertisers, and to the operational changes we are making. Whilst these opportunities are not significant to our financial success, we believe it is important to capitalise on these in order to ensure ITV continues shaping culture for good; remains attractive to talent, customers and partners; and is resilient to risk.

1. Audiences

Context

Our social purpose agenda of shaping culture for good is core to ITV's strategy. We have a strong track record in using our brand, reach, talent and programming to engage a mass audience on climate related themes and solutions.

By reflecting the challenges that people are facing in modern Britain, we can remain relevant and attractive to a mass audience, supporting brand perceptions and helping to maintain our reach in the market. 80% of audiences think reducing impact on the environment is a sign of modernity (YouGov survey commissioned by ITV).

Time horizon
Short- Medium term

Opportunity impact

Alignment to corporate strategy – high

***Importance to social* purpose of shaping culture for good – high**

How we are capitalising

We continue to broadcast a wide range of climate-relevant programming throughout the year. In 2021 we broadcast a full week of content during COP26, which included new factual commissions and featuring climate related topics in existing shows across daytime, soaps, quizzes and more (please refer to page x of our Social Purpose report for more information).

In November 2021, ITV was a founding signatory to the Climate Content Pledge, organised by BAFTA's albert consortium. Working alongside other UK and international broadcasters, we will formalise our collective ambition to increase the level of editorial content around the climate crisis and the possible solutions to address it. We will publish our company specific commitments in 2022.

2. Commercial

Context

We expect to see growth in the volume of advertising for brands, products and services aligned to the net zero transition over the coming years.

By developing advertising solutions focused around climate action, including sponsorships and Advertiser Funded Programmes, we can provide advertisers a reputable and trusted environment to showcase their sustainability credentials.

By developing this market positioning, we can grow the volume of advertising with existing clients undergoing a sustainability transition and can also become a good partner for emerging low carbon businesses.

Time horizon
Short to Medium term

High carbon scenario impact

Alignment to corporate strategy – high

Commercial opportunity – moderate

How we are responding

'ITV Home Planet', an initiative led by the ITV Commercial team provides a platform for advertisers to communicate their sustainable message in partnership with ITV, helping increase environmentally conscious purchasing among consumers and helping grow our advertising revenue with sustainable brands.

During Climate Action Week in November 2021, ITV Home Planet drove new partnerships with three brands (refer to our *Social Purpose section), and incremental sales of advertising* spots in Climate Action related shows.

3. Operational

Context

By developing targets to reduce emissions involved in the production of our content, we have an opportunity to develop innovative ways to produce and deliver our content. Beyond the reduction of our footprint, these changes can improve our resilience and reduce costs, as well as opening new creative opportunities and redefining what is possible.

Time horizon
Short to Longer term

High carbon scenario impact

Alignment to corporate strategy – high

Cost saving – minimal/ moderate*

* We plan to conduct further analysis in 2022, to assess this opportunity.

How we are responding

Remote production technology is increasingly used in Sport (*UEFA Euros*) or on Entertainment (*Love Island*) formats, and we are currently testing virtual XR technology for scripted productions. These innovations can reduce the number of people who need to travel to filming locations, and support meeting our environmental targets, whilst potentially reducing costs. We are now looking to upscale the number of programmes produced in this way to amplify the benefits and gain efficiencies of scale.

Metrics and targets

Data collection and quality
Since January 2021, ITV has been using the Ecometrica platform to gather and monitor our global environmental data related to emissions from Scope 1 & 2 and Business Travel. Remaining Scope 3 categories are calculated annually outside of the system. The data collection process and the quality assurance process are now in place, with results reviewed quarterly at the CADG *meetings. From Q4 2021, we have started* to collect waste data through Ecometrica, and will be monitoring the results at the quarterly CADG meetings from 2022.

In addition, we will introduce verification of our emissions data which will be done in time for our CDP submission in July 2022.

We are progressing work to improve the quality of the data used across all scopes. This includes working with BAFTA albert (refer to the Social Purpose report on pages 48 to 55 for further detail on albert) to improve the robustness of their footprint measuring tool for TV production activities, *exploring solutions to gather more timely* data from suppliers and involvement in the Dimpact project to improve the accuracy of the data for emissions related to transmission, distribution and consumption of our content and products (refer to the Social Purpose report for more detail on the Dimpact project and its aims).

Metrics and Targets
In August 2020, ITV announced the commitment to be a Net Zero business by 2030, having set a Scope 1&2 emissions target aligned to the Paris Agreement's 1.5°C warming limit, and a Scope 3 target *aligned to well below 2°C, using 2019 as the* baseline. These targets were validated by the Science Based Targets Initiative (SBTi) and equate to 46.2% absolute reduction for

Scope 1 &2, and 28% absolute reduction for Scope 3 against 2019 levels (purchased goods and services and business travel).

Following the SBTi publication of new guidance on Net Zero in October 2021, we have committed to aligning ourselves with best practice and will be setting additional long-term targets for 90 to 95% emission reduction across all scopes by 2050. We aim to have these new targets submitted to SBTi in 2022.

Our footprints from the last three years (including our Streamlined Energy and Carbon Reporting data) and further detail of our climate action targets can be found in our Social Purpose section. They demonstrate a clear downward trend, in line with or overachieving our targets. COVID-19 has had a significant impact in reducing our emissions, especially those related to business travel and production activities. We do expect emissions from these areas to increase slightly as restrictions are lifted, however, we are developing robust plans to address this and achieve our targets.

Other key metrics relevant to the risks and opportunities we have identified are summarised below. From 2022 we intend to obtain independent assurance over our emissions and metrics data, refer to the table below.

BAFTA albert figures indicate that the 2020 UK average production footprint per hour of content produced dropped to 4.4tCO^2e/hr from 9.2tCO^2e/hr in 2019. While this is largely due to the impact of COVID-19 on the production activities across the sector, we anticipate that the industry trend is going downwards. Lockdowns have forced our industry to innovate and have accelerated the development of new production methods, such as remote production which offer significant carbon reductions. We are monitoring the evolution of the average ITV footprint and are working actively with BAFTA albert to review these numbers.

As part of our Climate Content Pledge commitment, we are now developing an internal set of metrics and will pilot a monitoring process through 2022 to better understand our current position and the range of opportunities we have to engage audiences on the climate crisis and sustainability transition across all genres. We will then explore setting more formal metrics for 2023 based on the insights gained.

We are not currently able to set formal targets on the revenue we are earning from sustainable brands, products and services, although it is an area we are actively monitoring. The main challenge involves clearly defining the criteria and categories of advertising that would be considered sustainable. We are working with the industry, and notably the Advertising Association's Ad Net Zero programme, to ensure that we are aligning with best practices in this area, and we anticipate that our editorial strategy will contribute to attracting commercial opportunities.

Key metrics relevant to the risks and opportunities we have identified

Target	Deadline	Progress	Link to risk or opportunity
Power the business with 100% renewable energy	2025	78% of Scope 2 electricity comes from renewable tariffs **On track**	Reduction of our emissions is a key mitigation for 'Carbon pricing' risk Achieving this target also supports the 'Audience' and 'Operational' opportunities
100% suppliers aligned to our climate action goals	2030	Addressing top spend suppliers in the first wave **On track**	Reduction of our emissions is a key mitigation for 'Carbon pricing' risk Achieving this target also supports the 'Audience' opportunity
Zero Waste business	2030	Developing robust baseline and roadmap for reduction **On track**	Achieving this target also supports the 'Audience' opportunity
albert certification for 100% of programmes produced and commissioned in the UK	**2021 onwards**	57% of the productions shown on ITV channels were certified in 2021, as well as 84% of the programmes produced by ITV Studios	Reduction of our emissions is a key mitigation for 'Carbon pricing' risk Achieving this target also supports the 'Audience' and 'Operational' opportunities
Roll-out of albert to international teams in ITV Studios	**Ongoing**	Productions in Australia, Italy, USA and the Netherlands have taken their shows through the albert process. We are gathering feedback and providing training and support to upscale the use of albert into 2022. This toolkit serves as a data gathering platform as well as helping to change culture in production teams via the Certification scheme.	Reduction of our emissions is a key mitigation for 'Carbon pricing' risk Achieving this target also supports the 'Audience' and 'Operational' opportunities

External Viability Statement

How we assess prospects and risk

The Board continually assesses ITV's prospects and risks at its meetings, including the following:

- Holding "Strategy Days" twice a year, to oversee the delivery of the Strategy and consider changes to or new initiatives to further improve the ITV Strategy. Further detail can be found in the overview of Board meetings in 2021, refer to page 128
- Considering ad-hoc topics on strategic areas at the periodic Board meetings. Further detail can be found in the overview of Board meetings in 2021, refer to page 128
- Performing a full review of the principal and emerging risks twice a year. Further detail can be found earlier within the Principal Risks and Uncertainties report, page 72
- Performing periodic deep dives on specific risk areas, to further scrutinise the effectiveness of risk mitigation approaches and confirm operation within risk appetite. Further detail can be found earlier within the Principal Risks and Uncertainties report, page 72

As part of the assessment of prospects and risks the Board and management routinely cover topics related to changing audience behaviours, new market entrants and competitor strategies, and broader advertising and studios market developments globally. Specific sessions have also been held on our new Streaming strategy and how that supports our longer term prospects; the global content market and ITV Studios longer term prospects and position within this market; business resilience to environmental and climate related risks; technological advancements in the areas of addressable advertising and how the ITV Strategy responds to these; and sessions led by external analysts on the market perception of the ITV business.

Underpinning this the Board and management continued to closely scrutinise the impact of COVID-19 on the business. This included developing a range of COVID-19 scenarios for 2021 and beyond and modelling their potential financial impact; identifying cost interventions/mitigations to respond to severe downside scenarios; and increasing the level of financial performance reviews and reforecasting to track performance against these scenarios.

How we assess viability

When assessing the longer-term viability of ITV, we considered (i) ITV's strategy and business plan (page 22 to 25); (ii) the principal risks and uncertainties (page 72); (iii) the Group's financing facilities including covenant tests and future funding plans (page 66); (iv) the long range financial plan and cash forecast; and (v) other sensitivity factors or risks which have the potential to materially impact liquidity and cash in the assessment period.

Based on this review a set of hypothetical and downside scenarios were developed. We then modelled these scenarios against the long range financial plan and cash forecast both individually and in parallel, in order to assess viability.

Whilst all the risks identified, could have an impact on ITV's performance, the scenarios reflect the specific risks which could potentially impact the Group's financial position and long-term viability.

The output from this work was reviewed and approved by the Board and the Audit & Risk Committee. In reaching its view, the Board and Committee also considered external views, including; analyst commentary, to understand the wider market and views on the Group's future prospects; and the external auditor's findings and conclusions on this matter. Further detail of the work performed by the Audit & Risk Committee to consider assumptions applied in the assessment viability is set out from page 128.

Assessment period for viability

The Board reviewed the long range financial and strategic planning horizon and is of the view that a three year assessment period (this year, to 31 December 2024) continues to be most appropriate. The factors the Board considered in adopting this timeframe were as follows:

- The situation with respect to the COVID-19 pandemic remains uncertain and is likely to continue impacting ITV in the medium term. We are closely monitoring the external environment and continue to manage the risks associated with the pandemic to support us in returning to pre-Covid performance levels. Further detail of our response to COVID-19 is provided within the COVID-19 principal risk mitigations, page 87
- Visibility over ITV's broadcast advertising business is relatively short term. Advertising remains cyclical and closely linked to the UK economic growth, which may continue to be impacted by the COVID-19 pandemic, Brexit and other uncertainties in the UK macroeconomic climate.
- The commissioning process and life cycle of programming gives the ITV Studios division a more medium-term outlook. However, while non-returning brands are replaced with new commissions, over time there is less visibility as programmes can experience changes in viewer demand or come to a natural expiration
- Technology and innovation in the media industry continues to change the demand for content and also how it is consumed
- Pension funding, which is one of ITV's key funding obligations, is agreed triennially with the Trustees of the pension schemes
- ITV's business model does not necessitate investment in long term capital projects that would require a longer-term horizon assessment or returns

Assumptions applied

We applied the following assumptions when assessing viability:

- There is the possibility of local lockdowns during this period, but unlikely to be further national lockdowns in the UK
- There will be ongoing additional production costs associated with COVID-19 protocols and health and safety measures
- The total content costs in 2022 will be around £1.23 billion increasing to £1.35 billion in 2023, in order to fund additional content for ITVX, and is expected to continue at around this level
- To truly further stress test viability we have included a downside scenario that includes failure to meet the remainder of our publicly disclosed incremental financial cost savings targets £17 million by the end of 2022
- We have ongoing access to the UK bond market, but with an increased interest rate on bonds renewed in the period to reflect a potential decrease in credit rating

Taking into account current operational and financial performance, the Board has in particular analysed the impact of the following hypothetical scenarios. These scenarios were assessed in isolation, as combinations of two or three, and all in parallel to further stress test viability:

[illegible]

Scenario 1

Scenario modelled

A significant and sustained downturn in the advertising revenue from 2021, as a result of audience and/or market decline, driven by COVID-19, Brexit or other macro economic factors. In this scenario we also fail to replace the advertising revenue lost as a result of the confirmed restrictions on HFSS (announced to come into effect from start of 2023) & potential restrictions on other advertising categories (e.g. gambling and high carbon products)

Advertising revenues (2022 vs 2021 – (2%); 2023 vs 2022 – (6%); 2024 vs 2023 – 2%)

Business area impacted

Media & Entertainment

Principal risks

Changing viewing habits – A failure to anticipate or respond to fast changing viewer habits and behaviours may impact total viewing and the success of our channels.

Advertising market changes: Continued changes in the advertising market may result in a decline in ITV's advertising revenue.

Policy and regulatory changes: Changes to policy and regulation or a failure by the Government to regulate may have a negative impact on the future of public service broadcast, our business model and/or the cost of operation.

COVID-19 pandemic: The impact of the COVID-19 pandemic and the resulting government interventions may have longer term implications on the macro-economic environment and our ability to deliver our strategy, which could negatively impact our business.

Further detail of how we are mitigating these risks is provided in the principal risk and uncertainties section

Scenario 2

Scenario modelled

A number of key programme brands within the ITV Studios division are not recommissioned and new format growth does not materialise.

Although 2022 would typically be too imminent for commissioners to make a decision to cancel a show, we have included the scenario from 2022 onwards to reflect ongoing risk of decreased production activity / delivery due to COVID-19. The scenario assumes key shows come to an end from 2022 (2022 impact: c. £11 million; 2023 impact c. £36 million and 2024 impact: c. £65 million pa)

Business area impacted

ITV Studios

Principal risks

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.

COVID-19 pandemic: The impact of the COVID-19 pandemic and the resulting government interventions may have longer term implications on the macro-economic environment and our ability to deliver our strategy, which could negatively impact our business.

Scenario 3

Scenario modelled

A significant change in ITV's pension funding obligations, following the triennial valuation in 2022 resulting in a significant increase in pension deficit funding payments.

This scenario assumes that pension funding payments increase to £115 million p.a. in 2022 and remain flat in the following two years.

Business area impacted

Group

Principal risks

Pension deficit increases: A financial crisis or macroeconomic change could impact the value of pension scheme investments and increase the deficit.

Further detail of how we are mitigating these risks is provided in the principal risk and uncertainties section

Scenario 4

Scenario modelled
Settlements for ongoing litigation are significantly higher than estimated, resulting in large one-off cash payments.
This scenario assumes a higher than provisioned payment in 2023 in respect of ongoing litigation for Box Clever (see note 3.5 to the Financial Statements)

Business area impacted
Group

Principal risks
Accounting judgements and estimates: The complexity and potential scale of the ongoing litigation settlements and earnout negotiations, results in a lack of certainty in the final liabilities and payments

Further detail of the accounting [illegible] in ongoing litigation [illegible] Financial Statements [illegible] the Audit & Risk [illegible] judgements [illegible] page [illegible]

Scenario 5

Scenario modelled
Our Streaming strategy fails to fully deliver the expected advertising revenue (for the AVOD element) or subscriber growth (for the SVOD element), impacting growth
This scenario assumes we under-deliver against our viewing and subscriber growth plans for ITVX (resulting in EBITA reductions of £78 million in 2023 & £84 million in 2024)

Business area impacted
Media & Entertainment

Principal risks
Insufficient Streaming growth: Our Streaming products do not grow at the pace required to deliver the desired strategic or financial outcomes.

Further detail of how we are mitigating these risks is provided in the principal risk and uncertainties section

We have considered the impact of climate change and do not believe it would have a significant financial impact on the business in the assessment period. Please refer to our TCFD report for further detail

Viability assessment

Our balance sheet and liquidity position remains strong.

We have considered both the individual scenarios and various combinations of the scenarios in order to assess viability. If any of the above scenarios were to occur in isolation or any combination of four scenarios were to occur concurrently we would maintain sufficient liquidity and would not breach any banking covenants throughout the viability period.

Additional sensitivity analysis, to further test the model, was performed on advertising revenue to assess the impact of a 10% reduction in 2022, and further reductions of 5% in 2023 and 2024. If this scenario were to occur in isolation we would still maintain sufficient headroom to remain viable and would not risk breaching our covenants.

Management and the Board are of the view that the likelihood of all the above scenarios and sensitivities occurring concurrently is very remote. We have developed mitigations for each of the above risks which are detailed in our earlier Principal Risks and Uncertainties section. However, if all the scenarios were to occur and no action was taken to mitigate the financial losses sustained ITV would maintain sufficient liquidity but would risk breaching the EBITA/ Net Debt covenant for the RCF in 2024.

Potential mitigations

There are reasonable options at the disposal of the Board to avoid breaching facilities covenants and maintain sufficient liquidity to continue operations. These include but are not limited to, reducing capital and investment expenditure, suspending payment of discretionary bonuses, reducing the programming budget, further reductions in operational and overhead costs, suspending payment of an annual dividend and refinancing the pension asset.

In the improbable event that all scenarios were to impact ITV concurrently and in order to avoid breaching our covenants, we would need to take actions to maintain 85% profit to cash conversion, deliver the remainder of our incremental cost savings target (£17 million) and replace the SDN pension asset, resulting in £120 million reduction in cash outflow in 2023. These mitigations are within ITV's control and could be delivered within a reasonable timeframe, and could be supplemented with any of the other mitigation measures noted above to avoid covenant breaches.

Viability statement

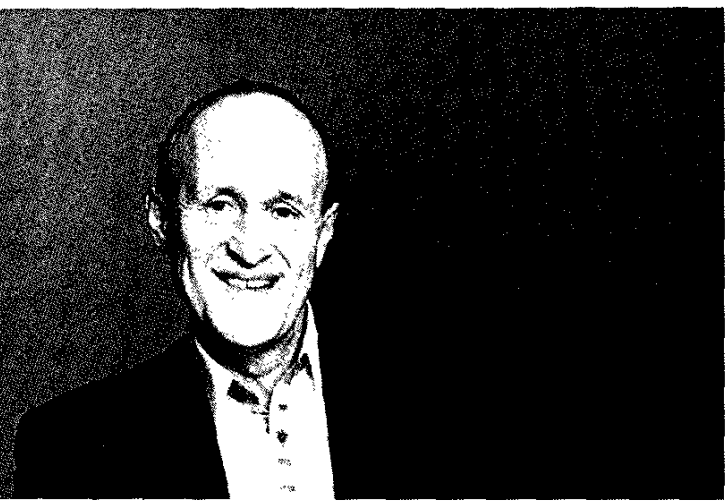
Based on the above, the Board has a reasonable expectation that ITV will remain viable and be able to continue in operation and meet its liabilities as they fall due over the three year-period ending 31 December 2024. The assessment has been made with reference to ITV's strategy and the current position and prospects and risks.

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

Chris Kennedy
Group Chief Finance Officer & Chief Operating Officer
3 March 2022

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

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 2021. 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.

This will be my last report as your Chair as I will step down in 2022 having served for nine years on the Board. Until the hand over to my successor is complete, I remain fully committed to ITV. It has been a pleasure to lead a Board that recognises the role of strong corporate governance in its decision-making and oversight of management in building a strong and sustainable business.

Year in review

Once again, much of the year was impacted by the challenges presented by COVID, which we have adapted to, taking steps to mitigate risks, keep our people safe and protect the business for the future. The Board continued to receive regular reports on how ITV was managing the situation.

Our robust governance arrangements and well established processes gave the Board and its Committees the flexibility to operate in this ever uncertain environment. We were delighted that physical Board meetings became possible again (always conducted in line with Government COVID safety guidelines). However, we continued to use technology to communicate frequently, both as a Board and to provide extensive guidance, advice and support to management.

Throughout the year, ITV was focused on delivering its strategic priorities, and the executive team continued to invest in a dynamic programme of digital modernisation, at pace. The Board has been kept well informed of management's plans for execution of Phase Two of our More Than TV strategy – Digital Acceleration, particularly the launch of ITVX and our vision for streaming and content. We held a Board session in April when management seeded the topic, a Strategy day in June to consider the details, a third in September when the team covered the key risks and mitigations, and one in December to hear an update on progress made to date and consider the changing environment.

Outside formal Board meetings, Board members enjoyed a number of training sessions on certain key areas of the business, and an externally-led bespoke session on ITV's corporate purpose, and Environmental, Social & Governance (ESG) considerations.

Diversity

We fully recognise the importance of diversity and inclusion on the Board, throughout the organisation, and in the wider sector. We are encouraged by the significant progress across the core initiatives of ITV's Diversity Acceleration Plan, launched in July 2020. It's also encouraging to see management's commitment and achievements receive public recognition (see page 54). We are also pleased with, but not complacent about, our gender and ethnic diversity representation on the Board – 46% and 18% respectively, which exceeds the Hampton-Alexander and Parker targets. We also collect data from Board members on other diversity measures, e.g. 18% of the Board has identified as having a disability or long-term health condition.

Engaging with our stakeholders, including our workforce

Relationships with our stakeholders in the UK and internationally are vital to building a successful and sustainable business. My statement in the Strategic Report (on pages 6 and 7) sets out the ways in which we engaged with stakeholders during 2021. As a Board we are very focused on how we engage and work with our stakeholders and how we deliver a positive impact for them.

Shareholder feedback is regularly considered during Board meetings and is an important factor in decision making. We engage regularly with our shareholders, through one-to-one meetings, conferences and the Annual General Meeting, which again we were unable to hold physically due to COVID restrictions. However the meeting was live streamed, with the opportunity for shareholders to ask questions before and during the meeting, which was very much valued by the Board. We also hosted two investor seminars. These provided a deeper understanding of our Commercial and Advertising strategy, and ITV Studios, with an opportunity for investors to raise questions with management and the divisional teams.

The health and well-being of our colleagues is our number one priority. As part of the open two-way dialogue the Board believes there should be with colleagues, in Autumn 2021 we undertook a company-wide employee survey. While the Board is encouraged by the results, opportunities to improve were highlighted, and these will be a valuable focus for the Management Board and senior leaders in 2022. (See more details on pages 58 and 117).

Edward Bonham Carter, our Senior Independent Director and Workforce Engagement Director, continues to work closely with the colleague Ambassador network and regularly provides feedback to the Board. For further information on Edward's role and work, and the Board's workforce engagement activities, please see pages 113 to 115.

The Board also sought to balance the interests of all stakeholders throughout the year. Please see page 106 for examples of key strategic issues considered and Board decisions taken in 2021, and pages 68 and 69 for an explanation of how the Board has had regard to the section 172 matters (including certain key stakeholder considerations).

Culture

The Board continued to ensure that the Company's culture is aligned with its purpose, values and strategy, taking account of the changes to the working environment brought about by COVID. Please see pages 116 to 119 for the key ways in which the

Board and Committees monitored culture during 2021.

As ITV continues to become an increasingly digital business and adopt new ways of working to drive agility, the Board recognises the importance of continuing to foster and monitor the culture across the organisation. An Internal Audit review performed during the year concluded that there were strong processes in place for the Board to monitor culture. We will follow the review recommendations in continuing to look for opportunities to enhance ITV's approach to culture.

Changes on the Board

Through the Nominations Committee, we focus on Board succession and composition, to ensure that we have the appropriate balance of skills, independence, experience and diversity. Following the appointment of two independent Non-executive Directors in 2020, there were no new appointments to the Board during 2021. An area of focus for the Committee in the year has been commencing the search for my successor as Chair of the Board. As for all new Board appointments, the Chair search process is formal and rigorous and, in line with the Governance Code, conducted independently, led by the Senior Independent Director. More information on the search process can be found on page 125.

Also, at the Annual General Meeting (AGM), Mary Harris will step down as Chair of the Remuneration Committee, handing over to Sharmila Nebhrajani.

2022 Annual General Meeting

The 2022 AGM will be held on Thursday 28 April, at 11am. We propose to hold a physical AGM with a live webcast, and a facility for questions to be submitted online for those joining remotely. Details of how to join the webcast and how to submit questions are set out in the Notice of AGM. Further details of, and any required changes in, the meeting arrangements will be published on the Company's website.

I would like to take this opportunity to thank my fellow Board members, the Management Board team and our colleagues in the wider workforce, who served during another challenging year for the Group. As we go through 2022, the Board will continue to work with management to deliver on our strategic initiatives while ensuring the wellbeing of our colleagues and keep building a successful and sustainable business for all stakeholders.

Sir Peter Bazalgette
Chairman
3 March 2022

The 2018 UK Corporate Governance Code (the Code)

During 2021, the Company fully complied with all the provisions of the Code, with the exception of provision 15 (Executive Director Non-executive Directorships) and 38 (Executive Director pension alignment). We have provided a full explanation regarding these departures – please see page 122 for an explanation of the limited time for which the Chief Executive will hold two listed non-executive directorships (provision 15) and, in respect of provision 38, the relevant steps agreed to ensure more effective alignment of incumbent Executive Director pension contributions to those available to the workforce, with effect from 1 January 2023, are set out on page 146. Whilst in compliance with the Code during 2021, we also provide an explanation in respect of provision 19 and the reasons the Chairman is expected to remain in post slightly beyond nine years from appointment during 2022.

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 107 to 115) and establishing a clear and aligned Company purpose, strategy and values. Please also see pages 116 to 119 for how the Board assesses and monitors culture.

Division of Responsibilities

The Board consists of two Executive Directors, eight independent Non-executive Directors and the Non-executive Chairman, who was considered independent on appointment to the Board. For Board meeting attendance, please see page 105. Additional external appointments of Board members during 2021 received prior Board approval. The Directors' other time commitments are in line with the key institutional investor and investor body guidelines, except that, for a limited period of time, the Chief Executive holds two listed non-executive directorships, as explained on page 122.

Composition, Succession and Evaluation

The Nominations Committee Report (pages 123 to 125) sets out its activities and areas of focus during 2021, including Chairman succession planning, Board composition and skills, and Board and Company diversity progress updates. Read more about the internal Board evaluation which took place during the year on pages 120 and 121.

Audit, Risk and Internal Control

The Audit and Risk Committee Report (pages 126 to 137) describes the work of the Committee and how it discharges its roles and responsibilities. The Committee reviewed the enterprise risk management framework, as well as assessing management's review and strengthening of the Group's internal controls, increasing its focus on IT general controls. The Committee also monitored the effectiveness of the internal auditor, the new external auditor and the quality of audit. The Company's disclosures regarding risk management and internal controls are on pages 132 to 134, and details of how the Committee focussed on audit quality are set out on pages 135 and 136.

Remuneration

The Remuneration Report (pages 138 to 157) describes the work of the Remuneration Committee and sets out how executive remuneration is aligned to the Company's purpose, values and strategy. It also describes how the Committee considered workforce remuneration and related policies in its decision-making regarding executive remuneration.

Board of Directors

Sir Peter Bazalgette
N
Chairman, Chair of the Nominations Committee

Appointed to the Board on 1 June 2013 and as Chairman on 12 May 2016

Key areas of expertise: Creative Industry, Digital, Media and Media IP, Regulation and Public Policy, Strategy, People and Talent
Key skills and experience: Peter 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 delivering the first phase of the More Than TV strategy and on ITV's digital acceleration into Phase Two of the strategy.
Current external appointments: Chairman, Lovecrafts Group Ltd; Non-executive Director, Edge Performance VCT plc; Co-Chair, Creative Industries Council; Non-executive member of the Council of the Royal College of Art; Chairman, Baillie Gifford prize for non-fiction.

Carolyn McCall
Chief Executive

Appointed Chief Executive and to the Board on 8 January 2018

Key areas of expertise: Business transformation, Creative Industry, Digital, Media and Media IP, Regulation and Public Policy, Strategy, People and Talent
Key skills and experience: Carolyn has an impressive track record in media and experience of leading digital transformational change both in an international and regulated environment. She has clear strategic acumen and a strong record of driving operational excellence and delivering value to shareholders. Carolyn created the More Than TV strategy when she joined in 2018. Carolyn has been instrumental in accelerating the strategy into Phase Two, having successfully executed Phase One. She continues to execute the strategy effectively through her strong leadership of the Company ensuring ITV's transformation into a successful digitally led media and entertainment company. 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 CEO of Guardian News and Media and then four years as Chief Executive of Guardian Media Group. She has previously served as a Non-executive Director of Lloyds TSB, Tesco plc and New Look Group plc. In 2008, Carolyn was awarded an OBE for her services to women in business and in 2016 a Damehood for her services to the aviation industry.
Current external appointments: Senior independent Director and member of the Audit and Nomination Committees, Burberry Group plc; Non-Executive Director, Bridgepoint Group plc; Trustee of the Development Board of the Royal Academy of Arts.

Please see page 122 for further information on Carolyn's external time commitments.

Salman Amin
N
Independent Non-executive Director

Appointed to the Board on 9 January 2017

Key areas of expertise: Business transformation, Digital, Media and Media IP, Strategy, Remuneration, People and Talent, Sustainability and ESG
Key skills and experience: Salman brings to the Board a wealth of experience in global businesses having worked for over 30 years managing global brand advertising and media spend. Previously he was COO, Global Commercial Division at SC Johnson & Son, and has held positions at Procter & Gamble and PepsiCo.
Current external appointments: Chief Executive Officer, Pladis.

Chris Kennedy
Group CFO and COO

Appointed as Group CFO on 21 February 2019 and as Group CFO and COO on 2 December 2021

Key areas of expertise: Business transformation, Creative Industry, Digital, Finance and Treasury, Audit, Sustainability and ESG, Media and Media IP, Strategy, Technology and Data
Key skills and experience: Chris has a strong media background, holding senior management positions over a 17-year career at EMI. Chris' experience in executing and driving strategy has played a key role in ITV's digital acceleration into Phase Two of the More than TV strategy, and ensuring ITV's transformation into a successful digitally led media and entertainment company, as well as driving a rationalisation/cost savings initiative. He was previously Chief Financial Officer of Micro Focus International plc, ARM Holdings and easyJet plc where he spent five years and was voted FTSE 100 CFO in 2015. As the business continues to evolve and develop, he took on the broader role of Chief Operating Officer and Chief Finance Officer in December 2021.
Current external appointments: Non-executive Director, Chair of the Audit Committee and member of the Nomination Committee, Whitbread plc; Non-executive Director of the Great Ormond Street Hospital for Children NHS Foundation Trust; Trustee of the EMI Group Archive Trust.

Edward Bonham Carter
N A
Senior Independent Director and Workforce Engagement Director

Appointed to the Board on 11 October 2018

Key areas of expertise: Business transformation, Finance and Treasury, Sustainability and ESG, Strategy, People and Talent, Audit, Remuneration
Key skills and experience: Edward brings to the Board a wide range of City experience and invaluable insight in the understanding of stock markets and investor expectations. He was previously Vice Chairman of Jupiter Fund Management plc (2014) having 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.
Current external appointments: Director of Stewardship and Corporate Responsibility, Jupiter Asset Management (two days a week executive role); Senior Independent Director, Land Securities Group plc; Senior Independent Director, The Investor Forum CIC; Trustee, The Esmee Fairbairn Foundation; Member of the Strategic Advisory Board, Livingbridge; Chairman, Netwealth Investments Ltd.

Margaret Ewing
(A)
Independent
Non-executive Director,
Chair of the Audit and
Risk Committee

Appointed to the Board on 31 October 2017

Key areas of expertise: Business transformation, Finance and Treasury, Audit, Sustainability and ESG, Strategy
Key skills and experience: Margaret 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 Chair of the Audit and Compliance Committee and member of the Nominations Committee of International Consolidated Airlines Group, S.A.; Senior Independent Director, Chair of the Audit and Risk Committee and member of the Nominations Committee of ConvaTec Group plc.

Mary Harris
(N) (A)
Independent
Non-executive Director,
Chair of the Remuneration
Committee

Appointed to the Board on 28 July 2014

Key areas of expertise: Business transformation, Digital, Sustainability and ESG, Media and Media IP, Strategy, Remuneration, People and Talent
Key skills and experience: Mary brings to the Board extensive experience in executive remuneration, business strategy consulting, sales and marketing, mergers and acquisitions, media, television and interactive media investments and digital rights management. She is a former partner at McKinsey & Company, where she worked primarily with retail and consumer clients in China, South East Asia and Europe.
Current external appointments: Non-executive Director, Chair of the Remuneration Committee and member of the Nominations Committee, Reckitt PLC; Supervisory Board member, HAL Holding NV; Member of the Remuneration Committee, St Hilda's College, Oxford University.

Anna Manz
(A)
Independent
Non-executive Director

Appointed to the Board on 1 February 2016

Key areas of expertise: Business transformation, Digital, Finance and Treasury, Audit, Sustainability and ESG, Strategy, Technology and Data, Remuneration, People and Talent
Key skills and experience: Anna brings over 20 years' consumer, financial and strategic experience to her role on the Board and the Committees on which she sits. Previously she held the role of Group Finance Director at Johnson Matthey plc and before that Anna held senior strategy and financial roles at Diageo plc, both in the UK and internationally.
Current external appointments: Chief Financial Officer, The London Stock Exchange Group plc.

Duncan Painter
Independent
Non-executive Director

Appointed to the Board on 1 May 2018

Key areas of expertise: Business transformation, Digital, Media and Media IP, Strategy, Technology and Data, Remuneration, People and Talent, Creative Industry
Key skills and experience: Duncan brings to the Board a broad range of experience particularly in digital media, consumer intelligence systems and targeted advertising. 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.
Current external appointments: Chief Executive Officer, Ascential plc.

Graham Cooke
Independent
Non-executive Director
(A)

Appointed to the Board on 1 May 2020

Key areas of expertise: Business transformation, Digital, Media and Media IP, Strategy, Technology and Data
Key skills and experience: Graham has extensive technical and digital experience, a focus in user-centric product design, coupled with in-depth knowledge of the e-commerce and digital sectors. He is the founder of Qubit, the leading provider of e-commerce personalisation technology. Prior to founding Qubit, he spent five years working at Google. His most recent role there was as global leader on Google's strategy for conversion rate improvement. Graham has been working with web technology since 1995, designing and building websites with emergent technology.
Current external appointments: Director, Qubit Digital; SVP, Commerce Strategy, Coveo Solutions Inc.

Sharmila Nebhrajani
Independent
Non-executive Director

Appointed to the Board on 10 December 2020

Key areas of expertise: Business transformation, Digital, Finance and Treasury, Audit, Sustainability and ESG, Media and Media IP, Regulation and Public Policy, Strategy, Remuneration
Key skills and experience: Sharmila has strong public sector, commercial, government and non-profit experience across a wide range of sectors, including utilities, financial services, media, global health and medical research. Earlier in her career, she held the post of Chief Operating Officer at BBC Future Media & Technology, where she managed the business functions of bbc.co.uk, including the launch of iPlayer. Sharmila studied medicine at the University of Oxford, is a chartered accountant and was made an OBE in 2014 for services to medical research.
Current external appointments: Non-executive Director, Member of the Audit, Corporate Sustainability and Nominations Committees, Severn Trent plc; Non-executive Director, Halma plc; Non-executive Director and Chair of the Audit and Risk Committees, Coutts & Co; Chairman of National Institute for Health and Care Excellence; Non-executive Director, National Savings & Investments; Trustee, Glyndebourne.

Please see page 122 for further information on Sharmila's external time commitments.

Committee membership

(A) Audit and Risk
(N) Nominations
Remuneration

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

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 include 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 and Spencer.

Carolyn McCall
Chief Executive

Appointed: January 2018

Experience: Biography on page 100.

Kevin Lygo
Managing Director, Media and Entertainment

Appointed: August 2010

Experience: Kevin joined ITV as Managing Director of ITV Studios and a member of the Management Board in 2010. He became Director of Television in February 2016 and in October 2020 he was appointed Managing Director of the newly created Media and Entertainment Division.

As well as having overall responsibility for the Media and Entertainment Division, Kevin continues to run the Broadcast business unit (one of the two business units making up the Division) and to oversee the commissioning of popular programming delivering ITV's USP of mass simultaneous reach.

Kevin's previous roles included Director of Television and Content at Channel 4, Director of Programmes at Channel 5 and a number of positions at the BBC, including Head of Independent Commissioning for Entertainment.

Rufus Radcliffe
Managing Director, Streaming, Interactive and Data

Appointed: April 2017

Experience: Rufus joined ITV as Group Marketing and Research Director in 2011. He was promoted to Chief Marketing Officer and appointed to the Management Board in 2017. In 2019 he took on additional responsibility for the Direct to Consumer division as Chief Marketing Officer and Director of Direct to Consumer. In October 2020 he was appointed Managing Director of On Demand, one of the two business units making up the newly created Media and Entertainment Division.

Rufus has responsibility for heading up the On Demand business unit, which will be the focus of digital product development and growth for ITV, and includes ITV Hub, ITV Hub+ (the ad free version of the ITV Hub) and BritBox.

Before joining ITV, Rufus spent ten years at Channel 4, and prior to that held various positions at McCann Erickson and JWT.

Chris Kennedy
Group CFO and COO

Appointed: February 2019

Experience: Biography on page 100.

Kelly Williams
Managing Director, Commercial

Appointed: December 2014

Experience: Kelly joined ITV in 2011 as Group Commercial Director. He was promoted to Managing Director Commercial and appointed to the Management Board in 2014. He also sits on the Board of Thinkbox, is Vice Chairman of the Advertising Association, a member of the BARB Strategy Board and sits on the RTL Adconnect Board.

He has responsibility for all commercial advertising deals across the ITV family of channels.

Prior to joining ITV, Kelly was the Sales Director at Channel 5 and prior to that held various positions at UKTV, Sky and Thames Television.

Mark Smith
Group Chief Technology Officer

Appointed: September 2018

Experience: Mark joined ITV in 2011 as a member of the technology management team. He was promoted to Chief Technology Officer in 2015, before taking on the Group Chief Technology Officer role and joining the Management Board in 2018.

He has responsibility for all technology and related operational matters across the Group including leading on the digital transformation strategy.

Prior to joining ITV, Mark held senior technology positions at the BBC, BBC Worldwide and Sky. Over the past 15 years Mark has specialised in digital transformation and has led the design, build and delivery of industry leading VOD platforms. Mark started his career as a software engineer at BT.

Kyla Mullins
General Counsel and Company Secretary

Appointed: January 2019

Experience: Kyla joined ITV as General Counsel and Company Secretary and member of the Management Board in 2019.

She has responsibility for legal, company secretariat, compliance and regulatory matters across the ITV 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 (ITN) and is also a Non-executive Director on the Board of Northern Ballet.

Paul Moore
Group Communications and Corporate Affairs Director

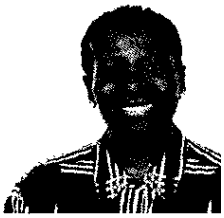
Appointed: July 2018

Experience: Paul joined ITV as Group Communications and Corporate Affairs Director and a 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 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 Virgin Atlantic Airways where he was Director of Corporate Affairs for ten years. Paul first started his career as a civil servant and worked for the Department of Transport.

Ade Rawcliffe
Group Director of Diversity and Inclusion



Appointed: September 2020

Experience: Ade joined ITV as Head of Diversity Commissioning in 2017. She was later promoted to Director of Creative Diversity, before taking on the role of Group Director of Diversity and Inclusion and joining the Management Board in 2020.

She has responsibility for all diversity and inclusion related matters across the Group, including leading, developing and growing ITV's Diversity and Inclusion strategy on and off screen.

Prior to joining ITV, Ade spent over ten years at Channel 4, most recently leading Creative Diversity, where she supported and nurtured the careers of diverse creative talent and sought out and commissioned a slate of developments which encouraged diversity, risk-taking and innovation.

Ade is currently a Trustee of BAFTA, Chair of BAFTA's Learning, Inclusion and Talent Committee, and a Trustee of the National Trust.

Magnus Brooke
Director of Policy and Regulatory Affairs

Appointed: February 2021

Experience: Magnus joined ITV in 2006 and was promoted to his current job of Director of Policy and Regulatory Affairs in 2007, joining the Management Board in February 2021.

He has responsibility for ITV's policy and regulatory strategy and advocacy, including interaction with UK and European regulators, government and parliamentary committees. From 2014 to 2019 Magnus was Chairman of the Board of the Brussels based Association of Commercial Television in Europe, which represents Europe's commercial broadcasters to the EU institutions. Magnus is a Director and Chair of the Remuneration Committee of DUK which runs the Freeview and Freesat platforms and he was a Non-executive Director of the news provider ITN for three years from 2019 to 2022.

Prior to joining ITV Magnus was Head of the BBC Director General's Office. He began his career as a solicitor specialising in regulatory and competition law at City of London law firm Ashurst, where he also trained.

Dan Colton
Group Strategy and Transformation Director

Appointed: February 2021

Experience: Dan joined ITV as Strategy Implementation Director in 2018. He was promoted to Group Strategy and Transformation Director in 2020 and joined the Management Board in 2021.

He is responsible for developing and implementing ITV's Group strategy as well as driving ITV's transformation agenda.

Prior to joining ITV, Dan was a management consultant with the Boston Consulting Group, defining strategies for global media businesses based in the UK and internationally, and before that he started his career at Deloitte.

Corporate Governance

The written responsibilities of the Chairman, Senior Independent Director and Chief Executive are available on the ITV plc website: www.itvplc.com

Our governance structure

The PLC Board

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

PLC Board Committees

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

Nominations Committee[1]

See the Nominations Committee Report on pages 123 to 125.

Remuneration Committee

See the Remuneration Report on pages 138 to 157.

Audit and Risk Committee

See the Audit and Risk Committee Report on pages 126 to 137.

Duty of Care Operating Board

Consisting of key Management Board members, including the Chief Executive, and the Independent Chief Psychological Officer, the Operating Board oversees the Group's duty of care processes on screen and across ITV, monitors and assesses the processes in place to ensure they continue to be effective and evolve as necessary. The Audit and Risk Committee Chair also attends meetings on behalf of the Board.

Disclosure Committee

Consists of the Chair of the Board, Chief Executive, Audit and Risk Committee Chair, Group CFO & COO, and General Counsel and Company Secretary. The Director of Investor Relations also attends meetings. The Committee assists the Company in meeting its disclosure obligations, and reviews and approves regulatory and other announcements before publication.

Our Ambassador Network

Discusses and inputs into significant proposals and initiatives impacting our colleagues. Our designated Workforce Engagement Director reports back to the Board on its activities. See pages 114 and 115 for engagement in this area.

Chief Executive

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

Management Board

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

Studios Board

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

Media & Entertainment Board

Responsible for developing and implementing strategic objectives for the Media & Entertainment business (Broadcast, Commercial, Streaming, Interactive and Data, and BritBox business units), monitoring operational and financial performance, and assessing and managing risk, in line with the Group's risk management framework.

1. During 2021, a Chair Succession Committee was established to lead on the Chair search process (see page 125 for further detail).

Board composition

Gender diversity

Male	6
Female	5

Ethnicity

B.A.M.E	2
White	9

Disability

Prefer not to say	0
Disability or long-term health condition	2
No disability or long-term health condition	9

Board tenure

0–2 years	2
2–5 years	5
5–9 years	4

Age

36–45	1
46–55	4
56–65	4
66–75	2

PLC Board and Committee membership and attendance

PLC Board and Committee membership and attendance at scheduled meetings in 2021 is set out below.

	Attendance at scheduled meetings			
	Board[1]	Nominations Committee[4]	Remuneration Committee	Audit and Risk Committee
Peter Bazalgette[2]	8/8	4/4	7/7	4*
Salman Amin	8/8	4/4	7/7	–
Edward Bonham Carter	8/8	4/4	–	5/5
Margaret Ewing	8/8	2*	2	5/5
Graham Cooke[3]	8/8	2*	–	1/1
Mary Harris	8/8	4/4	7/7	5/5
Chris Kennedy	8/8	2*	2*	5*
Anna Manz	8/8	2*	7/7	5/5
Carolyn McCall	8/8	4*	–	–
Sharmila Nebhrajani[5]	6/8	1*	5/7	1*
Duncan Painter	8/8	2*	7/7	1*

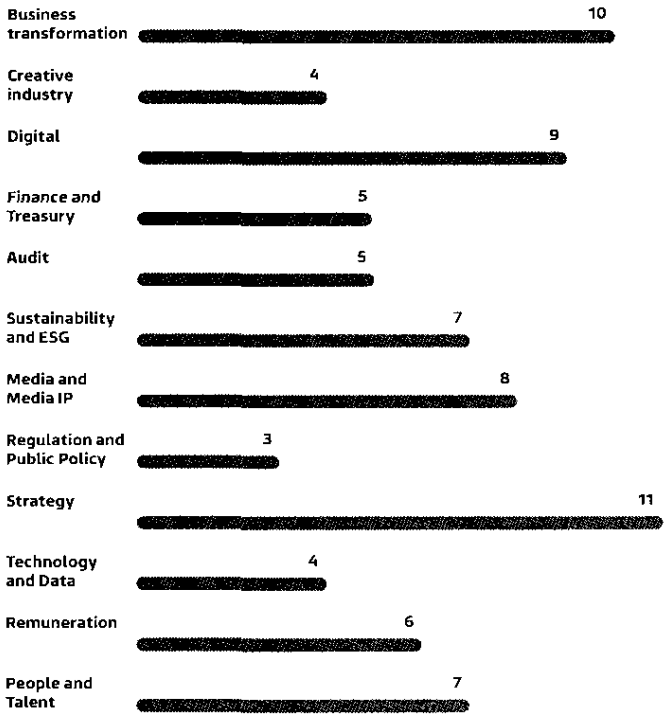
* Indicates where a Director has attended all or part of a PLC Board or Committee meeting by invitation (i.e. when not a member or prior to being a Director). The Executive Directors did not attend parts of any Committee meetings where to do so would result in a conflict of interest.

1. In June a series of PLC Board meetings were held over a two day virtual strategy session. For the purposes of this table these two days are counted as one meeting. In addition a half-day strategy session was held in December, which is not reflected in the table above.
2. Peter Bazalgette was invited to all Audit and Risk Committee meetings during the year, of which he attended four.
3. Graham Cooke was appointed to the Audit and Risk Committee on 1 November 2021.
4. All PLC Board members were invited to a Nominations Committee meeting for a senior management succession planning session and another for an update on the Chair Search process.
5. Sharmila Nebhrajani was unable to attend the November and December Board and Committee meetings due to illness and extended hospitalisation.

The Board held a private session during the year. In addition, the Non-executive Directors met without the Chairman or management during the year to discuss Chairman performance, and also on an informal basis to discuss matters relevant to the Group.

The Non-Executive Directors met with the Chief Executive to discuss Management Board talent and succession.

Skills and experience



Key strategic matters considered by the Board in 2021

Stakeholder groups

- S Shareholders (including debt providers)
- C Colleagues
- P Partners
- CZ Citizens
- PP Programme participants
- VC Viewers and subscribers
- CT Customers (including advertisers)
- LR Legislators and regulators
- DP Debt providers

Performance	Link to principal risks	Link to key stakeholders
Reviews of capital structure, liquidity, investor proposition and valuation	• Principal risks 1, 2, 3, 4, 5, 6, 7, 8, 9 and 15	S LR
Review of the five year plan	• All principal risks	S C P VC CT LR PP DP
Programme of cost and complexity reduction	• Principal risk 9	S C P VC CT
Evaluation of merger and acquisition opportunities	• Principal risks 2, 3, 4, 9	S P
Principal risks deep dive	• All principal risks	S LR C P CT
Investor engagement and insight, reinstatement of the dividend policy	N/A	S C
Supercharge Streaming		
Evolving the ITV strategy and the vision for an integrated AVOD/SVOD platform	• Principal risks 1, 2, 3, 4, 7, 8, 9 and 10	S C P VC CT LR
Developing a data strategy to enable ITV to extract value from its data, supporting delivery of ITV's overall strategic initiatives	• Principal risks 1, 2, 3, 4, 7, 8, 9 and 12	VC P CT
BritBox international expansion plans	• Principal risks 1, 8 and 9	P VC
Digital content strategy and investment	• Principal risks 1, 2, 7, 8, 9	S P VC CT
Optimise Broadcast		
Commercial strategy – Planet V and linear addressable, VOD and linear integration	• Principal risks 1, 2, 8, 9	S VC P CT
Media and Entertainment division – restructuring including some redundancies		C
Expand Studios Globally		
Evolution of Studios strategy – International expansion, new SVOD markets and changing rights models	• Principal risks 3, 9, 14	VC P CT
Regulation		
Regulation – continued focus on key policy and regulatory issues, including Brexit, CRR and *advertising restrictions (e.g. gambling and HFSS) and the PSB review. These continue to be* kept under close review along with other issues that could have a potential short, medium and long-term impact on the business	• Principal risks 6 and 12	S C LR
Focus on changing governance regulation	• Principal risks 6 and 12	S LR
Other		
Social Purpose strategy – delivery of strategy, including environmental targets and *mental health and 'giving back' campaigns*	• Principal risks 1, 7, 9 and 11	S C CZ VC
Climate-related risks and short to medium term impacts, reporting on ESG matters	• Principal risks 1, 7, 9	S CZ C
Diversity Acceleration Plan, how this aligns and supports the ITV Strategy	• Principal risks 7 and 11	S C CZ VC
Property strategy, consolidation of the London sites	N/A	S C CZ

Stakeholder Engagement

Engaging with our stakeholders is fundamental to the successful delivery of our strategy, as the Chair's introduction to this report makes clear. The Board's clear understanding of stakeholders' issues, expectations and perspectives ensures that stakeholder views are carefully considered during decision-making processes.

The Board both directly engages with relevant stakeholders and assesses details provided by management and other colleagues to allow the Directors to understand how organisational decisions have taken stakeholder interests into account and also to influence future decision-making. The General Counsel and Company Secretary supports the Board in ensuring that due consideration is given to stakeholder issues and papers submitted to the Board detail the impact of proposals on key stakeholder groups. At least once a year, the Board identifies its key stakeholders, reviews the issues that matter to them most and discusses potential enhancements to engagement with them. The Board also has the opportunity to give feedback on areas needing more focus as part of the Board evaluation (see pages 120 and 121). Our Section 172 statement on pages 68 and 69 includes examples of how the Board and its Committees had regard for stakeholder interests through its discussions and decision-making during the year.

The table below sets out the key stakeholders which the Board has identified as being important to ITV's success and some of the key engagement mechanisms used in 2021. The Board continues to monitor the impact of COVID on stakeholders through the Chief Executive's COVID response reports at every Board meeting and is committed to meaningful engagement with its stakeholders,despite the challenges of the pandemic.

Viewers and Subscribers

Description

Through regular engagement, the Board recognises the evolution of ITV's relationship with viewers, which has been pivotal in shaping the Company's strategy.

Link to strategic priorities

Forms of engagement

Meetings and presentations
- AGM live stream with questions

Board and Committee reviews and assessments
- Analysis of target audiences and viewing habits, as part of Board strategy sessions
- Regular Chief Executive reports to the Board on viewing and subscription figures
- Review of impact of ITV's data strategy on viewers and subscribers
- Board session on BritBox UK and International performance, including subscriber trends
- Reviews by Management and Divisional Boards (on which Executive Directors sit) of viewer sentiment, concerns and/or data through: internal research studies; monitoring of linear viewing figures; compliance reports; and Ofcom reports
- Reviews by members of the Management Board and senior ITV employees of feedback from viewer services (which serves as a conduit for viewers to channel their comments and/or concerns)

Key issues or priorities identified

- Changing viewer habits (a principal risk – see page 76)
- Ongoing need to respond on a timely basis to viewer/subscriber complaints and issues
- Driving awareness, through programming and campaigns, of key social, environmental and topical issues with ITV playing an important role as a trustworthy and accurate source of information
- Authentic representation of the diversity of modern Britain on screen

Outcomes and impact on principal decisions

- Growing, enhancing and integrating our AVOD (ITV Hub) and SVOD (ITV Hub+, BritBox UK, BritBox International) propositions, through investment in product, content, distribution, data, tech and analytics
- Decision to define one content budget for the M&E Division as a whole to enable the business to optimise its content (including its windowing) strategy and enhance its experience for viewers
- Endorsement of a new data strategy. Board discussions on this topic benefited from Graham Cooke and Duncan Painter's technical, digital and commercial expertise. Graham and Duncan carried out a number of 'deep dive' sessions with senior management focusing on the data strategy, and shared insights with the Board

Read more

Customers (including advertisers)

Description

Customers (including sponsorship and advertiser relationships) are integral to monetising our content and delivering on our strategy.

Link to strategic priorities

Forms of engagement

Meetings and presentations

- Attendance by Board members at the ITV 2021 Palooza event, our annual commercial and programming showcase for our commercial buyers
- Meetings between the Executive Directors and their industry counterparts (many of whom are also buyers of ITV Studios content)
- Regular engagement by the Chief Executive and various members of the Management Board with advertisers and agencies through key ITV and industry events, for example, Chief Executive participation in the EGTA World Television Day conference
- Meetings between members of the Management Board and senior ITV employees with potential buyers of Studios content

Board and Committee reviews and assessments

- Review of the impact of Phase Two of the strategy on the advertising market and content spend
- Board strategy sessions on: the evolving commercial strategy to address TV advertising clients' needs; VOD and linear addressable advertising to support ITV's streaming ambitions, including feedback from clients, SVOD market growth and impact on Studios, including analysis of major SVOD buyers across territories
- Non-executive Director advanced advertising deep dive session run by senior leaders in the Commercial team
- Regular Board updates on key relationships and developments in the advertising market, including ITV's engagement and relationship initiatives with its advertisers and agencies, and potential growth opportunities for the Studios business
- Regular reports on Commercial and Studios performance by the Chief Executive to the rest of the Board

Outcomes and impact on principal decisions

- Strengthened customer proposition and priorities for the supercharged streaming strategy
- Board support for the progression of, and investment in, innovative, addressable advertising initiatives. Board discussions on this topic benefited from Graham Cooke and Duncan Painter's digital and commercial expertise
- Endorsement of: innovative initiatives in response to advertisers' and agencies' desired outcomes; assessments and recommendations to deliver growth in Studios, and recommendations to manage risk and opportunities associated with the growing SVOD market
- Support for data initiatives to develop internal capabilities to deliver commercial and data ambitions over the next five years
- Investment in ITV AdVentures Media for Equity initiative, offering TV advertising to potential leading, high-growth, digital-first companies in the UK in return for equity
- Investment in, and creation of, new Studios labels to cater to growing markets and customer base

Key issues or priorities identified

- The risk of detrimental advertising market changes (a principal risk – see page 77)
- Maintaining commercial broadcaster relationships and further developing scripted talent (a priority for streamers in some markets)
- The need to continue to educate our customers on the effectiveness of TV advertising (including impact of TV advertising versus online advertising)
- Delivering audience profile and size to enable advertising sales
- Further creation and exploitation of IP to drive viewing and enhance IP monetisation opportunities

Read more

Partners (including Suppliers, other Broadcasters and Platform Owners)

Description

Strong relationships with our partners are fundamental to our business and operating model, and to ensure we meet the high standards of conduct that we set ourselves.

Link to strategic priorities

[illegible]

Forms of engagement

Meetings and presentations

- Executive Directors' engagements (meetings, conferences) with key suppliers and partners (including distribution partners)
- Executive Directors sit on the BritBox Partnership Board with their BBC counterparts and other senior managers, and regular Chief Executive counterpart meetings take place with other key partners

Board and Committee reviews and assessments

- Strategy sessions on the impact of the supercharged streaming strategy on third parties (including PSBs, suppliers and platform owners)
- Board approval of significant contracts with suppliers or partners
- Board update on engagement with third-party suppliers, including supplier management policies, processes and controls
- Chief Executive reports on key/strategic partner relationships and Group CFO & COO reports on important negotiations with key partnerships, at every Board meeting
- Board review of ITV's Modern Slavery Statement, including report on steps taken to identify, address and prevent modern slavery in our operations and supply chains
- Audit and Risk Committee review of the Group's supplier payment practices and the procedures in place to safeguard both ITV and suppliers from fraud (see page 129)

Outcomes and impact on principal decisions

- Approval of new long-term commercial partnerships with Virgin Media O2 and Sky
- Development of ITV's Partnership strategy to deliver Phase Two of the strategy
- Consideration of key themes/risks across supplier stakeholder groups and how they are being addressed by management
- Strengthened creative talent through new partnerships and strong development slates
- Further collaboration with streaming platforms to drive reach and consumption
- Board support for targeted engagement with distribution partners to define approach to the supercharged streaming strategy
- Endorsement of partnership initiatives to develop commercial addressable propositions and support ITV's data strategy

Citizens

Description

As a public service broadcaster, we strive to reflect, remain in touch with, and shape public sentiment and national conversations. Our engagement in this stakeholder category is an integral part of our Social Purpose strategy. Please refer to pages 48 to 55 for our work in this area.

Link to strategic priorities

[illegible]

Forms of engagement

Meetings and presentations

- Chief Executive interview with Bloomberg and participation at COP 26 to discuss ITV's commitment to climate action and progress towards its pledges
- Chief Executive and Chairman's participation in interviews to help shape Financial Reporting Council's review of Corporate Culture
- Chairman's speech at BEYOND 2021 to discuss the future growth of the Creative Industries sector, including its role within society/wider community
- Chief Executive's participation/engagement at the Royal Television Society Cambridge convention, with the theme of reshaping Britishness on the global stage

Board and Committee reviews and assessments

- Group CFO & COO's overall responsibility for ITV's climate action agenda and leadership of ITV's Climate Action Delivery Group
- Board receipt of annual updates on Social Purpose, the Group's climate-related agenda including risk, opportunities and targets, and Diversity and Inclusion (including progress against ITV's Diversity Acceleration Plan)
- Training undertaken by Board and Management Board members on ESG and corporate purpose
- Board session on environmental risk, including analysis of key risks for ITV, their potential impact, ITV's resilience and opportunities for improvement
- Audit and Risk Committee monitoring of compliance with, and progress on, climate change reporting, particularly with regards to TCFD; reports to the Board on its outcome (see page 134)

Outcomes and impact on principal decisions

- Introduction of ESG scorecard for Executive Directors and Management Board in 2022 annual bonus targets – aligned to the achievement of ITV's longer-term Social Purpose goals
- Board discussion and support for environmental initiatives to use ITV's brand to educate and inform audiences on actions they can take to transition to a Net Zero world
- Deepened understanding and awareness of ESG and factors influencing ITV's corporate purpose, to inform Board decisions
- Investment in management training on diversity and inclusion, including the roll-out of race fluency and disability inclusion training to the whole business
- Establishment of ITV's Cultural Advisory Council, which Chief Executive and Management Board members attend, comprising a group of independent external advisers from a range of different industries and specialisms who advise, challenge and counsel ITV on its diversity and inclusion activities
- Commitment to The Climate Content Pledge (with other major broadcasters) to promote climate story-telling on screen
- Delivery of outcomes is supported by Board members' active consumption of our national and regional news services, with follow up discussions and liaisons on future plans with Management Board members and senior leaders

Citizens continued

Key issues or priorities identified

- Harnessing our unique mass-reach platform and the power of our programmes to raise awareness and action on issues that are important and help shape culture for good, with particular emphasis on mental and physical health
- Our sustainability and commitment to climate action targets and initiatives
- Our contribution to wider society in other ways, including charitable giving through Soccer Aid for UNICEF and volunteering
- Our focus and commitment to increasing on and off-screen diversity through our Diversity Acceleration Plan (see page 54)

Read more

[illegible]

Legislators and Regulators

Description

The Board is committed to its responsibility as a public service broadcaster (PSB) and conducting business in line with the appropriate laws and regulation, to ensure we operate in an ethical and responsible way.

Link to strategic priorities

[illegible]

Forms of engagement

Meetings and presentations

- Meetings with government ministers and officials on key issues of concern, initiatives or consultation. This includes meetings between the Chief Executive and the Secretary of State for Department for Digital, Culture, Media and Sports (DCMS), and regular meetings between the Chief Executive and the Minister of State for Media and Data
- Counterpart meetings with Ofcom on a wide range of policy and regulatory issues (which included Chairs' and regular Chief Executives' meetings)
- Regular meetings of the Audit and Risk Committee Chair with the Chief Executive and other leaders of the Financial Reporting Council regarding corporate and audit regulatory reform, including the Business, Energy & Industrial (BEIS) consultation
- *Participation by the Chief Executive as a member of the Prime Ministers Build Back* Better Business Council
- Periodic engagement by senior ITV employees with other regulators including the CMA, ICO and the European Commission
- Chief Executive's Regulatory & Public Affairs Sub Committee and Chair's active participation in it
- Chief Executive participation at the ITV All Party Parliamentary Group

Board and Committee reviews and assessments

- Board strategy sessions considering the impact of an HFSS and Gambling advertising ban
- Updates from the Chief Executive on policy and regulation at every Board meeting
- Regular reports to the Board and Audit and Risk Committee on compliance and significant litigation matters
- *Board briefings on Ofcom's PSB statement and ITV's PSB strategy, and Cabinet reshuffle*
- Updates to the Audit and Risk Committee from the Committee Chair and external auditor regarding FRC developments and proposed regulatory changes
- Audit and Risk Committee session on the BEIS consultation on audit and corporate governance reform, and circulation of related materials to the Board

Outcomes and impact on principal decisions

- Collaboration and focus on important societal issues such as social mobility and diversity
- Application for the renewal of TV Multiplex licences
- Further Board discussion and consideration of the PSB regulation and HFSS advertising ban
- Collaboration with the industry, the nations' governments and DCMS to update the COVID guidelines for TV productions (in line with the lifting of restrictions)
- Leading on discussions with PACT and the government regarding the production indemnity scheme
- *Audit and Risk Committee decision for ITV to submit a* response to BEIS regarding the audit and corporate governance proposals

Key issues or priorities identified

- COVID guidance and regulation
- HFSS advertising ban and other possible advertising restrictions
- PSB regulation
- Legal and regulatory compliance (including tax) – (non-compliance is a principal risk – see page 85)
- Regulatory policy changes (a principal risk – see page 79)

Read more

[illegible]

Programme participants

Description

The safety of participants is of paramount importance to the Board. The Board takes its duty of care to them very seriously, and obtains regular assurance over the support and processes in place to safeguard their physical and mental health and wellbeing.

Link to strategic priorities

[illegible]

Forms of engagement

Meetings and presentations

- Chief Executive attendance at two Mental Health Advisory Group (MHAG) meetings, which three other Management Board members regularly attend (two of whom are members of the Advisory Group) (see page 58 for more detail on the MHAG)

Board and Committee reviews and assessments

- Regular Board updates on duty of care processes and issues, and on the Duty of Care Operating Board's discussions and activities (including feedback from ITV's Mental Health Advisory Group and updates on the ITV2/CALM partnership), through updates from the Audit and Risk Committee Chair, who is a standing attendee of the Duty of Care Operating Board
- Board review of ITV's journalistic standards in light of findings at the BBC in relation to the conduct of Martin Bashir and the BBC interview with Diana
- Board review of progress against ITV's Diversity Acceleration Plan to accelerate change in diversity and inclusion on-screen
- Board updates on any challenges relating to, or publicity surrounding, duty of care processes relating to any programmes produced or broadcast by ITV
- Annual Audit and Risk Committee reviews of duty of care and health and safety processes, including duty of care risks and mitigations
- Regular Chief Executive reports on the ongoing impact of COVID-19 on production and updates on the health and safety procedures for participants
- Board review of minutes from the Duty of Care Operating Board meetings

Key issues or priorities identified

- Duty of care to participants (a principal risk – see page 84)
- Mental health and wellbeing of our participants
- Safety of participants during the COVID pandemic
- Effective Speaking Up procedures
- ITV's commitment to diversity and inclusion (see pages 54 and 55)
- Review of processes applicable to The Voice format

Outcomes and impact on principal decisions

- Assurance over ITV's controls and procedures in place to detect poor journalistic conduct, and decision to include an update on whistleblowing reports at every Board meeting. Discussions on this topic benefited from Carolyn McCall's extensive prior experience working for a news organisation
- An internal audit on compliance processes regarding journalistic standards and integrity
- Investment in psychological performance improvement projects (on reality TV, in collaboration with other broadcasters), as recommended by Independent Chief Psychological Officer
- Revised terms of the Independent Chief Psychological Officer to reflect additional responsibility and accountability (see page 58), and regular attendance at the Duty of Care Operating Board
- Endorsement of initiatives relating to ITV's refreshed duty of care framework, for example the development of a training programme for those working on productions (see page 58)
- Ongoing engagement with Dr Paul Litchfield CBE, Independent Chief Medical Officer to ITV, advising on continued enhancement of duty of care processes

Read more

[illegible]

Shareholders (Individual and Institutional), Bond Holders and other Providers of Debt and Analysts

Description

Delivering for our investors (equity and debt) and understanding their views and interests ensures the business continues to be successful in the long-term and therefore can deliver for all our stakeholders.

Link to strategic priorities

[illegible]

Forms of engagement

Meetings and presentations

- Executive Directors, the Chairman and the Remuneration Committee Chair held meetings with institutional investors. The Executive Directors held meetings with investors representing around half of the Company's share capital, as well as potential investors across the UK, US and parts of Europe
- Committee Chairs engagement with shareholders on significant matters (see pages 127 and 138)
- Commercial and Studios Investor Seminars (including Q&A) presented by the Chief Executive and leadership teams, in November and December 2021 respectively
- Chief Executive, Group CFO & COO, and members of senior leadership teams attended a number of key investor conferences
- Chief Executive and Group CFO & COO held meetings with equity sales teams and analysts
- AGM live stream with opportunity for shareholders to ask questions in real time
- Regular dialogue throughout 2021 between the Group CFO & COO and Director of Tax & Treasury and the Rating Agencies and the Core Banking Group

Board and Committee reviews and assessments

- Market considerations of ITV's streaming ambitions, as part of Board strategy sessions
- Board review and discussion of Environmental, Social and Governance (ESG) indices, reporting, and feedback from analysts, brokers and shareholders on ITV's ESG approach
- Group CFO & COO reports on the outcome of the broker review and on key shareholder engagement activities undertaken by the Executive Directors and Investor Relations team
- Board updates from the Company's brokers and advisers on market performance, bid defence and capital structure, and on shareholder sentiment regarding ITV's performance, strategy and dividend policy
- Board members' careful scrutiny of analyst reports throughout the year
- Audit and Risk Committee review and discussion of a report from the Director of Investor Relations on investors' and analysts' views in relation to ITV's accounting policies, risks and disclosures

Outcomes and impact on principal decisions

- Announcement of the Board's intention to reinstate the ordinary dividend and propose a final dividend of 3.3p for the full year 2021
- Consideration of feedback to inform, amongst other things, ITV's long-term strategy, five year plan, dividend policy, capital structure and approach to ESG and other governance issues
- Board discussion on investor sentiment and action for management to conduct further analysis of ITV's existing and prospective investor base with the evolution of the equity story
- Assurance over ITV's ESG ratings (including indices and reporting framework)
- Inclusion of Social Purpose update in quarterly reporting to the market
- Linking ESG with finance and remuneration, including Remuneration Committee decision to include ESG in performance targets and annual bonus metrics and commitment of ESG KPIs in relation to debt financing
- Appointment of JP Morgan as one of the Company's brokers in December 2021 (replacing Citi)

Key issues or priorities identified

- Strategy, investment priorities and delivery against strategic and financial targets and KPIs
- Ongoing impact of COVID on financial and operating performance
- Share price performance
- Dividend policy and leverage
- ESG data and performance
- Strategic delivery (a principal risk – see page 82)
- Potential reaction of investors and wider market to ITV's streaming strategy

Read more

[illegible]

Colleagues

Description

The workforce is integral to the day-to-day operations and the practical execution of strategy. Effective engagement mechanisms provide the Board with important insights and priorities, as well as ensuring the workforce voice is considered in the Board's decision-making.

Link to strategic priorities

Forms of engagement

Meetings and presentations

- Workforce Engagement Director's meetings and activities with colleagues (see pages 114 and 115 for further details)
- Formal workforce advisory panel (our Ambassador network) activities with colleagues, the Workforce Engagement Director and regular participation by Management Board members at Ambassador meetings
- Chairman participation on the Chief Executive's vodcast to discuss regulatory challenges for ITV
- Board members engaged directly with senior management and colleagues from across the business. For example, the Audit and Risk Committee Chair met with members from the ITV Able Network, and the Remuneration Committee Chair hosted a live Q&A and discussion session regarding executive remuneration for Ambassadors
- Engagement survey to assess colleague sentiment on areas such as culture, development, diversity and inclusion, and speaking up

Board and Committee reviews and assessments

- Regular Workforce Engagement Director updates to the Board
- Employee engagement included as part of Chief Executive report at every Board meeting
- Board receipt of fortnightly vodcasts from the Chief Executive to colleagues
- Board and Management Board receipt of feedback from ITV's staff networks, through regular updates on Social Purpose and Diversity and Inclusion
- Board update on the London property including the impact on ways of working and communications to colleagues
- Board attendance at Nominations Committee session on talent and succession planning

Outcomes and impact on principal decisions

- Board discussions benefited from Edward Bonham Carter's direct insight into workforce sentiment and topics that matter most to colleagues
- Consideration of feedback to inform, amongst other things, communication with colleagues, development opportunities and action planning by the Management Board and Senior Leadership Team, and localised planning by line managers across the business
- Ongoing engagement, feedback and discussion with colleagues regarding their views on the successful delivery of the Diversity Acceleration Plan
- Opportunity for Board members to talk to employees openly and transparently about the Remuneration Committee's approach to reward at ITV and gain insight into priorities for colleagues through the Ambassador Q&A and discussion session on remuneration
- Board review of feedback and results from the 2021 Engagement Survey in January 2022 as part of the Board culture review (see page 117)
- Investment in people initiatives, including diversity and inclusion training, and ways of working
- Investment in mental health and wellbeing support for colleagues
- Board consideration and approval of the London Property move (see page 69)
- Assurance over ITV's bench strength and succession pipeline and continued progress to broaden diversity across the business and endorsement of 2022 people priorities
- Assessment of bench strength, capabilities and skills within the Technology team led to the Board's endorsement of investment in additional resource to ensure the business had the required skills to deliver the supercharged streaming strategy

Key issues or priorities identified

- Transparent and honest culture and ethos
- Flexible and digital ways of working
- Mental health and wellbeing support
- Safety of colleagues during the ongoing COVID pandemic
- Progress on our Diversity Acceleration Plan commitments (see page 54)
- Retention and recruitment of talent (a principal risk – see page 86)
- Internal cultural change (a principal risk – see page 83)

Read more

Engaging with our workforce

The Board ensures effective engagement with the workforce using two of the methods stipulated under the Code: a designated Workforce Engagement Director (Edward Bonham Carter, our Senior Independent Director) and a formal workforce advisory panel (our Ambassador network).

The Board recognises the benefits of personal interaction and informal discussion to both learn more about day-to-day operations and the practical execution of strategy, as well as gather direct insights into workforce sentiment. Colleagues have direct contact with the Chief Executive through her Ask Carolyn email address and the Chairman has regular meetings with Management Board members and Divisional heads, who feed back to him on workforce issues. The Committee Chairs also have individual meetings with employees in relation to the business of their Committee meetings.

For other key instances of the direct and indirect engagement the Board members have had with our colleagues, refer to page 113, and for the cultural insights gained through engagement (including other ways in which the Board has monitored and assessed culture), refer to pages 116 to 119. For a definition of our workforce see page 56.

Our Ambassador network

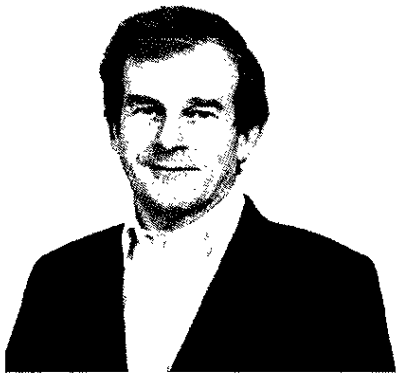
Our Ambassador network represents all parts of the business and was established in 2015 to represent employee interests, share information and help inform our culture by giving our employees a voice.

- Each Ambassador usually represents approximately 50 colleagues from their business area, called their constituency.
- There are approximately 90 Ambassador constituencies which are organised into five regional and international groups.
- The Ambassadors meet in their groups four times a year and, given the pandemic, additional remote meetings were organised to ensure Ambassadors were connected and able to share any concerns effectively.

Ambassador feedback loop

Q&A

with our designated Workforce Engagement Director, Edward Bonham Carter



Edward Bonham Carter, Workforce Engagement Director

What were your activities during 2021?
In total I attended 13 Ambassador meetings (seven UK Ambassador meetings covering three UK regions and six international Ambassador meetings representing all ITV territories).

How often do you report to the Board on engagement activities?
During 2021, I gave four verbal updates to the Board on activities and presented one formal paper on the insights gained from engagements and on outcomes and proposed recommendations that have arisen. I also use my insight to ensure the employee voice is considered during Board and committee decision-making and discussions, and to raise the profile of the issues raised to me by colleagues.

What are the benefits of having this designated role on the Board?
Through active two-way dialogue, attendance at Ambassador meetings has given me the opportunity to share insights into external factors affecting ITV which the Ambassadors then share with their constituents. I'm also able to feed back to the Board on employee topics and issues of interest and/or concern.

Attending both UK and International Ambassador meetings gives me a broader perspective of company culture and priorities for colleagues, including the impact of operational changes, and I am able to give feedback to the Board on cultural alignment across offices and internationally.

Attending both UK and International Ambassador meetings gives me a broader perspective of company culture and priorities for colleagues, including the impact of operational changes, and I am able to give feedback to the Board on cultural alignment across offices and internationally. Also, in hearing feedback first hand regarding management's approach to, and understanding of, employee issues, I can provide the Board with assurance that management are clearly attuned to company morale and workforce issues and that colleagues have effective wellbeing and mental health support.

What were your takeaways from Ambassador meetings during 2021?
This year, attending the Ambassador meetings has been invaluable to my understanding of colleague sentiment. 2021 has again been a year of change for colleagues, with an ongoing focus on digital, organisational and strategic transformation. Working environments have also changed with return to office working, yet part-time remote working is now here to stay. The pressures of the COVID pandemic have continued to affect us. Our London colleagues will also be moving to a new office. I was able to obtain feedback on the impact of these changes and on culture and morale. Key issues highlighted to me by colleagues included what the 'return to work' would look like and the extent of organisational changes and digital initiatives.

I have also been able to develop better awareness and understanding of colleague initiatives and policies, for example on Climate Action targets, Speaking Up policy and ITV Fast Forward through receiving presentations from employees.

I also enjoyed sharing the Board's views with colleagues and discussing important topics. In 2021, this included sharing the Board's views on the changing media and regulatory landscape (SVOD market growth, HFSS advertising ban, PSB regulation, changes in viewer habits and the advertising market) and how this has affected ITV.

Attendance at the meetings also highlighted to me the extent and effectiveness of management's communication and engagement with colleagues. Direct engagement has harnessed culture whereby colleagues can be their authentic self at work, feel supported by their managers and are proud to work for ITV.

Have you faced any challenges during the year?
Usually there are plenty of opportunities for formal and informal meetings with colleagues during visits to the offices but this has been restricted during the COVID pandemic. While virtual meetings have been effective, I hope that we can resume more regular in-person meetings in 2022 as these provide valuable insight into the day-to-day operations and practical delivery of strategy.

What are your key areas of focus for engagement in 2022?
I am looking forward to meeting colleagues in person more regularly, as soon as circumstances permit. Following changes to the Company's business structure and operating model over the past two years it is as important as ever to gather direct colleague sentiment and build relationships with the workforce. I will also continue to engage with Ambassadors on important topics, such as diversity and inclusion, ESG, and wellbeing and mental health support, which continue to be a focus in 2022.

Have Ambassadors found engagement to be effective?
I have had feedback from individual Ambassadors that they have found my participation to be valuable, particularly in relation to having Board representation at meetings and receiving business as well as strategic updates. I enjoy giving updates on the Board's perspective on issues and opportunities facing ITV. Part of my role is to listen to any and all feedback that Ambassadors or their constituents want to share with me, even if the issues are at a local level.

Values in Action – Understanding and Monitoring our Culture

To support the creation of long-term value for our stakeholders, we must continue to build and promote a culture of openness and integrity, where inclusion and diversity are championed.

The Board recognises that ITV's culture is a key enabler of ITV's digital transformation, and therefore understands the importance of monitoring and fostering it. Aligning our values with our strategy is pivotal to our success, as is ensuring that we have the financial, creative and cultural capability to deliver it. While the Board is satisfied that ITV's culture is aligned with its purpose and values, culture must continue to evolve, through agility, collaboration and openness to new initiatives, to enable the successful delivery of strategy and become a digitally-led business.

The Board considers culture formally on an annual basis and, through its work during the year, is able to satisfy itself that the policies, practices and behaviours throughout the Group are aligned with ITV's purpose (including its Social Purpose), vision, values and strategy. Through the Board's discussion of relevant observations, the Chief Executive's focus on people and culture in her Board reports, and the methods listed in the table below, culture is considered, whether implicitly or explicitly, at every Board meeting. For example, ITV's response to issues concerning The Voice of Holland demonstrates our approach to continuous improvement in addressing any concerns around culture, in particular relating to Speaking Up policies. The Board recognises such matters provide opportunities for ITV to constantly keep under review its policies, procedures and training around corporate culture to ensure values in action.

The failure to evolve the underlying culture of the business, resulting in a potential inability to deliver the level of change required to achieve our strategic objectives, has been identified as a principal risk (see page 83). During 2021, to seek assurance over this principal risk, and given the importance of culture and the Board's role in monitoring it, the Audit and Risk Committee requested an Internal Audit review of the management processes in place to support the Board with discharging its duty of monitoring the culture of ITV. The review included a number of interviews with Board members and other individuals, reviews of minutes and other documentation. The report found that the processes in place were strong and that ITV's culture was known and understood by Board members who considered the culture to be open and transparent where challenge is expected and accepted.

We are continually looking for opportunities to enhance ITV's approach to monitoring culture. From 2022, in conjunction with the recommendations from the Internal Audit review, we will overlay available data to develop culture risk signals and a new set of metrics in the areas of recruitment and retention, diversity and wellbeing will form part of the overall risk framework. This will be monitored by the Board, through regular reporting and Management updates, and to the extent possible, reported on in the 2022 Annual Report.

Our ITV values

Our ITV values underpin the culture at ITV and these are embedded through our Code of Conduct:

Creativity

From everyone, for everyone, every day

Collaboration

Working together at pace

Inclusion

Respecting and embracing differences

Integrity & judgement

If something doesn't feel right, speak up

The ITV Way

The ITV Way encapsulates the values that underpin the culture at ITV:

Make it Brilliant

Creativity for everyone

Make it New

Openness to change, with no barriers

Make it Together

Collaborating and embracing differences

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 wide

Key highlights

97%
Completion rate of Code of Ethics and Conduct annual training

10.8%
Voluntary UK employee turnover

4x
Speaking Up reports reviewed by the Board in 2021

1
Internal culture lead

2021 engagement survey findings

82%
'I feel I can be my authentic self at work'

83%
'My line manager genuinely cares about my wellbeing'

76%
Overall employee participation

84%
'I am proud to work for ITV'

The table below sets out the framework of policies and practices which underpin our culture and explains key ways in which the Board and/or Committees monitor culture, and how these contributed to delivering insights into ITV's culture.

Engagement and feedback channels

How the Board monitors culture

Review assessments of the Company's culture through the 2021 engagement survey, measurements of organisational culture benchmarked against peers, and how ITV's values link to its purpose and behaviour.

Cultural insight gained

Understanding strengths (see findings above) and opportunities (see page 58) in ITV's culture, and that ITV's values and stated purpose authentically reflect its culture and behaviours.

Outcome

Actions taken to address the insights gained from the engagement survey will be monitored by the Board through updates from the Chief Executive. Through assessments and updates, the Board received assurance that ITV's culture is aligned to its purpose and values, while recognising the cultural evolution required to deliver strategy as ITV becomes increasingly digital.

How the Board monitors culture

Interactions with and feedback from Board members through: (i) the Chief Executive (including access to the regular Chief Executive's vodcast and Q&A and her updates on people priorities and communications at every meeting); and (ii) engaging regularly (directly and indirectly) with colleagues through numerous engagement mechanisms (see page 113 to 115 for details regarding the Board's workforce engagement, including the Workforce Engagement Director and Ambassador Network).

Cultural insight gained

A better understanding of day-to-day operations, the practical execution of strategy and the cultural context in which employees work. Further, insight into how colleagues have been supported in the return to office working and following operational changes in the M&E Division. The Chief Executive's vodcast Q&A sessions provide the Board with insight about colleague morale and important topics for colleagues, for example ITV's commitment to diversity and inclusion and hybrid ways of working.

Outcome

Vodcast viewing figures and feedback are shared with the Chief Executive and used to shape vodcasts and ensure content is what colleagues want to hear.

Policies and Practices

How the Board monitors culture

Regular Board updates and relevant Committee updates on a broad range of risk and business integrity matters, including fraud, compliance, bribery, corruption and modern slavery, and standard supplier protocols and procedures. This is done through review of internal audit reports, Speaking Up data, compliance questionnaires, compliance reports, risk deep dives, incident reports and policies and training.

Cultural insight gained

A broad understanding of practices and behaviours and how these align with the purpose, values and strategy of the Group, including an understanding of the Group's approach to supply chain partners and the culture of risk ownership in the business.

Outcome

The Board and its Committees provide appropriate scrutiny and challenge of management and receive assurance over ITV's approaches to managing risk and business integrity matters.

How the Board monitors culture

As part of the Board's culture assessment (see above), review of **ITV's values** as set out in ITV's Code of Ethics and Conduct.

Cultural insight gained

How the Code of Ethics and Conduct promotes the highest standards of ethical business underpinning ITV's values and corporate culture.

Outcome

The Board was satisfied that ITV's Code of Ethics and Conduct embodies ITV's values and culture and will continue to review this code annually to ensure it remains aligned to ITV's purpose (including its Social Purpose), vision, values and strategy and that there is appropriate compliance across the Group.

Policies and Practices continued

How the Board monitors culture

Completion of **mandatory training** modules for colleagues by all Board members on the Code of Ethics and Conduct, cyber security, data protection and privacy and climate action. Subsequent review of the understanding and embedding of the Code of Ethics and Conduct and related policies and standards through this training.

Cultural insight gained

A deeper understanding of how ITV's values and standards are communicated and how colleagues are kept safe and secure and act in a compliant way.

Outcome

All members of the Board will continue to undertake training on an annual basis, to ensure their understanding of how colleagues are kept safe and secure and act in a compliant way remains current.

Recruitment and Retention

How the Board monitors culture

Annual review session by the Nominations Committee of **senior management talent and succession planning** (which all Board members were invited to attend).

Cultural insight gained

The importance of organisational culture in ITV's 2021 and 2022 people priorities, and HR's focus on shifting the organisation to adopt a more agile culture following the organisational restructures of the M&E and Studios Divisions over the last few years.

Outcome

The Nominations Committee was able to give constructive challenge to the 2022 People Plan and reviewed management's success (and areas of opportunity) in defining and executing the 2021 plan.

Safety, Wellbeing and Mental Health

How the Board monitors culture

Review by Audit and Risk Committee of risk management processes and systems in place to drive **health and safety** behaviours in the areas of operational security, business continuity and duty of care. This includes the systems in place for our stakeholders to identify and raise health and safety issues, including duty of care and Speaking Up concerns.

Cultural insight gained

Insight into the safety behaviours across all business areas (international and UK), including the culture of ownership of risk.

Outcome

Through regular Board updates from the Chief Executive and from the Audit and Risk Committee, the Board will continue to ensure the right processes and procedures are in place for the safety of our colleagues, suppliers, programme participants and viewers, and that ITV continues to uphold high standards of duty of care. In 2021, this included Audit and Risk Committee approval of the Group Security Policy framework and supporting policies.

How the Board monitors culture

Audit and Risk Committee review of ITV's **duty of care** processes and updates from the Duty of Care Operating Board (also reported to the Board), on the processes and standards in place for colleague and other relevant stakeholders wellbeing. Feedback from the Ambassador and Network groups, and Mental Health Advisory Group (external experts) which included guidance and support on ITV's approach to mental health and wellbeing with colleagues, production teams, participants in our programmes and viewers.

Cultural insight gained

How the mental wellbeing processes and support for colleagues and stakeholders continue to enhance ITV's culture where social inclusion is embraced and mental health issues are understood, accepted and safeguarded.

Outcome

The Board, through the Chief Executive and Duty of Care Board continues to regularly monitor colleague wellbeing and mental health and the efficacy of initiatives on culture.

Social Purpose, Diversity and Inclusion

How the Board monitors culture

Annual review of ITV's **Social Purpose** strategy, performance and plans

Cultural insight gained

How ITV's Social Purpose campaigns influence culture internally as well as externally.

Outcome

The Board will continue to monitor key priorities and initiatives in pursuit of ITV's Social Purpose strategy. See pages 48 to 55 for outcomes related to Social Purpose.

Social Purpose, Diversity and Inclusion continued

How the Board monitors culture

Annual review session of **Diversity and Inclusion**. Regular updates on progress on ITV's Diversity Acceleration Plan and feedback from ITV's inclusion networks. Regular monitoring by Nominations Committee of progress against diversity targets, with diversity on the Board agenda at least annually.

Chief Executive attendance at ITV's Cultural Advisory Council, comprising a group of independent external advisers from a range of different industries and specialisms who advise, challenge and counsel ITV on its diversity and inclusion activities.

Cultural insight gained

The impact the Diversity Acceleration Plan is having on colleague sentiment and ITV's reputation as having an inclusive culture, and the latter's appeal to future employees.

How ITV's culture is enabling progress to be accelerated through Group-wide diversity initiatives.

Outcome

The Nominations Committee will continue to monitor progress being made to meet diversity targets to ensure recruitment and succession initiatives support ITV's Diversity and Inclusion strategy. See pages 54 and 55 for outcomes related to Diversity and Inclusion.

Speaking Up

How the Board monitors culture

Report detailing new Speaking Up concerns (if any) produced for every Board meeting.

Review and monitoring by the Audit and Risk Committee of the effectiveness of the Speaking Up policy, processes and framework annually and Speaking Up reports at least twice a year. Feedback is given to the Board. See pages 133 to 134 for the Speaking Up framework's implementation in 2021.

Cultural insight gained

A perspective on the nature of colleague concerns and trends in the behaviours of colleagues generally.

Insight into how concerns are handled by ITV and indications of how the alternative routes for raising all risk concerns are being utilised.

Outcome

The Audit and Risk Committee will continue to monitor the effectiveness of the Speaking Up framework, and feed back to the Board on how this has supported the openness of ITV's culture.

Internal Audit

How the Board monitors culture

Observations and commentary on culture and cultural behaviours given by Internal Audit to the Audit and Risk Committee as part of findings and recommendations in reports. In 2021 cultural observations formed part of the audits in relation to technology, and journalistic standards and integrity.

An internal audit was undertaken in 2021 on the Board's ability to monitor and assess culture. The findings and recommendations were reviewed and discussed at Board and Committee level.

Cultural insight gained

Insight from the internal auditor on the processes in place to monitor culture across the Group and the reflection of the Group's values by management and other employees.

Understanding areas where activities could be enhanced in cultural monitoring.

Outcome

The Audit and Risk Committee endorsed the proposed actions arising from the internal audit on culture, and were reassured by the findings of the audit which highlighted the strong processes in place to allow the Board to discharge its duties with respect to monitoring culture.

Remuneration

How the Board monitors culture

Review by the Remuneration Committee of the wider employee reward framework, including gender and ethnicity pay gaps, CEO pay ratios and alignment of directors' pension contribution to the workforce. Integration of ESG measures into incentive targets.

Live Q&A and remuneration discussion for Ambassadors hosted by the Remuneration Committee Chair, which was reported back to the Committee.

Cultural insight gained

Insight into the role that remuneration, and setting performance goals, has on promoting the right behaviours and the extent to which incentives and rewards are aligned with culture.

Outcome

The Remuneration Committee will continue to report to the Board on colleague sentiment in relation to retention and reward initiatives.

Board Evaluation

An evaluation of the Board and its Committees is carried out annually and externally facilitated every three years, with the last external review conducted in 2019.

In 2021, the Board undertook an internally facilitated evaluation using bespoke online questionnaires. The General Counsel and Company Secretary, regular attendees of Board and Committee meetings and some external advisers also completed certain parts of the questionnaires to allow us to take non-Director views into account. The review sought to evaluate a number of aspects of Board, Committee, Chairman and individual performance, including:

- **Board:** composition and diversity; dynamics and expertise; time management; Board support; stakeholders and workforce engagement; strategic oversight; risk management and internal controls; succession planning; and priorities for change.
- **Committees:** Committee and Committee Chair effectiveness; annual plans and agendas; Committee composition; and time management.
- **Chairman:** relationships and communications with Board members; chairing and managing of Board meetings; and relationships with the Company's shareholders.
- **Individuals:** preparation for and attendance at meetings; ability to commit sufficient time; relationships with fellow Board members; the extent to which knowledge and experience are drawn upon; and overall contribution.

The evaluation found that the Board, its Committees, the Chairman and individual Board members continue to operate very effectively. The Board's ongoing management of the response to the COVID pandemic, responsiveness to stakeholder concerns, and Board diversity (and commitment to diversity) were rated particularly highly. The Board discussed the findings and endorsed the proposed action plan at its meeting in January 2022.

The Senior Independent Director led a separate evaluation of the Chairman with the Non-executive Directors to appraise the Chairman's performance. It was concluded that Sir Peter Bazalgette's performance and contribution remain strong and that he demonstrates effective leadership.

2021 Internal evaluation areas of focus and actions

Areas of focus identified:	Our key follow up actions:	
Succession planning for Executive Directors	Ensure the Nominations Committee has an effective and orderly process for the succession of Executive Directors and, following a succession mapping exercise during the year, keep this under review.	The General Counsel and Company Secretary is responsible for driving the actions forward. She compiled a comprehensive action plan listing specific actions to address the findings of the evaluation and further enhance the Board's effectiveness. The Board will monitor the implementation of the follow-up actions to review progress against the recommendations.
Visibility of potential successors for Management Board members	Continue to have members of the Executive Leadership Team (ELT) run the Board training and deep dive sessions on topics identified in the evaluation. Invite ELT members to a Board dinner, at least once a year. Invite all Board members to the Nominations Committee (typically in November) for a senior management succession planning session.	
Board development and training	Continue to offer the Board training and deep dive sessions on topics identified in the Board evaluation. This year these include the Production business model, the trading model and competitor and industry trends.	

Progress against 2020 actions

Action	Outcome
Ensure an effective and orderly process for the succession of the Chairman and continue to give the Board visibility of the positive progress made on succession planning at the Management Board and Executive Leadership Team level.	During 2021, a Chair Succession Committee (led by the Senior Independent Director) worked with Executive search agency Spencer Stuart to find a successor to take over as Chair later in 2022. The process is in its final stages. Please see page 125. All Board members were invited to attend the Nominations Committee annual senior management talent/ succession planning session. Please see page 124
Continue to build on the processes and significant work which the Board already undertakes to integrate stakeholders' interests in Board decision-making processes and to raise the visibility of stakeholder concerns in Board discussions.	The Board had a detailed discussion on stakeholder engagement at the January meeting and further sessions were held through the year covering a wide range of stakeholders including PSB updates (legislators and regulators), Duty of Care updates (programme participants and colleagues), equity market perspectives (shareholders and analysts), and M&E and Studios strategy sessions, considering a range of stakeholders. See page 73 for more information
Offer the Board training and deep dive sessions on topics that Board members identified in the Board evaluation.	During 2021, Board members were provided with a number of briefings, presentations, deep dives and teach-ins. These included a session on advertising and future commercial strategy presented by the Commercial team, two Investor seminars, on Commercial business and strategy (November) and Studios' global production and distribution business (December); and a discussion on ESG commitments and the importance of corporate culture and purpose, facilitated by Rupert Younger, the founder of the Oxford University Centre for Corporate Reputation.

In line with the Corporate Governance Code, the Board evaluation for 2022 will be externally facilitated.

Directors' Ongoing Development and Time Commitments

Ongoing training and development

As the composition of the Board remained unchanged during the year, no Director induction training took place in 2021. However, the training and development of our Directors does not end with their induction. The ongoing development of Board members is crucial to ensure that they remain well-informed of changes to the business environment in which ITV operates (including on legal, regulatory, compliance and governance matters), and effective in providing challenge on a wide range of topics. The Chairman, with the support of the General Counsel and Company Secretary, keeps the training and development needs of Directors under review.

During the year, all Directors were provided with briefings, presentations, deep dives, teach-ins and guest speakers on a range of subjects, including a deep dive on the proposed governance and audit reform proposals. The Directors' development and training programme covered topics identified in the 2021 Board evaluation, as areas on which Directors felt they could benefit from additional training or support. The programme included:

- receiving foundational information ahead of Board strategy sessions regarding, e.g., the UK streaming market and competitor overview, and the global market review for the Studios business;
- completing the refreshed mandatory training for colleagues (on ITV's Code of Ethics and Conduct, Cyber Security, Data Protection and Privacy, and Climate Action);
- attending a session on advertising and future commercial strategy presented by senior leaders in the Commercial team;
- joining two Investor seminars, on Commercial business and strategy (November) and Studios' global production and distribution business (December); and
- participating in a discussion facilitated by Rupert Younger, the founder of the Oxford University Centre for Corporate Reputation, regarding ESG commitments, and the importance of corporate culture and purpose.

Directors are encouraged to ask for any support they need and are reminded that there is always an open line to management on any topic. Non-executive Directors also have access to relevant professional technical briefings from the audit firms, including the Deloitte Academy Director updates. In addition, each Director may obtain independent professional advice at the Company's expense where they judge it necessary to discharge their responsibilities.

Time commitments

The Directors have demonstrated a strong commitment to their roles on our Board and Committees – Directors' attendance at Board and Committee meetings is set out on page 105. The Directors have also given careful consideration to their external time commitments to ensure that they are able to devote an appropriate amount of time to their roles at ITV. For each Director, the Board considers that the external time commitments that he or she is required to devote do not compromise their commitment to their roles (on the ITV Board, Committees and otherwise). The Nominations Committee reviews, on an ongoing basis, Directors' time commitments against the recommended guidance from investor bodies and ITV's top shareholders, to anticipate any perception of overboarding at the forthcoming AGM. The Committee was able to confirm that it was fully satisfied with the amount of time each Director devoted to the business.

During 2021, the Board considered changes in the time commitments of the Directors mentioned below in particular.

Sharmila Nebhrajani joined the Board of Coutts & Co (a private company) in May, and Halma plc, a FTSE 100 company, in December. Sharmila has given careful consideration to her external time commitments, taking into account that she stepped down as an independent trustee of Lifesight Ltd and as a Governor of The Health Foundation in June 2021, and would be stepping down from her role on the NS&I Advisory Board in June 2022. Sharmila considered that she would be able to continue to devote appropriate time to her role at ITV. In approving each appointment, taking all of this into account, the Board was satisfied that Sharmila's ability to fulfil her responsibility and commitment to ITV would not be compromised.

The Board also considered Carolyn McCall's appointment to the Board of Bridgepoint Group plc (Bridgepoint), as a Non-executive Director. Bridgepoint listed on the London Stock Exchange in July 2021. The Board reflected on all of Carolyn's commitments in detail, noting that Carolyn would step down as a Board member of Burberry Group plc (Burberry) on 2 April 2022 (following the end of Burberry's financial year). The Board discussed that her appointment to the Bridgepoint Board would mean that, for a limited time, Carolyn would serve as a Non-executive Director on two listed company boards. In approving Carolyn's appointment to the Board of Bridgepoint, the ITV Board took into consideration all of her time commitments and noted that Carolyn had already stepped down from her position as a Non-executive Director on the board of the Department for Business, Enterprise and Industrial Strategy and that Carolyn would be stepping down from the Burberry Board within a set timeframe. It was never the intention for Carolyn to serve as a Non-executive Director on two listed company boards in the medium or long term. The Board was therefore satisfied, for the purposes of the 2018 UK Corporate Governance Code, that Carolyn's appointment to the Board of Bridgepoint would not compromise her ability to fulfil her commitments and discharge her responsibilities to ITV.

Nominations Committee Report

Sir Peter Bazalgette, Chairman

In this report

The purpose of this report is to highlight the role that the Nominations Committee plays in ensuring that the Board has the appropriate balance of skills, experience, knowledge and background to provide the breadth, depth, diversity of thinking and perspective needed to effectively deliver long-term sustainable success.

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 [illegible]

Data analysis on the diversity of the Board is [illegible]

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.

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The main role of the Committee is to:
- Regularly review Board composition and the balance of skills, knowledge, experience and diversity
- Determine when appointments and retirements are appropriate, and lead on any Director searches
- Give full consideration to succession planning and oversee the development of a diverse pipeline for succession, at Board and senior management levels
- Set measurable objectives on Board diversity and monitor progress on these objectives, as well as review Company-wide targets

Meetings in 2021

In addition to Committee members, the Group HR Director and General Counsel and Company Secretary regularly attended meetings of the Committee.

January
- Review of Board Diversity Policy
- Director time commitments and 'overboarding' considerations
- Chairman and executive succession planning
- Committee evaluation
- Review of draft Nominations Committee Report in Annual Report

April
- Board composition and succession planning
- Executive succession planning update

July
- Annual review of terms of reference
- Board Chair search update
- Company diversity progress update

November – all members of the Board were invited to attend the meeting
- People strategy review (including review of executive succession plans)
- Company diversity progress update

Annual review

An annual review of the performance of the Committee is conducted each year.

In 2021, an internally facilitated Board evaluation was undertaken, which included a review of the Committee. The results are summarised on page 121.

Overall, the evaluation concluded that the Committee is working effectively and responding appropriately to its terms of reference.

As part of the Committee's succession planning agenda, the key priorities identified for 2022 were to ensure an orderly succession between the current and incoming Chair of the Board, and to continue its focus on Executive and Non-executive succession planning, as well as senior management talent retention and succession.

Board composition and succession planning

Composition: During the year, the Committee undertook an analytical review of Board composition, assessing the range and balance of skills, experience, diversity, knowledge and independence to identify any gaps and inform the proposed Chairman and Non-executive Director searches. A breakdown of the Board's skills, experience and certain diversity measures are set out on page 105. The review concluded that the representation of Board diversity was strong and the Directors as a whole had the right skills, knowledge and experience to enable ITV to execute its strategy. The recent hires of Directors with additional digital and data experience had been particularly important for supporting management with the accelerated digital transformation. With the upcoming departure of the incumbent Chair, the review also highlighted that the Board would benefit from additional creative industry skills, and therefore it was decided that creative industry skills and experience should be a prerequisite for the next new Non-executive Director appointment.

Non-executive Director succession planning: The Committee also reviewed succession planning for each of the Chairman, Senior Independent Director, Committee Chair and Workforce Engagement Director roles, and identified whether there are appropriate internal candidates, or an external search may be needed, both for emergency and longer-term succession.

Executive Director and Management Board succession planning: During the year, the Chief Executive and Group HR Director reported on the succession planning measures in place for the Management Board (including the Executive Directors), as well as the direct reports to Management Board members. This included Management Board and Executive Leadership Team bench strength analysis for each role identifying short and medium-term successors and the diversity of the pipeline. The Committee was satisfied that the Company has effective executive succession planning processes in place, including appropriate development plans for individuals, and was able to understand the areas where external candidates may need to be considered. The Committee also had a session on improving the strength, depth and diversity of our talent. All of the Board members were invited to attend the Committee meeting on this topic.

Board diversity

45.5%
female Board representation

In line with Parker Review and Hampton Alexander Review recommendations

18.2%
B.A.M.E. Board representation

Board searches

During the year, the composition of the Board did not change and there were no searches completed for Non-executive Directors. For details regarding the search process undertaken for our 2020 appointment of Graham Cooke and Sharmila Nebhrajani, please refer to ITV's Annual Report and Accounts 2020.

Board diversity policy

Our objective of driving the benefits of a diverse senior management team and wider workforce is underpinned by our Board Diversity Policy. Our belief is that diversity at all levels makes business sense, as it allows the organisation to harness the benefit of differences in skills, experience, culture, personality, background and work-style. We are proud of our commitment to driving further diversity on a Group-wide basis. This is exemplified by diversity being one of the four priorities in our Social Purpose strategy as well as the launch of our Diversity Acceleration Plan in July 2020, and our report in 2021 demonstrating our progress against our plan commitments. Please refer to pages 54 and 55 for further information on our Group-wide diversity plan and targets.

A copy of our Policy can be found on our website www.itvplc.com/investors/governance/directors

Set out below are the objectives of our Board Diversity Policy and our assessment of performance against them. These objectives ensure that both appointments and succession planning support developing a diverse pipeline. As there was no Non-executive Director search in 2021, some of the information below is based on our 2020 Non-executive Director searches which led to the appointments of Graham Cooke and Sharmila Nebhrajani. Our Chairman search is in its final stages and where appropriate we have made reference to this below, however, some elements of the search still remain confidential.

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 skill sets and experience to prepare them for future senior roles, is important to us. ITV runs a high potential leadership programme, building a pipeline of diverse talent for senior level roles. The Rise Programme launched in 2020 continues to promote Black, Asian and minority ethnic (B.A.M.E.) talent progression at the manager level by providing B.A.M.E. colleagues greater visibility with senior leaders through networking and

sponsorship, alongside career coaching. The programme also works with managers and Senior Leadership Team advocates to build race confidence and accelerate an inclusive culture change at ITV.

Bespoke development initiatives are in place for senior executives who have been identified as potential successors, based on particular development needs. These include:

- External executive coaching, with clear coaching objectives (including 360 degrees feedback where relevant)
- Psychometric testing, such as the Hogan Leadership series that identifies leadership strengths, derailers and values
- Mentoring by a Non-executive Director
- Business School executive education programmes
- Non-executive Director and trustee appointments where there is a suitable match and development support for those interested in these opportunities
- One of our senior leaders has secured a place on the Deloitte B.A.M.E. on Boards programme and another on the Deloitte Women on Boards Programme

The Committee held a session on succession planning at the senior executive level during the year which the whole Board was invited to attend.

Maintain at least 30% female Directors on the Board over the short to medium term
As at 31 December 2021, the Board had 45.5% female representation, including one Executive Director and two Committee Chairs; we have therefore exceeded both the target of 30% as well as the Hampton-Alexander target of 33% female representation. Whilst the Board recognises that an effective board with broad strategic perspective requires diversity, ultimately the Board appoints candidates based on merit and assesses potential Directors against measurable, objective criteria.

Our principles for Board diversity also apply to our Management Board and senior management below this level. We are therefore pleased to be ranked 5th in the Hampton-Alexander 2021 review for female representation on the Combined Executive Committee and Direct Reports, with female representation of 47.5%.

Maintain at least 10% B.A.M.E. Directors on the Board over the short to medium term
As at 31 December 2021, the Board had 18.2% B.A.M.E. representation with two B.A.M.E. Directors on the Board. We therefore also comply with the recommendation of the Parker Review to have at least one director of colour on the Board by 2021.

Use search firms who have signed up to the Voluntary Code of Conduct on gender diversity
The Board supports the provisions of the Voluntary Code of Conduct for Executive Search Firms. Both in 2020 (during our Non-executive Director searches) and in 2021 (with our Chairman search supported by Spencer Stuart), the executive search agencies we have used are signatories to the Voluntary Code of Conduct for Executive Search Firms.

Ensure Non-executive Director shortlists include at least 50% female candidates
For our Non-executive Director searches in 2020, the longlist of candidates for both searches consisted of at least 50% female candidates. These lists were reviewed and refined based on measurable, objective criteria, to come to a shortlist made up of at least 50% diverse candidates (female and/or B.A.M.E.)

Ensure the Non-executive Director search pool is sufficiently wide and covers candidates from B.A.M.E. backgrounds and candidates with a wide range of expertise, skills and backgrounds
As part of the Non-executive Director searches during 2020, the Committee worked closely with both executive search agencies in compiling long and shortlists of candidates from various backgrounds and industries, including B.A.M.E. backgrounds. Candidates were identified and interviewed and their skills and qualities were assessed against measurable, objective criteria.

Chairman search

Under the Code, the chair of the Board should not remain in post beyond nine years from the date of their first appointment to the Board. However, this period can be extended for a limited time, particularly in cases where the Chair was an existing Non-executive Director on appointment, to facilitate effective succession planning and the development of a diverse board. The incumbent Chairman joined ITV as a Non-executive Director in June 2013 and was appointed Chairman of the Board in May 2016.

Appropriate succession planning steps began to be taken during the course of 2020 with the Committee appointing Spencer Stuart to commence the search for a new Chairman of the Board in 2021. Other than the provision of search services, Spencer Stuart has no connection with ITV, with the exception of supporting the Board's desktop succession planning review, and previously supporting the recruitment of the current Executive Directors and some of ITV's Non-executive Directors.

As the Chairman of the Board is also the Chair of the Nominations Committee, a separate Chair Succession Committee was established. This was led by the Senior Independent Director and comprised the Nominations Committee members (other than the Committee Chair) plus the Audit and Risk Committee Chair. The incumbent Chairman did not participate in the process.

The Chair Succession Committee worked with Spencer Stuart to refine the role description, and specified that the long list (and short list) must include candidates of diverse backgrounds, gender and race. Spencer Stuart then undertook a comprehensive search for prospective candidates who met the profile.

Given the importance of the appointment, the search process has been thorough and detailed, with all Board members being consulted as part of the shortlisting process.

The search is currently in its final stages. As at the date of this Report, 3 March 2022, an announcement regarding a successor is expected to be made in the near future, with a view to the prospective candidate taking over as Chair in September 2022.

As a result, it is expected that the incumbent Chairman will remain in post until September 2022. The Board believes that this is necessary and appropriate to align with the expected timing for the new Chairman taking up the role, and in order to ensure an orderly transition.

Audit and Risk Committee Report

Margaret Ewing, Chair, Audit and Risk Committee

Who is on the Committee?

Composition

The current members of the Committee are:

- Margaret Ewing (Chair)
- Edward Bonham Carter
- Graham Cooke – joined on 1 November 2021
- Mary Harris
- Anna Manz

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[illegible]

The Committee is composed entirely of independent Non-executive Directors and, aside from Graham Cooke joining the Committee in November, the membership had remained consistent during the year.

Detailed biographies, including skills and experience, can be found on pages 100 and 101. The Committee members have, between them, a wide range of relevant sector and financial experience, enabling the Committee to fulfil its terms of reference. This includes by providing independent and robust challenge to management and our internal and external auditors, to ensure there are effective and high-quality controls in place and appropriate judgements are taken. For the purposes of the Code, the Board considers that Margaret Ewing and Anna Manz have recent and relevant financial experience.

Dear Shareholder

On behalf of the Board, I am pleased to present the 2021 Audit and Risk Committee Report. This report is intended to provide shareholders with an insight into key areas considered, together with how the Audit and Risk Committee (the Committee) has discharged its responsibilities and provided assurance on the integrity of the 2021 Annual Report and Financial Statements (2021 Annual Report). This has included ensuring the 2021 Annual Report is aligned with the latest requirements and guidance from regulators, that it is fair, balanced and understandable and that all matters disclosed and reported upon meet the rapidly evolving needs of our stakeholders. In addition, the Committee's fundamental priorities include ensuring the quality and effectiveness of the external and internal audit processes and monitoring the management of the principal risks of the business. My introduction sets out the key areas of focus for the Committee during 2021 (since our 2020 report) and to the date of this report.

Throughout 2021 COVID has had a big impact on the business. Our Studio business is still operating with stringent restrictions and absences due to illness affecting its operations but, as highlighted throughout the Strategic Report, all elements of the Group have responded exceptionally well to the conditions. And this is true of our finance team, PwC and Deloitte (internal audit provider) as they adopted a remote working model for most of the year, despite this being PwC's first year as external auditor. The Committee closely monitored the impact of COVID on the effectiveness of communications and working models adopted between the various teams, ensuring that progress of the external and internal audits tracked their respective plans throughout the year, internal controls (as adapted in 2020) remained effective and issues were addressed in a timely manner. I'm pleased to report that management and PwC's actions and the coordinated working models provided the Committee with confidence in the robustness of the financial reporting, audit processes and control environment. The internal audit plan also continued to be adjusted to adapt appropriately to the changing needs of the business.

I have maintained regular dialogue with other members of the Committee, the Group CFO & COO, and other members of management, including meeting with 'agenda topic owners' prior to Committee meetings, ensuring the Committee would be provided with the necessary information to enable it to guide, challenge and advise and, when required, make informed decisions. I also met privately with our external auditor, PwC, lead partners and lead partner at Deloitte, ITV's provider of outsourced internal audit, as part of my ongoing review of their effectiveness. Pages 134 to 136 describe how the Committee has monitored and assessed the effectiveness of the external and internal auditors during 2021. I also met with ITV's legal advisers in respect of ongoing litigation and other legal matters.

The Committee has been very pleased with the quality and effectiveness of PwC's audit and approach to interrogating ITV's financial and IT general controls, and financial reporting and supporting judgements. Their fresh perspective, challenge and rigour have drawn the Committee's and management's attention to aspects of the Group's control processes that could be strengthened, as well as a need for renewed consideration of certain accounting judgements. During the year, management has taken positive action to remediate and strengthen the Group's internal controls and the Committee recognises that there is still much to do in respect of full implementation of the planned improvements (see pages 132 to 134). The Committee has spent considerable time reviewing and scrutinising the Group's financial results and details of the significant issues we considered can be found on pages 129 to 131.

In May, the FRC invited the Committee to participate in a project to pilot engagement level audit quality indicators (AQIs). This pilot required the Committee (with input from management) and PwC to identify a set of AQIs specific to the ITV audit. For 2021, we jointly identified 10 AQIs (submitted to the FRC) that we assessed following the audit, contributing to our overall assessment of external audit effectiveness. For 2022, we will restrict the AQIs adopted to those that were useful in the Committee's assessment of audit quality, which is a priority for the Committee.

The Committee's prioritisation of audit quality is also reflected in the conclusion of the FRC's Audit Quality Review (AQR) of KPMG's 2020 (and last) audit of ITV's financial statements. The Committee was pleased with the AQR's conclusion in respect of those aspects of the audit that the AQR team focused on. I would like to acknowledge the quality of KPMG's audit but also the quality of ITV's finance resource, processes, approach and transparency in its communication with the external auditor, which are all critical to the delivery of an effective high-quality audit.

As the year progressed, the Committee requested additional items on its meeting agendas to ensure it had clear oversight of the evolving impact of the Group's strategy and restructuring on the business plus emerging risks. Given the criticality of technology to the successful execution of the strategy, and observations from both the external and internal auditors on the governance processes related to IT general controls (ITGCs) and aspects of the controls requiring strengthening, we increased focus on our ITGCs. The Committee's intervention supported the Chief Technology Officer in enhancing his central resource, establishing a Governance, Risk and Controls function. Another example of the Committee's responsiveness to new or emerging risks was the request, supported by the Board, for an immediate Internal Audit review of the effectiveness of ITV's journalistic integrity and standards, prompted by increased scrutiny of a competitor's past actions. Other key activities during the year included the internal auditor tender (see page 135), reviewing and contributing to the enhanced frameworks for fraud risk and Enterprise Risk Management (ERM) (see pages 129 and 132), monitoring the progress of 'ITV Together' (the HR and Finance transformation programme) and TCFD compliance and reporting enhancements, deep dive risk sessions relating to pensions, data governance and privacy, and duty of care (see pages 129 and 133). A number of the Committee's priorities for 2022 follow on from the Committee's key activities in 2021 and are set out below.

Information regarding the Board's stakeholder engagement is set out on pages 107 to 113, which also indicates where the Committee took account of the views of the Company's key stakeholders and considered their interests in its discussions and decision-making. While I had no direct meetings with ITV shareholders during 2021, I met with representatives of IVIS, one of the proxy agencies, to better understand IVIS's priorities regarding audit committee activity and reports. In addition, as a member of the Audit Committee Chair's Independent Forum steering group in respect of the consultation on the BEIS white paper on audit and corporate governance reform, I participated in very many discussions with the various key stakeholder groups. This allowed me to share the insights gained with the ITV Board and management, facilitating our detailed response to the consultation and our initial plans for implementation of relevant aspects of the proposals. During 2022, I will seek direct engagement with key investors on financial reporting risk and assurance planning.

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 stakeholders' expectations in our reporting and, as always, welcome any feedback from shareholders or other stakeholders.

Margaret Ewing
Chair, Audit and Risk Committee
3 March 2022

2021 Key Matters

Matters considered at the meetings are set out on the pages that follow.

Meetings in 2021

The Committee held five meetings during the year. In light of the Committee's growing agenda, and the scale and pace of transformation of the business, two additional meetings have been scheduled for 2022.

In addition to Committee members, the Chairman of the Board, Executive Directors, Director of Finance, Group Finance Controller, General Counsel and Company Secretary, Director of Tax and Treasury, Head of Enterprise Risk Management, Head of Internal Audit (Deloitte) and External Audit lead partner (PwC) regularly attend meetings. There were regular sessions during the year when the Committee met the external audit partner and, separately, the Head of Internal Audit without executives present.

Our role

The Committee's terms of reference, reviewed annually and last updated in July 2021, can be accessed on our website.

The Committee's principal responsibility is to oversee and provide assurance to the Board on the integrity and quality of financial reporting, effectiveness of audit arrangements and robustness and effective operation of internal controls, compliance and risk management processes. The Committee meeting agendas are tailored to ensure emerging topics are included and to allow for ad-hoc discussion and reviews. A summary of the Committee's activities during 2021 (from the date of our 2020 report) and until the date of this report is detailed on the following pages.

Annual Review

During the year, the Committee members and regular attendees (including the internal and external auditors) completed a detailed and customised questionnaire to evaluate the Committee's effectiveness. The findings in relation to the Committee were discussed and shared with the Board. Overall, it was concluded that the Committee continued to perform effectively.

Following discussion of the conclusions of the Committee evaluation, it was agreed that the areas the Committee should focus on in 2022 included internal controls improvements (particularly financial and IT general controls); Task Force on Climate-related Financial Disclosures (TCFD); other Environmental, Social & Governance (ESG) related risks and reporting; and further embedding the Enterprise Risk Management framework.

Financial reporting

Our role

Financial reporting:

- Monitor the integrity of published financial information and review and challenge significant financial reporting issues, estimates and judgements
- Review the appropriateness of accounting policies and practices
- Provide advice to the Board on whether the Annual Report and Accounts are fair, balanced and understandable and the appropriateness of the going concern statement and the longer-term viability statement
- Provide advice to the Remuneration Committee on financial reporting matters and related judgements as they affect executive remuneration performance objectives

Items covered

Reviewed:

- Quarterly, interim and full year results statements, prior to recommendation to Board for approval, together with supporting reports from the Group CFO and COO highlighting all key judgements and estimates
- External auditor reports, including progress updates, to the Committee regarding interim review and full year audit
- Final draft 2021 Annual Report, prior to recommendation to Board for approval, including review of Principal and Emerging Risks disclosure and assessment that the Annual Report is fair, balanced and understandable
- Assessment of appropriateness of going concern and viability statements, including management reports on all key judgements, scenario assumptions, supporting analysis/evidence, reporting and disclosures
- Litigation updates, including status reports in respect of Box Clever and Talpa matters
- Reports on potential acquisition earnout liabilities and performance against acquisition business case criteria
- Pension matters, including pension deficit and update on projects
- Regular tax updates and recommendation of updated tax strategy to Board for approval
- Treasury policies, updates and funding strategy
- Share plan anticipated performance outcomes for FY21
- Developments in financial and corporate reporting, including the BEIS white paper on audit and corporate governance reform
- Finance team structure and resourcing, including strategy and implementation plans for finance transformation as part of the ITV Together programme

Significant audit risks and accounting judgements

In planning its agenda and reviewing the audit plans of the internal and external auditors, the Committee has taken into account significant operational and financial issues and risks which may have had an impact on the Company's financial statements, internal controls and/or the delivery and execution of the Company's strategy (including changes in the nature and significance of some of the Group's Principal Risks).

The Committee focused on assessing whether management had made appropriate judgements and estimates in preparing the Company's financial statements, particularly with regard to the significant issues listed below. These issues were subject to robust challenge and debate between management, the external auditor and the Committee. The Committee also reviewed detailed external auditor reports outlining work performed and any issues identified in respect of key judgements and estimates – see the Independent Auditor's Report on pages 164 to 171. The Committee concluded there was no significant disagreement or unresolved issue that required referral to the Board.

Risk of fraud (particularly in revenue recognition)

Issue	Action taken by the Committee	Outcome/future actions
The nature of ITV's business, including advertising and production, means that there are potential risks of revenue recognition and other fraud, including collusion with advertisers, facilitation payments, fraudulent payments to suppliers or employees and manipulating profits or hiding fraud by use of accounting journals.	The Committee reviewed management's report on ITV's fraud prevention framework and the key controls in place at the Business Service Centre (BSC) and in its international businesses designed to prevent and detect fraud, as well as actions during 2021 and future plans for enhancement of the relevant controls. The Committee discussed the steps management had taken, including designing a fraud detection process for the specific fraud risks identified. The Committee also explored the measures in place, including segregation of duties ensuring independent review, to mitigate against the risk of management override of controls. The Committee also reviewed PwC's audit procedures, including the results of their data auditing techniques for advertising revenue and journals as well as their conclusions relating to fraud risk in revenue recognition with a particular focus on ensuring appropriate cut-off of revenue transactions close to the year end. The Committee challenged management on the robustness of the controls and whether there was sufficient focus on high-risk and material areas, such as supplier related fraud.	The Committee agreed with management's assessment that the overall control framework remained effective and, with a focus on high-risk and material areas, additional controls introduced had mitigated risk. The Committee concluded that the Group's revenue recognition processes included a robust control framework to effectively mitigate the risk of material fraud and was satisfied with the work undertaken by PwC in also reaching this conclusion. The Committee supported management's 2022 plans to continue developing the fraud prevention framework.

Pension defined benefit obligations and assets

Issue	Action taken by the Committee	Outcome/future actions
ITV sponsors defined benefit pension schemes with total liabilities and assets of over £4 billion and £3.8 billion respectively. Significant actions have been taken to manage the liability risk and minimise the fluctuations in asset values. However, pension liabilities and those assets with inherent valuation subjectivity remain significant sources of risk to the business and estimation judgement in the financial statements. Note 3.6 to the financial statements details the key risks to valuation of the liabilities and assets.	The Committee received a number of updates on pension matters through the year, including actuarial valuations, restructure of the funding SDN Pension Funding Partnership (PFP) arrangement and implementation of a low risk long-term investment strategy for Section A of the Scheme. The Committee also received an in-depth analysis of the key risks associated with the defined benefit pension scheme liabilities. The Committee recognised the judgement applied in determining the fair value of those pension scheme assets held in pooled investment vehicles, property and longevity swaps and the heightened level of risk to which this gives rise. The Committee discussed the risks and the ongoing process to manage, and where possible remove, those risks. The Committee also considered the external auditor's review of the pension assets and liabilities, including the views of PwC's in-house expert valuations and actuarial teams (in respect of key assumptions and methodologies applied in the valuation of the liabilities and certain assets). PwC also obtained third party investment manager control reports and other supporting evidence to identify any inconsistencies in attributed year-end values. Noting that the Pensions Regulator was taking an increased interest in trustee independence, the Committee also discussed management's relationship with the trustee.	The Committee reviewed the key pension objectives identified by management and was satisfied that the strategic actions being undertaken by management to achieve those objectives and to continue to mitigate risks were appropriate and robust. The Committee was satisfied as to the accuracy and appropriateness of the defined benefit pension schemes' reported accounting position and impact on the financial statements.

Exceptional items including Alternative Performance Measures

Issue	Action taken by Committee	Outcome/future actions
During 2021, management proposed a number of matters to consider classifying as exceptional items. (See note 2.2 to the financial statements for a summary of exceptional items in 2021.) (See an explanation of the exceptional items policy on page 188.)	The Committee continued its increased scrutiny of the application of the Group's policy on exceptional items, spending considerable time reviewing and challenging management's classification. The Committee scrutinised in particular the definition of reorganisation and restructuring costs qualifying to be disclosed as exceptional items and took into account the views of the external auditor. The Committee requested management review the policy to provide additional clarification. The Committee also took into account the results of the FRC's 'thematic review' of Alternative Performance Measure (APMs), noting that elements of ITV's APM disclosures were highlighted as best practice, based on the FRC's limited scope review of the disclosures in ITV's 2020 Annual Report. As part of this review, the FRC also wrote to the Chairman, noting instances where our disclosure regarding APMs could be improved, including clarifying the labelling of APMs and changes to the profit to cash conversion ratio calculation. The Committee considered the disclosures regarding APMs in the 2021 Annual Report, ensuring they reflected the comments and recommendations of the FRC.	Following management's response to the Committee's challenges, the Committee was able to approve the revised policy and conclude that the final approach taken was appropriate, including fully recognising the observations raised by the FRC. The Committee also recognised that management had continued to challenge itself and exercise discipline on the categorisation of costs as exceptional items, ensuring that the policy had been applied in a consistent and disciplined way and the amounts were clearly disclosed in the Annual Report. The Committee noted that it would continue to review the exceptional items policy and definitions regularly, considering evolving regulatory scrutiny.

Legal provisions – Box Clever

Issue	Action taken by Committee	Outcome/future actions
ITV is subject to ongoing legal disputes where the outcome is not certain, including the quantum of liability in respect of the Box Clever pension scheme deficit.	Throughout 2021, the Committee reviewed updates on the Box Clever case and liability from the General Counsel and Company Secretary and Group CFO & COO. In addition, the Committee Chair met with the external legal advisers and actuaries supporting ITV to understand their perspectives on the dispute. The Committee considered the response of and management's interactions with the Pensions Regulator, views of external actuarial and legal advisers and the level of provision for the case, noting that it would be important to make full disclosure of the high level of uncertainty of the final outcome and the legal process, which could continue for a number of years.	The Committee agreed that the best estimate provision and disclosure had been made in respect of Box Clever, supported by the advice of the Company's actuarial and legal advisers, and based on the IAS 19 valuation as well as the latest available information regarding the pension scheme (received by the Company during 2021), and most likely outcomes. See note 3.5 to the financial statements.

Other significant issues

Acquisition-related liabilities

Issue	Action taken by Committee	Outcome/future actions
The complexity and potential scale of the expected earnouts of company acquisitions can result in the potential total liability for earnouts being a significant business liability. This was particularly the case with the Talpa acquisition, which was determined and settled during the year.	The most material acquisition earnout liability for ITV related to the acquisition of Talpa. The Committee received regular updates regarding management's estimated range of possible final Talpa consideration, supported by the conclusions of external experts and advisers. On receiving the independent arbiter's final conclusion on the amount due to the vendor in respect of the Talpa earnout, which resulted in an additional €125 million payment above the amount previously provided, the Committee received a detailed analysis of the judgements that had not been determined in accordance with the Group's expectations and the reasons for this (and any lessons to be learnt from this which should be considered in negotiating and monitoring future acquisitions). The Committee also received a detailed update on the post-acquisition performance of all significant previous acquisitions, including performance against the main earnout clauses, expected returns on investment and key strategic and intangible benefits.	The Committee was satisfied that, with regard to the Talpa final payment, the additional amount payable, resulting from the inclusion of certain streams of revenue excluded from management's initial estimates, was within the quantum of the range of the potential final determination of the liability as previously disclosed. The Committee ensured clear disclosure in the Annual Report of the range for all of the potential outstanding earn out liabilities. See note 3.1.5 to the financial statements.

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, passed to the employer, rather than remaining with individuals and their personal service companies.	The Committee considered updates from management on developments in the application of IR35 and HMRC's position as regards the tax status and treatment of 'front of camera' presenters who were not employees. The Committee reviewed the status of discussions with HMRC at the half year and supported the provision of £3 million to cover historical liabilities. During the latter part of 2021, the Committee considered further updates demonstrating the change in HMRC's position, following the outcome of certain non-ITV related tribunal cases, since the half year. Given the developments, management proposed a significant increase in the provision for these liabilities to £36 million, mostly related to prior years. Management proposed to classify those amounts related to prior years as exceptional costs given their materiality and nature.	The Committee considered and supported management's proposed increased provision and proposed accounting treatment, taking into account the external auditor's views. The Committee acknowledged that the outcome of ITV's negotiations with HMRC and the implications for the relevant 'front of camera' individuals and the Company would be kept under review.

Going concern and viability assessments

Issue	Action taken by Committee	Outcome/future actions
In light of the continuing uncertainty over the economic recovery and the evolving impact of the pandemic, the Committee felt it was important to again apply enhanced scrutiny to management's assumptions, stress testing and scenario analyses supporting the going concern and viability statements as well as seeking impartial external views on ITV's viability.	The Committee reviewed and challenged management's process and assessment of going concern, longer-term prospects and viability by considering forecast cash flows, base case and downside scenario analysis, the results of further testing of those scenarios, and other principal risks, including continuing uncertainty in the economic recovery. In reaching its view, the Committee also considered: (i) analyst and other expert commentary to understand the wider market views on the Group's future financial performance and viability; (ii) financial forecasts (iii) the Group's financing facilities including covenant tests and future funding plans; and (iv) the external auditor's findings and conclusions on this matter. Accepting management's responses to the challenge, the Committee agreed that the three year period selected for the viability outlook was the appropriate time period. The Committee also considered the adequacy and accuracy of the disclosures in the 2021 Annual Report in respect of the Group's ability to continue as a going concern and its future viability.	Following this thorough assessment, the Committee considered the extent of the assessment made by management to be appropriate and recommended the draft viability statement and related disclosures (for inclusion in the 2021 Annual Report) for approval by the Board. The Committee also concluded that it remained appropriate to adopt the going concern basis of accounting in preparing the consolidated financial statements without a material uncertainty, and that the disclosure in the Annual Report, in respect of the Group's ability to continue as a going concern, was appropriate. See pages 178 and 179. The Committee will continue to monitor the Group's going concern basis and viability assessment.

Risk management and internal controls

Our role	Items covered
• Assist the Board to establish and articulate overall risk appetite and oversee and advise the Board on specific strategic risk exposures and mitigations • Review the risk identification and mitigation processes and undertake deep dives into high-risk business areas or processes • Review the effectiveness of the internal control and risk management processes • Oversee appropriate whistleblowing and fraud prevention arrangements	Reviewed: • Biannually, principal and emerging risks and uncertainties and associated mitigations • Progress in implementing the enhanced ERM framework • Progress to improve operational risk management capability for security, duty of care, and crisis management areas • Insurance arrangements and policies, including how those support mitigation of principal and other financial risks • Progress to implement the financial controls framework and effectiveness review, including update on ITV Together programme • Ongoing programme of improvements to technology and IT related controls and governance environment • Mapping of the internal audit plan to key principal and operational risk areas to understand assurance coverage • Outcome of the work of internal audit as part of delivering the annual plan • Implementation of updated Speaking Up policy and report on actions taken actions taken to strengthen Speaking Up processes and increase awareness across the organisation • Data privacy and governance update • Biannually, compliance framework and monitoring • Group Approvals Framework and M&A approvals process and approved amendments Undertook deep dives on the following key principal and operational risks to understand and challenge the related governance, risk management, mitigation, controls and compliance with risk appetite around those risks: • Duty of care and health and safety • Pensions risk management • Data privacy, security and strategy related risks, • Compliance framework, incorporating the anti-bribery and corruption risk assessment • Fraud risk and fraud prevention, detection and controls framework

Risk management

During 2021, the Committee continued to consider the process for identifying and managing risk within the business and assisted the Board in relation to compliance with the UK Code and FRC guidance. Recognising the evolving nature of the risk landscape and the unprecedented challenges presented by COVID-19, in 2020 ITV began a project to improve the enterprise risk management framework. During 2021, ITV continued to build on the refreshed framework, to improve the way risks are identified, managed and reported to the Board. Embedding the enterprise risk management framework and assessing management's response to the material risks to ITV was an area of continued focus during the year, with the Committee providing challenge and direction as appropriate. The Committee Chair also regularly met with management and the Group Risk team to further understand progress and provide guidance on the implementation of enhancements. Further information on ITV's risk management approach, including details of our principal risks and our processes for identifying and responding to principal and emerging risks are set out on pages 72 to 87.

Internal controls

The Board has overall responsibility for overseeing and reviewing the effectiveness of the Group's framework for financial, compliance and operating internal controls. The Governance Report within this 2021 Annual Report provides many examples of how the Board monitors the effectiveness of the internal operating controls – for example, please see the Non-Financial Information Statement on pages 70 and 71. For example, the Committee received updates on the IT control environment, cyber security and compliance framework.

Throughout 2021, on behalf of the Board, the Committee has continued to review the Group's compliance policies, procedures, global monitoring activities, business risk assessment plans and results, including the operation of and reports to the independent third-party (Safecall) managed whistleblower hotline.

The Committee also supports the Board in assessing the effectiveness of the framework in respect of financial controls. The primary responsibility for the operation of the framework for internal control is delegated to management. The framework can only provide reasonable and not absolute assurance against material misstatement or loss. Key control procedures are designed to manage rather than eliminate risk.

Data privacy

Enhancing the way data is used across the business remains a core element of delivering ITV's More than TV strategy, and in 2021, the business introduced an ambitious transformational programme to deliver this ambition. Given this focus for the business, one of the continued areas of scrutiny for the Committee in 2021 was overseeing the risks and associated practices related to data privacy and governance, to help deliver our ambition in a safe and compliant manner.

The Data Protection Officer and her team have been focused on enhancing the Group's data protection framework, which has included working closely with the Chief Data Officer to implement effective data mitigations to ensure ITV is able to leverage data in an appropriate way when delivering its data strategy. The Committee stressed the need to ensure that data privacy and cyber specialists are embedded into the data transformation programme, to support embedding privacy and security by design principles into new processes and activities from the outset, and this has been a key enhancement implemented during 2021.

The Committee and management recognise that the digital transformation the Group is undergoing requires close scrutiny, given the significant changes and cultural shifts taking place across the business. During the year, the Committee reviewed and discussed deep dive reports on the interconnected risks associated with data protection, security and cyber, and data strategy to understand what risks could impact on our compliance position or could result in ITV being unable to extract value from our data. In addition, an internal audit review was performed on the data strategy governance arrangements in order to understand how key programme and change risks are being managed. The Committee has requested a further internal audit for 2022 to gain independent assurance on the development of the data protection and governance framework.

Duty of care

The Committee received an in-depth report on steps taken to enhance Duty of Care processes and reduce the risk posed by Duty of Care issues. This included a 'deep dive' into both the ITV Studios and M&E Duty of Care risks. The Committee welcomed the progress made and active steps taken to reduce risk through management's Duty of Care framework review and enhancement project, with the support of external experts. Enhancements included a Participants' Assistance Programme outlining appropriate levels of aftercare for participants in high-risk shows and the use of appropriately qualified clinicians to work on programmes. The Committee encouraged further steps being taken to ensure that the business is operating within an acceptable level of risk appetite.

Internal financial controls

During 2021 the Committee has overseen the design and implementation of improvements to ITV's financial reporting controls framework. A Head of Financial Governance and Compliance was recruited in 2021 and, together with her team, is responsible for designing and implementing the controls operating model and leading the risk and controls workstream on the HR and Finance Transformation Programme (ITV Together). The core components of the controls operating model include performing annual scoping and risk assessments (define), design and implementation of the financial reporting controls framework and associated policies (optimise), delivery of focused training sessions and communications to further enhance the risk and controls culture (embed) and finally leveraging technology to facilitate real-time monitoring and testing (assure). By the end of 2021, the team had made significant progress against the define, optimise and embed components of the controls operating model and will be focusing on strengthening ITV's monitoring and testing approach to financial controls in 2022. For the subsidiary companies, control operating model baseline activities are underway.

The Committee Chair met regularly with management and the Financial Governance and Compliance team to receive more detailed updates on the control operating model implementation and to ensure that the Committee's key concerns were being appropriately addressed. Similarly, external consultants were also engaged throughout the year to review the design of the financial reporting controls framework to ensure it is fit for purpose and in line with Committee of Sponsoring Organizations (COSO) principles. The Committee welcomed the actions taken by management and the plans to continue enhancing the financial controls (and related IT general controls) across the Group and will closely monitor the ongoing improvements during 2022.

Further, ITV continues to address the key improvement opportunities identified in relation to its IT environment (including legacy systems), prioritising its IT controls over financial systems. Throughout the year, the Committee obtained regular progress updates in respect of this area, providing independent challenge on the roadmap, including prioritisation of activities in light of ITV's digital transformation strategy.

The Committee is satisfied that the Group's internal financial controls operated effectively throughout the year. This was principally based on a programme of internal audit reviews, monthly Group review of subsidiary balance sheets, and independent review of monthly management self-assessments submitted by subsidiary companies. In addition, ITV runs a suite of automated analytics that enable monitoring of financial transactions across Group systems and monthly exceptions management.

The updates to the fraud prevention framework were presented to the Committee to reflect the ongoing changes to the processes and controls within the BSC, and their increasing use of third-party tools and data analytics to proactively monitor fraud risk. Plans to further develop the fraud risk management framework across the business were also discussed and guided by the Committee.

The Committee is conscious of the key risks and impact that significant change programmes will have on ITV's control environment, and therefore, has received regular updates from management and assurance from specific internal audits on key projects. Given the global scope and magnitude of the ITV Together programme, the Committee has closely monitored the programme's progress and has provided strong governance and robust challenge to support management in its delivery. In 2022, the Committee intends to continue with focused bi-annual sessions with the programme sponsors and leadership team.

Speaking Up

The Committee reviewed the roll-out of the new Speaking Up policy and the revised elements of the framework. Whilst pleased with the improvements and progress made, the Committee also recognised that there is a need for a continuing programme to drive awareness and regularly refresh and communicate on Speaking Up. The Committee received a detailed report on any significant issues raised during 2021 via the independent whistleblowing facility or other channels available within ITV. The report included an assessment of any identified trends in complaints, the nature of any noteworthy allegations, the corrective measures implemented to address substantiated complaints, and the process applied to triage and correctly investigate complaints. The Board also received this report. The Committee also considered the actions taken by management as a result of the investigations' conclusions and recommended additional actions where appropriate, overseeing the investigation of all significant issues reported.

Taking into consideration the Committee's recommendations, during 2022 there will be a more targeted approach to communications and awareness campaigns for different parts of the business, recognising that different cultures, the current change agenda and evolving strategy all impact the number and type of concerns raised by employees.

Climate-related governance
The Committee plays a key role in the governance of climate-related risks and opportunities and reporting against environmental and climate risk related regulatory reporting requirements. In 2021 the Committee discussed progress in respect of the Group's strategy for compliance with TCFD on three occasions, including a focused session on ITV's progress in reporting against the TCFD framework, with PwC's input. Management set out its progress in meeting the requirements across the four pillars of the key TCFD disclosure recommendations and presented draft Annual Report disclosures. This enabled the Directors to consider the climate-change risks and transition risks associated with achieving the Paris agreement goals, when preparing and signing off the Annual Report and Accounts. The Committee also reviewed during the year the methodology and internal quality assurance processes over GHG emissions reporting, following the implementation of a new environmental reporting system across ITV.

The Committee is encouraged by the significant progress made by management to meet the minimum requirements for TCFD disclosures, and in starting to deliver against ITV's ambitious environmental targets. The Committee will continue to monitor progress to enhance TCFD reporting to move from minimum compliance to best practice and ensure that robust plans and roadmaps are in place to meet the commitments and targets provided. In addition, for 2022, the Committee has requested external independent assurance over emissions reporting. A key area of focus for the Committee during 2022 will be ensuring the Company responds appropriately to the rapidly changing and new regulations and reporting requirements.

Climate-related governance

Our role	Items covered
Review of ITV's global environmental and climate risk mitigation strategy, targets, progress and reporting in line with the Task Force on Climate-related Financial Disclosures (TCFD) and other environmental reporting requirements. Assessing the integrity of the targets and data included in the reporting and obtaining appropriate assurance on its completeness, reasonableness and accuracy.	Reviewed: • methodology and internal quality assurance processes over Greenhouse Gas (GHG) emissions reporting • progress towards reporting against the TCFD framework, including ITV climate scenario analysis and consequential risks and impact (including financial) • roadmap to achieve Net Zero and other environmental commitments and targets

Internal audit

Our role	Items covered
• Monitor and review the effectiveness and independence of the internal audit function • Review and approve the internal audit plan and monitor its implementation, approving any amendments to the plan • Review the continued appropriateness of the outsourcing of the internal audit function, oversee the tendering of the internal audit contract and approve the appointment of the internal auditor and the remuneration and terms of engagement	• Performed an assessment of internal audit independence and effectiveness • Reviewed and approved the internal audit charter • Approval of the 2021 internal audit plan • Review of reports from the internal auditor, including a review of activity, key conclusions and recommendations arising from audits, status reports on action plans and regulatory and programme compliance • Annual review of risk acceptance of audit findings • Meeting regularly with the internal auditor in the absence of management • Assessment of the appropriateness of ITV's current outsourced model for internal audit and approval of management's proposal to proceed with an internal audit tender • Oversight of the internal audit tender process and approval of recommendation (following a full RFP process) to appoint EY as the preferred supplier for Internal Audit services from 1 April 2022

Our auditors
The Group's internal audit activity is currently outsourced to Deloitte LLP (Deloitte), who report directly to the Committee. The Committee continues to support ITV's current model of a fully outsourced internal audit function, which allows best practice in terms of risk-based approach and auditing techniques, continuous robust and independent challenge, and the use of specialists in high-risk areas and across the various geographies.

The Committee has kept under review the internal audit relationship with Deloitte and the procedures to ensure that appropriate independence of the internal audit function is maintained. The effectiveness of the internal audit is assessed over the year using a number of measures, including the Committee's private sessions with the internal audit partners, reports from internal audit on the development and delivery of the internal audit plan, communication of results of reviews performed and the completion of agreed actions arising from reviews. The Committee also undertook a focused review of the effectiveness of the auditor, which included a private discussion between the Committee members, Chairman and Group CFO & COO (who also represented management's views on the quality of the internal audit provision). The discussion was guided by a series of questions circulated by the Committee Chair, which included internal auditor independence and

objectivity, resourcing, involvement in business discussions on risk, and communications between the internal auditor and the Committee. Having carefully considered the findings arising from the deliberations and measures described above, the Committee was satisfied that the quality, experience and expertise of the internal auditor was appropriate, the internal auditor remained independent of management and the Group was receiving an effective internal audit service.

As Deloitte had been ITV's internal auditor for a number of years and in line with recommended practice, in 2021 the Committee oversaw a competitive tender process for internal audit services, led by a panel composed of Committee members and management. As part of the tender process, ITV issued a formal Request for Proposal (RFP) to five audit firms and two firms (one being the incumbent) confirmed a willingness to participate in the process. The evaluation criteria were pre-agreed in the RFP, which included quality and clarity of internal audit approach, demonstration of a challenging and sceptical mindset, the depth of understanding of ITV's business, its industry sector and related risks, team experience (including specialist and geographical resource), and an assessment of independence and objectivity. The two firms prepared detailed written proposals and presented these to the panel. Following a robust assessment of the proposals against the evaluation criteria, the panel's view was that both firms could undertake high-quality internal audit reviews for ITV. However, in light of ITV's strategy and the need to safeguard the continuing independence and objectivity of the internal audit, the panel unanimously recommended to the Committee the appointment of EY, which the Committee approved. A key focus for the Committee in 2022 will be ensuring a smooth and effective transition of the internal audit services to EY, including ensuring full internal auditor independence and objectivity and the development of an appropriate audit plan for the final nine months of 2022.

Prior to the start of the year, the Committee considered and approved the 2021 internal audit plan for operational, financial and technology controls, which was structured to align with ITV's strategic drivers and principal risks. Audits continued to be performed remotely through 2021, with a view to site visits resuming in 2022, where possible. 14 internal audits were completed for the year, (with a further four to be presented to the Committee) covering, amongst other areas and controls, certain aspects of operational risk management, core treasury processes, Global Entertainment integration, Broadcast and Technology contract management processes, the Health & Safety framework across UK and international businesses, ITV Netherlands' compliance with key financial controls and Group minimum standards, management's approach to monitoring of culture and assessment against ITV values, Group data strategy (readiness review), and a review of the processes in place over journalistic standards and integrity of content. The internal audits performed provided assurance over areas deemed to be of greater risk and relative importance to the Group in 2021. The internal auditor also provides the Committee (and therefore the Board) with valuable insight on the culture across the Group and the reflection of the Group's values by management and other employees. A cultural assessment is routinely incorporated in audit ratings.

The Committee is satisfied that, during 2021, delivery of the approved internal audit strategy and plan provided timely and appropriate assurance on the effectiveness of controls in place to successfully manage relevant Group principal risks. The successful transition from Deloitte to EY as the internal audit provider in 2022 will be an important Committee responsibility to ensure continued confidence in an effective internal audit.

External auditor

Our role

- Oversee the relationship with the external auditor
- Review the quality and effectiveness of the external audit, including approval of the annual audit plan, and the procedures and controls designed to ensure auditor independence and objectiveness
- Review and make recommendations to the Board on the tendering of the external audit contract, and the appointment, remuneration and terms of engagement of the external auditor

Items covered

- Meeting with the external auditor in the absence of management
- PwC's reports on the H1 audit review and FY21 audit progress, conclusions and findings
- Auditor opinion on FY21 financial statements
- Recommendation to reappoint PwC at 2022 AGM
- Approval of revised non-audit services policy
- Approval of 2021 audit fee proposal
- Review, challenge and subsequent approval of H1 audit review and FY21 audit strategy/plans
- Consideration of PwC's transition observations throughout the year
- Consideration of the ongoing independence of the external auditor and the evidence of quality and effectiveness in the delivery of the audit
- Review and approval of proposed external audit quality indicators (AQIs) and subsequent consideration of performance against these post the FY21 audit

External audit effectiveness and quality

The Committee is cognisant of the fact that assessing audit quality is a key responsibility within its remit which stakeholders look to the Committee to discharge. Set out below are the specific areas which the Committee focused on in assessing audit quality, including relevant outcomes:

- **External evaluations of auditor and FRC's Audit Quality Review (AQR):** The Committee received a summary from PwC of the FRC's latest report on audit quality as it related to PwC with the lead audit partner providing details of the conclusions on both FRC AQR reviews and PwC internal quality reviews of audits he had led.
- **Identification of Audit Quality Indicators (AQIs):** Following publication of the FRC's thematic review on AQIs in May, ITV agreed to participate in a pilot project for the FRC on AQIs. The Committee discussed the FRC's example AQIs and how the AQIs might be measured, particularly as some would require qualitative measurement. Acknowledging the challenges of setting meaningful AQIs (particularly in the first year of PwC as the external auditor), the Committee agreed AQIs that took into consideration the experience of the engagement team, technology used in the audit, sharing of insights and communication with the Committee. The Committee found these AQIs helpful in discussions with PwC regarding audit quality, however will continue to work towards finessing these as appropriate. Management and PwC will discuss the extent to which each AQI worked and was useful, with each other and with the FRC during 2022.

- **Audit plan and strategy:** The Committee discussed PwC's detailed audit plan and strategy including the intended scope of the audit, identification of significant and elevated audit risks and the level of materiality proposed. The Committee welcomed the inclusion of ITV's US business as a full scope audit and, following discussion and challenge, agreed the methodology adopted for determining materiality and the scope of the audit in respect of ITV's other international businesses. This also included considerable challenge of the audit fee proposal. The Committee recognised that it had been developed 'bottom up', took into account the transition procedures required and properly reflected the effort required to deliver an audit of the quality required by the Committee and ensure that PwC received a fair, sustainable fee and financial return that supports this. The Committee sought assurance that PwC would liaise with management post the 2021 audit to identify aspects of the audit process, from both the auditor and management perspective, where efficiency and effectiveness improvements could be made. The Committee subsequently approved the fee proposal.
- **Auditor's reporting (written and verbal) to the Committee:** The Committee reviewed the effectiveness of the audit throughout the year, taking into account (amongst other things) the delivery of the approved audit strategy, approach to adjusting the audit to reflect changes in risk assessment during the year and insight and robust challenge around the key accounting judgements and in dealing with management.
- ***Interaction with auditor:*** The numerous interactions with the auditor provided the Committee with an insight into the quality of the audit process and the audit team, and with the opportunity to assess the auditor's challenge of management's views. The Committee felt that PwC challenged management robustly on key judgements and estimates, accounting treatments and disclosures, for example in relation to deal debt, acquisition earnouts, royalty accruals, going concern underlying assumptions and the Box Clever provision.
- The Committee also reviewed PwC's 2021 transparency report, particularly to assess and understand firm-wide mechanisms to support quality assurance and AQIs to determine whether the firm's culture and ethos supports the appropriate focus on audit quality.
- **Internal evaluation session:** Drawing the above assessments together, and key to the determination of a high-quality audit, was an internal assessment session attended by the Committee members, the Board Chairman and the Group CFO & COO regarding the external auditor towards the end of the audit. It was felt a confidential and structured discussion, rather than a questionnaire survey, would enable a more open evaluation. This session was informed by circulating in advance the themes to be covered in the meeting, which included the audit's planning and strategy, execution of the agreed process and conclusion, team performance and communications, firm-wide procedures (including resources, support and culture), and insights and reporting PwC shared with the Committee. The Group CFO & COO's input to this session was informed by a prior meeting with relevant members of the finance team, and other teams, to ensure that feedback was obtained from all levels and divisions of the finance team that interacted with PwC. The Committee spent time discussing the degree of challenge and robustness of approach to the audit.

The assessments above enabled the Committee to conclude in its evaluation session that PwC has provided a high-quality audit, questioned key accounting issues, and exercised professional scepticism in its challenge of management's assumptions, judgments and assertions. The Committee appreciated in particular the quality of communications between the auditor and both management and the Committee, PwC's transition observations, and the constructive challenge supported by the effective use of PwC internal experts and specialists, exemplified by the open and frank views and useful recommendations set out in the IT general controls review. Following the Committee's assessment session, the Committee Chair and Group CFO & COO held a meeting with the PwC lead audit partner to discuss the findings of the assessment and further opportunities to enhance the external audit process for 2022.

Audit tender and rotation

In light of the length of the former external auditor's (KPMG) tenure, in 2019 the Committee led a tender process for the appointment of the external auditor, with the appointment of the new external auditor, PwC, effective from 1 January 2021. The current PwC audit partner, Jonathan Lambert, has been in place since the beginning of PwC's tenure at ITV. The Company will put the external audit contract out to public tender at least every ten years and will seek the rotation of the audit partner in line with regulation and professional and ethical guidance.

The Company confirms that it has complied with the provisions of the CMA's Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the financial year under review.

Independence and objectivity

In addition to the above assessment of the effectiveness and quality of the audit, the Committee seeks to assess and ensure the objectivity and independence of the external auditor through:

- Focus on the assignment and rotation of key personnel
- The adequacy of audit resource
- The Policy on the Independence and Objectivity of the Audit Independence policy (updated in 2021), which includes a policy on the provision of non-audit services and the hiring of former external auditor employees

Non-audit services

During the year, the Committee reviewed and agreed revisions to the non-audit services policy contained in ITV's Policy on the Independence and Objectivity of External Auditors. This ITV Policy is available on the governance section of ITV's website: www.itvplc.com/investors/governance/policies.

In accordance with this Policy, in the 2021 financial year, the Company incurred fees for non-audit services of approximately £155,000 (2020: £295,000) which related principally to the review of the interim financial information (2020: £215,000). The £80,000 additional fees incurred for work by KPMG in 2020 were in respect of audit related assurance over the government salary compensation scheme in the Netherlands. The services are permissible under the 2019 Ethical Standard, and are considered to be a closely related non-audit service. For information on audit fees see note 2.1 to the financial statements.

Committee conclusions and confirmations

Fair, balanced and understandable

The Board is required to provide its opinion on whether it considers that the Company's 2021 Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Committee discussed the preparation of the Company's 2021 Annual Report and Accounts with the Board. To support the Board in providing its opinion, the Committee considered the assigned responsibilities for content and overall cohesion and clarity of the Annual Report and Accounts and assessed the quality of reporting through discussion with management and the external auditor. This included ensuring that feedback from stakeholders and other individuals had been addressed and that examples of best practice had carefully been considered in the context of the Group. Specific areas of challenge included the presentation of exceptional items, the equal prominence of GAAP and non GAAP financial measures within the front half of the Annual Report and Accounts and the description of going concern and viability statement assumptions.

The process included considering each of the elements (fair, balanced and understandable) on an individual basis to ensure our reporting was comprehensive in a clear and consistent way, and in compliance with accounting standards and regulatory and legal requirements and guidelines. The reviews carried out by internal functions within the Company and independent reviewers have been undertaken with a view to ensuring that all material matters have been reflected in the Company's 2021 Annual Report and Accounts and that they correctly reflect:

- The Company's position and performance as described on pages 32 to 47
- The Company's business model as described on pages 24 and 25
- The Company's strategy, as described on pages 22 and 23

Following our review, we advised the Board that the Company's Annual Report and Accounts for the year ended 31 December 2021 were fair, balanced and understandable.

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 2021. *The report also aims to* demonstrate how our current approach and our Remuneration Policy align with our strategy, support the retention of key talent and reward them for strong performance.

Read more

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Dear Shareholder

This has been a year in which the business continued to execute its More Than TV strategy and delivered a strong set of financial results, notwithstanding the ongoing challenges presented by an uncertain market. We are extremely grateful to all colleagues for their hard work and commitment.

As the Company entered 2021, the UK was still facing considerable uncertainty as a result of the pandemic. While COVID continued to pose many challenges, the resilience and team spirit of our colleagues means that the business remained steadfast in executing our aim to be a digitally led media and entertainment company that creates and brings our brilliant content to audiences wherever, whenever and however they choose.

ITV Studios has delivered a strong financial and operational performance as it has continued to diversify by genre, geography and customer. It produces a broad range of quality programming that forms a core part of the content offering on our own channels and streaming services. In addition, two-thirds of ITV Studios revenue comes from external customers. Our Media & Entertainment business is the home of our family of channels and platforms. It is predominantly advertising-led and we continue to build on our close relationship with advertisers and are in a powerful position to provide them with more creative marketing opportunities on linear and addressable advertising on streaming. In addition we have a growing subscription business in the UK and internationally. Delivery across the portfolio of channels and platforms has contributed to M&E's significant success in 2021. The advertising market proved to be more buoyant than forecast at the start of the year and the business has outperformed expectations. Total external revenue grew strongly up 24%, adjusted EBITA was up 42% at £813m and earnings per share increased by 40%.

The Board recognises the importance of the ordinary dividend for ITV shareholders and we were delighted to reinstate it with a proposed 3.3p final dividend for 2021. Our ability to pay a dividend has been supported by our strong balance sheet and free cashflow.

Our approach to pay

Over a sustained period the Committee has sought to take a measured approach to pay. In 2018 and 2019 discretion was exercised to scale back incentive outcomes, and in 2020 quick proactive steps were taken in response to COVID by cancelling bonus awards. The Board and Management Board also voluntarily reduced salaries and fees by 20% for seven months in 2020.

In 2021, we proposed a new Remuneration Policy to our shareholders to take into account our strategic priorities and the highly cyclical nature of the sector. After an extensive review and shareholder consultation process we concluded that annual grants of restricted shares provided a more effective mechanism for aligning executive and shareholder interests over the long term.

This alternative structure is simple. It reflects practices in the global talent markets in which we operate, rewards strategic investment that delivers long-term sustainable performance rather than short-term gain, and enables the business to remain agile in a dynamic and cyclical sector where viewer behaviours continue to evolve.

We were delighted to see that 92% of shareholders supported our new Remuneration Policy at the 2021 AGM.

Although the effectiveness of the revised approach to pay can only be truly assessed in the longer term, the pace of change and ongoing cyclicality of the advertising market observed over the past year has only served to reinforce the appropriateness of the new model for ITV.

Incentive outcomes

As disclosed in last year's Remuneration Report, the targets for 2021 took into account expectations regarding the advertising market for 2021, trading conditions, and planned investments which were essential to delivery of the long-term strategy.

At the time the targets were set, a third lockdown was in effect in England and the risk of further variants requiring ongoing government intervention and restrictions created significant uncertainties that could impact both scripted and unscripted programming, as well as the timing of major sporting events. The financial targets for the year were set in that context.

While the advertising market arguably recovered faster than expected by most industry commentators, in practice the year end outcomes have very significantly outperformed both internal and external expectations from the start of the year. The adjusted EBITA of £813m outperformed the pre-pandemic result from 2019 by more than 13%. This represents an outstanding result. In addition, cash conversion has been strong, and the business delivered costs savings of £48m, which was towards the top-end of the range targeted. The results were achieved while still continuing with our ambitious investment strategy and achievement of key milestones.

The net effect of these results was that the CEO and Group CFO & COO earned a bonus of 96.38% and 95.12% of maximum respectively. Given the scale of outperformance in 2021, the continued execution of strategic goals, and the holistic review of performance taking account factors such as progress on duty of care, the Committee is satisfied that the outcomes are fully warranted. One-third of the bonus for both Executive Directors will be deferred into shares, to ensure continued alignment with the long-term experience of our shareholders.

In light of the strong performance in the year, the business was also delighted to announce that discretion would be exercised to increase the payout under the colleague bonus. The bonus award for the year would have been paid at the maximum of £1,750, which the business has increased to £2,000. The overall payout under the colleague bonus for 2021 was £6m. The business has also increased the colleague bonus opportunity for future years to the same level of £2,000.

The 2019 Long Term Incentive Plan (LTIP) was assessed based on performance over the three years to 31 December 2021. Although profitability recovered in 2021 and total non-advertising revenues grew by 24% year-on-year, the targets for this award were obviously set prior to the onset of the pandemic and therefore reflected a more optimistic economic outlook and this impacted the level of vesting for this award. Although Family SOV performance was strong, the growth in online viewing fell short of the extremely challenging targets that were set at the start of the performance period. The overall vesting outcome for the award is 35.82% of the maximum. Awards to Executive Directors will remain subject to a two year holding period.

The single figure for 2021 is higher than the figure for 2020. This was to be expected, as pay levels for 2020 were exceptionally reduced in response to the pandemic. In practice, the single figure for the CEO for 2021 is more comparable to the outcome for 2019, when the business delivered EBITA of £729 million.

Approach for 2022

For the coming year, the Committee intends to continue to operate the Remuneration Policy approved at last year's AGM.

A salary increase of 3% has been applied for both Executive Directors, which is in line with increases received by the wider workforce. Maximum opportunities under the annual bonus and restricted share plan will remain the same as for 2021.

For the 2022 bonus, the Committee has determined that greater prominence should be given to delivery of key ESG objectives which are vital to our Social Purpose. For 2022, 10% of the bonus will be based on a scorecard of ESG measures, linked to our carbon footprint, the sustainability of our UK productions and commissions and progress towards our diversity goals. The balance of the bonus will be based on adjusted EBITA (60%), cash flow (10%) and individual strategic objectives (20%).

While the Committee recognises the importance of assessing our performance in a more holistic way, it is recognised that whenever new measures are included in incentives schemes, the approach needs to be closely monitored to ensure that the measures are operating as intended. We intend to keep our approach to assessment of ESG performance under review and will refine the approach as necessary in future years. We will provide further disclosure of both the targets and the outcomes in next year's Remuneration Report.

Consistent with our normal practices, financial targets for the bonus have been set taking into account internal and external forecasts for Company and market performance, as well as planned strategic investments for the coming year. It is important for our incentives to be fully aligned with successful execution of the strategy and investment proposition presented to our shareholders. The Committee will continue to keep our incentive arrangements under review to ensure that they drive the right behaviours across the wider management team and will closely monitor any potential impact that the second phase of our More than ITV Strategy and the launch of ITVX later this year, has on existing arrangements.

Wider engagement

In considering executive pay, the Committee remains mindful of the approach to pay and benefits for our colleagues. ITV continues to be committed to ensuring all colleagues earn at least the Living Wage, and ITV voluntarily publishes its ethnicity pay gap data alongside its statutory gender pay gap disclosures. As Committee Chair, I was pleased to join an Ambassador meeting with ITV employees to share the Committee's approach to remuneration in the wider context, and answer questions on the executive pay. As a Committee, we will continue to explore how we can further engage with our stakeholders on pay matters.

At the AGM, I will be stepping down as Chair of the Committee and handing over to Sharmila Nebhrajani. I would like to take this opportunity to thank shareholders and investors for their support and time taken to engage with us over recent years. At various points during my tenure, the Committee has engaged with investors on key decisions relating to pay for our executive team. The Committee has valued the insight provided by our major investors and the feedback received has often helped to shape and guide our decisions as a Committee.

We have sought to provide clear and transparent disclosure of our pay decisions, and I hope that this year's report once again provides insight into the Committee's decision-making.

Mary Harris
Chair, Remuneration Committee
3 March 2022

Overview of Remuneration Policy

How will executives be paid in 2022?

Fixed Pay

CEO salary:
£971,554

Group CFO & COO salary:
£695,096

- Salary increase of 3% in line with wider workforce. No salary increase was given for 2021.
- Benefits package remains unchanged – includes private medical insurance and car-related benefit.
- Pension contributions of 15% for the CEO and 9% for the Group CFO & COO. CEO pension to align with workforce (9%) for 2023.

Annual bonus

Cash element 2/3 total bonus

Deferral into shares for three years 1/3 total bonus

- **Cash element** CEO: up to 120% of salary; Group CFO & COO: up to 110% of salary
- **Deferred shares** CEO: up to 60% of salary; Group CFO & COO: up to 55% of salary
- Both bonus elements subject to malus and clawback

2022 bonus metrics – measure and support execution of the strategy
For 2022, we have introduced an ESG scorecard into the bonus

60%	**Adjusted EBITA:** Profitability of underlying business	**Expand Studios** globally
10%	**Cash conversion:** Effective cash generation	Optimise Broadcast
10%	**ESG scorecard**	
20%	**Individual strategic:** Deliver strategic priorities	

Restricted shares

Released after five years

- **Annual grant:** CEO: up to 132.5% of salary; Group CFO & COO: up to 112.5% of salary – 50% discount to previous LTIP award level
- **Release of shares subject to performance underpin:** assessed after year three – ability for Remuneration Committee to scale back awards if the underpins are not met
- **Awards subject to malus and clawback**

Successful execution of strategy ultimately reflected in the share price

- ✓ Simple structure – aligns with strategy and shareholders over the long term
- ✓ Retains key talent – aligned to global talent market and peer practices
- ✓ Rewards strategic investment – delivery of long-term sustainable performance, rather than short-term gain
- ✓ Reflective of dynamic and cyclical nature of sector and viewer behaviours, where business needs to remain agile and adapt
- ✓ Focus on long-term stewardship of the brand

Shareholding guidelines

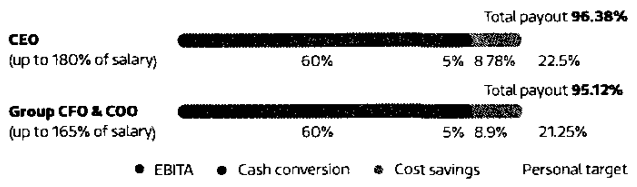
Guidelines apply in post, and extend beyond tenure

- **In-post guideline** – CEO: 400% of salary/Group CFO & COO: 225% of salary
- **Applies for two years following departure** – CEO: 265% of salary and Group CFO & COO: 225% of salary

Remuneration for 2021 – What did Executive Directors earn during 2021?

Single figure remuneration at a glance

Annual bonus Outcomes

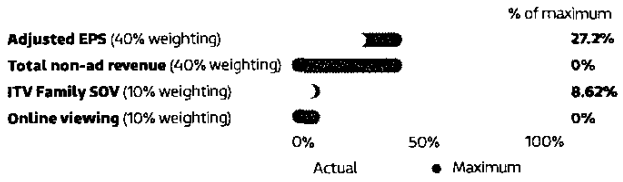


Outcomes

CEO
173% of salary

Group CFO & COO
157% of salary

2019 LTIP Outcome – legacy plan



The 2019 LTIP vested at 35.82% of maximum. The award is subject to a two year holding period.

Impact of the 2018 Corporate Governance Code

The table below shows how the Committee addressed the principles of clarity, simplicity, risk, predictability, proportionality and alignment to culture when determining the Directors' remuneration policy.

Clarity

Code provision: Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.

- The use of graphics and metrics in the Remuneration Report provide clarity on the Company's approach
- The aim to be completely transparent about our remuneration policy and arrangements and comply with certain disclosure requirements ahead of when we are required to do so for openness and transparency
- Great importance placed on engaging with our stakeholders, particularly with shareholders and the workforce on remuneration. The Group HR Director attends all Committee meetings and our Workforce Engagement Director, Edward Bonham Carter, provides regular feedback. Employees also have the opportunity to comment through the Ambassador network and employee surveys. This ensures the views of employees are taken into account during Committee deliberations.

Simplicity

Code provision: Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.

The Company operates an approach to remuneration that is simple to understand and familiar to key stakeholders and has three key elements:

- Fixed element: comprising base salary, taxable benefits and a pension allowance
- Short-term element: an annual performance-related bonus with a selection of financial and non-financial targets measured over the financial year, two-thirds paid in cash and one-third in shares deferred for a three year period
- Restricted share element: normally released after five years subject to achievement of a performance underpin

Risk

Code provision: Remuneration arrangements should ensure reputational and other risks from excessive rewards, and behavioural risks that might arise from target-based incentive plans, are identified and mitigated.

A combination of capped reward for short and long-term incentives with the majority delivered in shares encourages Executive Directors to deliver long-term sustainable shareholder returns, discouraging decision-making that only focuses on the short term.

The Committee retains flexibility to adjust payments through malus and clawback provisions, and an overriding discretion to depart from formulaic outcomes where behaviours may be viewed as inappropriate or criteria on which the award was based do not reflect the underlying performance of the Company.

Predictability

Code provision: The range of possible values of awards to individual directors and any other limits or discretions should be identified and explained at the time of approving the policy.

Shareholders are kept fully informed and consulted on the values that can be earned under the incentive plans for different levels of performance.

The Remuneration Policy provides estimates of potential future reward in different performance scenarios.

Proportionality

Code provision: The link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.

The Restricted Share awards reward the creation of shareholder value, which ultimately focuses on the long-term achievement of strategic deliverables.

Performance measures and personal objectives in the bonus are designed to align with strategy and financial performance and provide for a range of payout levels which are dependent on and linked to Company performance.

Deferral periods and holding periods (including in the bonus) help to further align incentive outcomes for executives to the shareholder experience in the long term.

The Committee has overriding discretion over eventual outcomes when they do not reflect business performance, and/or shareholder experience, and ensures that poor performance would not be rewarded.

Alignment to culture

Code provision: Incentive schemes should drive behaviours consistent with company purpose, values and strategy.

When considering the alignment of incentive plans and culture the Committee considers the following:

- **Metrics** – ensuring that performance targets are aligned to culture and do not drive the wrong behaviours.
- **Governance** – ensuring adoption of best practice through a robust malus and clawback policy with a substantial list of relevant trigger events, such as corporate failure and reputational damage. The Committee also retains discretion under the plan rules to override formulaic vesting outcomes and to extend holding periods. These initiatives enable the Committee to satisfy itself that the right steps have been taken to ensure executive remuneration is appropriate from a cultural context.
- **Engagement** – understanding remuneration for the wider workforce and ensuring that pay decisions are aligned across the Group and wider engagement with our stakeholders, including our employees. Further details can be found on pages 107 to 115.

Remuneration Committee

Who is on the Committee

The Committee is composed of independent Non-executive Directors.

The current members are:
- Mary Harris (Chair)
- Salman Amin
- Sir Peter Bazalgette – independent on appointment
- Anna Manz
- Sharmila Nebhrajani
- Duncan Painter

Full details of attendance at Committee meetings can be found on page 109 of the Annual Report and Accounts 2021

Detailed biographies can be found on page 100 of the Annual Report and Accounts 2021

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/governance/committees

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 Chair, 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 pages 144 and 145
- Approve the design of the Company's annual bonus arrangements and long-term incentive plans, including the performance criteria 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 2021

In addition to Committee members, the Executive Directors, Group HR Director, General Counsel and Company Secretary, Director of Reward and Pensions and independent adviser Deloitte attend meetings as required.

Attendees do not take part in decisions relating to their own remuneration and potential conflicts are suitably mitigated.

January
- Shareholder consultation on the new Remuneration Policy
- Indicative LTIP and PSP performance
- Annual review of the Chairman's fees
- Gender and ethnicity pay gap reporting and CEO pay ratios
- Workforce engagement update
- Share award funding
- Compliance with shareholding guidelines

February
- Bonus targets for 2021
- Rules of the new Executive Share Plan
- Financial underpin target for 2021 awards
- Remuneration Report and new Remuneration Policy
- Review of the Senior Executive Group
- Adviser independence

April
- Operation and 2021 awards under the new Executive Share Plan

July
- Financial performance update
- Wider management remuneration strategy
- Committee terms of reference review

September
- Employee reward framework (including review of remuneration and related policies) and remuneration trends
- CEO pension alignment

November
- Financial performance update
- Review of 2021 bonus performance
- ESG incentives and target

December
- Bonus framework and targets for 2022
- Annual pay review
- Governance updates
- Committee evaluation

Annual review

An annual review of the performance of the Committee is conducted each year.

In 2021 an internally facilitated Board evaluation was undertaken, which included a review of the Committee. The results are summarised on pages 120 to 121

Overall, the evaluation concluded that the Committee is working effectively and responding appropriately to its terms of reference

Directors' Remuneration Policy summary

This report sets out a summary of ITV's policy on remuneration for Executive and Non-executive Directors. The full Policy was approved by shareholders at the AGM on 29 April 2021 and can be found in the 2020 Annual Report and Accounts which is available on our website at www.itvplc.com. The Policy took effect from this date.

Executive Director Remuneration Policy Table

Fixed Pay

Element	Summary of policy	2022 approach
Base salary	**Purpose:** To reflect the skills, responsibility and experience and support the recruitment and retention of Executive Directors of the calibre required to deliver the business strategy within the competitive media market. **Operation:** Reviewed annually with consideration given to personal and company performance, pay levels in relevant market and the wider employee pay review.	**Carolyn McCall:** £971,554 (+3%) **Chris Kennedy:** £695,096 (+3%)
Provision for an income in retirement	**Purpose:** To provide competitive post-retirement benefits or cash allowance as a framework to save for retirement. **Operation:** The maximum contribution or cash allowance will be capped at a level comparable to the benefit available to the wider employee base. This is currently 9% of salary. As noted in the Annual Report on Remuneration, all benefit levels will be comparable with those of the wider employee base by 1 January 2023.	**Carolyn McCall:** 15% of salary (reducing to 9% in 2023) **Chris Kennedy:** 9% of salary
Benefits	**Purpose:** To ensure the overall package is competitive and provide 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. These are 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.	In line with policy

Variable performance-related pay

Element	Summary of policy	2022 approach
Annual Incentive: Bonus – Cash and Deferred Share Award (DSA)	**Purpose:** 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. 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. **Operation:** The maximum opportunity will not exceed 200% of salary. 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. 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. Subject to malus and clawback.	**Maximum bonus opportunity** **Carolyn McCall:** 180% of salary **Chris Kennedy:** 165% of salary **Performance measures** (see page 150)
Restricted Shares awarded under the Executive Share Plan (ESP)	**Purpose:** 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:** The maximum award level that may be granted in any financial year is 175% of salary. Awards will be granted annually with vesting after three years, subject to satisfaction of a performance underpin. Awards will be required to be held for an additional two year holding period so that the award is released after five years. Subject to malus and clawback.	**2022 ESP grant levels** **Carolyn McCall:** 132.5% of salary **Chris Kennedy:** 112.5% of salary **Financial underpin measure** (see page 150)
Legacy awards (LTIP)	Under the previous Remuneration Policy share awards were granted under the ITV Long Term Incentive Plan. Awards to Executive Directors were subject to a three year performance period and a two-year holding period. The single figure for 2021 includes values relating to the 2019 grant under this plan.	No further awards to be granted

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 does not 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 across the Company. Edward Bonham Carter, as our designated Workforce Engagement Director, regularly attends Ambassador meetings in order to understand any views and concerns colleagues may have on these matters and is responsible for sharing these with the Committee – more information on this can be found on page 115. In her role as Chair of the Committee, Mary Harris participates in an annual Ambassador Q&A session to engage directly with employees on how the Committee's approach to executive remuneration aligns with wider Company pay practices. The second of these sessions took place in December 2021, with members of the Ambassador network invited to ask their own questions and also any from the employees they represent. Subjects discussed included the role of the Committee, the Company's approach to executive reward and also employee reward in general at ITV. A recording of the session was sent to all of the Ambassadors to share with their employee constituencies.

The approach to determining the compensation for employees globally follows the same principles as for our Executive Directors. The Committee considers data on pay trends and practices, such as gender and ethnicity pay gap information, and the CEO to worker pay ratio. We offer competitive pay and career opportunities in order to attract the best talent. When determining compensation, local managers consider how the employee's pay compares to the local market alongside other factors, such as experience and sustained performance. Incentive arrangements across the Company are tailored based on the nature of the role. Bonuses operate on a wide basis across the Company and long-term share awards are offered to senior management. Being a great place to work is key to developing our culture. Pay is just one factor used to attract, retain and develop a talented and diverse workforce. More information on ITV's commitment to investing in and building a productive, creative and diverse workforce can be found on pages 56 to 58.

Cascade of remuneration through the organisation

The table below summarises how remuneration compares across the different groups of employees throughout the company.

Employees at all levels

Element of pay	Description
Base salary	*Salaries are reviewed annually, with Executive Directors normally receiving a salary increase in line with that received by the wider* workforce. In 2021 there was an annual pay review but there was no annual pay increase. In 2022 there was an increase of 3% across ITV globally. ITV has held the Living Wage accreditation since 2014 and was the first broadcaster to do so. We pay the London Living Wage in London and the Living Wage outside of London. This means that we pay everyone, from employees and apprentices to contractors and temporary workers, at least the hourly rate set independently and updated annually by the Living Wage Foundation, which is higher than the Government's National Minimum Wage and National Living Wage rates.
Flexible benefits	A range of benefits are available to all employees, providing financial security, encouraging a healthy and balanced lifestyle, and helping individuals make their pay go further. All employees receive the following benefits - • Five weeks holiday each year, plus bank holidays, and an extra two days after five years' service. • Enhanced Company sick pay and family friendly policies, including maternity, paternity, adoption and shared parental leave. • Income protection cover of 50% of salary and a range of digital health services. • Life assurance cover at four times annual basic salary. • Wellbeing benefits, including an annual wellbeing day, an online mental health support service and an Employee Assistance Programme (EAP) providing a confidential helpline and additional support. There are also voluntary benefits available for employees to choose from, including the opportunity to buy up to six weeks' extra holiday, a Cycle to Work scheme, a salary sacrifice car benefit, gym membership, private healthcare and a health cash plan, which includes optional hospital treatment insurance. We continually look for opportunities to evolve our employee benefits in cost effective ways that support both the needs of the business and our diverse workforce. In 2021 we extended our income protection benefit to all employees and added a range of new digital health services. We also reviewed our family leave policies and extended the amount of paid family leave employees can take. This included extending paternity leave from two weeks to six weeks' leave at full pay.

Employees at all levels continued

Pension	Employees at all levels can participate in our pension arrangements. Eligible employees are invited to join the Defined Contribution Plan and can choose to make a core contribution between 3–6% of their pensionable earnings, which ITV will match and in addition pay a further 3% (i.e. up to 9% in total). In 2021, we launched a new voluntary benefit that helps employees to build up an emergency savings pot that they can access at any time. The savings account is linked to their ITV pension, so once they've reached their savings target, their monthly savings switch to be paid into their pensions as an extra contribution – or they can choose to increase their savings target. A small number of senior executives have pension contributions paid into their pension or receive a cash allowance in lieu of contributions.
Save As You Earn	All eligible UK employees have the opportunity to benefit from ITV's long-term performance and share price growth by participating in the Save As You Earn plan. They can save up to £500 per month over a three or five year period to acquire shares in the Company at a 20% discount to the share price at the start of the savings period.
Annual bonus – cash	All ITV employees have an annual bonus opportunity which is based on a % of salary for senior roles and those in Sales, or the same maximum monetary value for all other employees. Following the cancellation of all discretionary annual bonus payments for 2020 as a result of the pandemic, bonus payments were reinstated for 2021. The 2021 bonus opportunity for all employees without an individual bonus was up to £1,750. Based on ITV's financial performance this paid out in full. The Company has increased the bonus opportunity to £2,000 for 2022 onwards and also decided to top-up the 2021 bonus payment to the same level.

Senior Executives

Element	Summary of policy
Deferred Share Award Plan	Members of the Senior Executive Group are required to defer one-third of their bonus into ITV shares for three years.
Executive Share Plan	Share-based awards are granted to selected senior leaders across the business which vest on the third anniversary of grant subject to the Committee's assessment of the underlying business underpin. Grant levels are generally expressed as a % of salary, with award levels linked to role and seniority. The detailed terms of operation vary by jurisdiction to reflect local market, legal and tax considerations. For Executive Directors any vested awards are subject to an additional two year holding period.
Shareholding guidelines	The Executive Directors and other members of the Management Board, are subject to shareholding guidelines that align their interests with those of shareholders. The Executive Directors are also subject to post-cessation shareholding guidelines, aligning their interests to shareholders for two years after their employment with ITV ceases – see page 152.

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 both the design and operation of the policy. Prior to the approval of the current Remuneration Policy at the 2021 AGM, the Remuneration Committee undertook extensive consultation with major shareholders regarding the key terms. During consultation considerable time was spent explaining the strategic rationale for the proposed structure as well as the key terms of the policy. The consultation enabled the Committee to identify and refine plan features that were of particular interest to our major investors.

In formulating the ESG measures in the Executive Directors' bonus for 2022, the Committee carefully considered investor and investor body guidance on ESG objectives and criteria. Further disclosure on the 2022 ESG scorecard will be provided in next year's report.

We intend to maintain a dialogue with our shareholders in future years, particularly when the Committee anticipates any substantial change to the remuneration framework.

Annual Report on Remuneration

The sections of the Annual Report on Remuneration that have been audited by PwC are the Executive Directors' single total figure of remuneration; the Non-executive Directors' remuneration; LTIP awards made in 2021; Outstanding interests in share plans; Payments to Past Directors; Payments for Loss of Office; and Directors' interests.

Remuneration Policy application in 2021

The following section provides details of how the current Remuneration Policy was implemented in 2021.

Executive Directors

In 2020 ITV undertook a number of measures to cut costs and manage its cash flow in response to the COVID pandemic. As a result the bonus opportunity in respect of performance in 2020 was cancelled and the Directors agreed a voluntary reduction in base salary, cash allowances and fees from 1 April to 31 October 2020, the period during which the Company had furloughed staff. Were it not for the voluntary reductions the salary, benefits and pension figures for Executive Directors in 2020 would be the same as in 2021. As 2020 was an exceptional year, values for 2019 are also replicated below for comparison purposes.

The table below sets out in a single figure the total remuneration for both Executive Directors for the financial year.

		Carolyn McCall			Chris Kennedy		
	Notes	**2021 £000**	2020[1] £000	2019 £000	**2021 £000**	2020[1] £000	2019 £000
Salary		**943**	833	923	**675**	596	565
Taxable benefits		**17**	15	17	**17**	15	14
Pension		**142**	125	138	**61**	54	51
Total fixed remuneration		**1,102**	973	1,078	**753**	665	630
Annual Incentive (Bonus – cash and shares)	2	**1,636**	–	1,453	**1,059**	–	816
Long Term Incentive awards	3, 4	**766**	177	–	**465**	–	–
Buyout awards	5	–	–	591	–	–	799
Total variable remuneration		**2,402**	177	2,044	**1,524**	–	1,615
Total		**3,504**	1,150	3,122	**2,277**	665	2,245

1. Both Executive Directors voluntarily agreed to take a 20% reduction to their basic salary, car and pension allowance payments from 1 April 2020 to 31 October 2020. Before the reduction, total fixed remuneration in 2020 for Carolyn McCall would have been £1,102k (a difference of £128k) and for Chris Kennedy would have been £753k (a difference of £88k).
2. *Two-thirds of the annual bonus is settled in cash and one-third is deferred into shares awarded under the ITV Deferred Share Award plan which automatically release on the third anniversary of the award, subject to continued employment.*
3. The 2019 LTIP awards were subject to performance conditions measured to 31 December 2021. The amount shown is the indicative vesting value using the average share price in Q4 of 2021 (110.48 pence). The awards will vest in March 2022. Following a two year holding period they will become exercisable from March 2024. These awards were granted at a share price of 126.37 pence. The value of Carolyn McCall's vesting shares at the award date would have been £875,665, and for Chris Kennedy £531,927.
4. In the 2020 Annual Remuneration Report, the amount shown for share awards for Carolyn McCall in 2020 was the indicative vesting value of the 2018 LTIP award that was subject to performance conditions measured to 31 December 2020. The figure shown in the table above represents the subsequent value received on the vesting date of 29 March 2021 using the share price on that date (122.2 pence). These awards are subject to a two year holding period.
5. There were no buyout awards in 2020 or 2021. Details of the buyout awards in 2019 can be found in the 2019 Annual Report and Accounts, which can be found on our website.

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 149.

Further information in relation to each of the elements of remuneration for 2021 set out in the table above is detailed below.
An explanation for 2020 is set out in detail in our 2020 Annual Report and Accounts and an explanation for 2019 is set out in detail in our 2019 Annual Report and Accounts, both of which can be found on our website.

Salary

As disclosed in last year's report, in line with the wider employee group there were no salary increases for 2021. Carolyn McCall's salary remained at £943,256 and Chris Kennedy's salary remained at £674,850.

Taxable benefits [illegible]

The benefits provided to the Executive Directors are the cost of private medical insurance and car-related benefits.

The Executive Directors were not part of an ITV pension scheme but receive a cash allowance in lieu of pension. ITV was a first mover in reducing executive pension levels. In 2017, the level for the Chief Executive was reduced from 25% of salary to 15% of salary (prior to the 2018 Corporate Governance Code (the Code) coming into force). In accordance with 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 plan, which is the pension scheme offered to the majority of Group employees. To bring Carolyn McCall in line with the policy and the wider employee group, her cash allowance will be reduced to 9% from 1 January 2023.

Annual incentive – 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 2021 bonus (75%) was based on the achievement of corporate and financial targets, with bonus outcomes determined in accordance with pre-set target ranges. In line with the principles applied in previous 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 with the targets set at the start of the year. As part of the assessment of performance, the Committee also undertook a holistic review of overall performance, to ensure that outcomes were a fair reflection of the underlying business performance.

The corporate and financial targets applied for 2021, together with performance against those targets and the resulting level of bonus, are set out in the table below. As the Company entered 2021, a third lockdown came into effect in England and there continued to be considerable uncertainty and volatility in the market as a result of the pandemic. The risk of further variants requiring ongoing government intervention and restrictions created significant uncertainties that could impact both scripted and unscripted programming as well as the timing of major sporting events. These factors impacted operational objectives for the year, and expectations regarding the advertising market for 2021. As signalled in last year's Remuneration Report, the financial targets for the year were set to reflect both this external context and the planned investments which were considered to be essential to delivery of the long-term strategy. The target range for cash conversion was lower than prior years to reflect the fact that 2021 was an anomalous year. Due to COVID, significant cash outflows were deferred from 2020 to 2021, hence cash conversion in 2021 was expected to be lower than usual.

		Performance required				
Performance measure	Weighting	20%	50%	100%	Performance achieved	Payout level (% of maximum)
ITV adjusted EBITA[1]	60%	£485m	£535m	£585m	**£820.9m**	**100**
ITV cash conversion	5%	52%	56%	60%	**80.3%**	**100**
ITV cost savings	10%	£30m	£34m	£38m	**£37.1m**	**88.75**

1. The ITV EBITA outcome was adjusted for translational currency movements and investments not accounted for in the original target, without these adjustments, the unadjusted EBITA outcome was £813 million, meaning that results significantly outperformed the performance required to achieve a 100% payout against this element, irrespective of the approach adopted.

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.

	Area of focus	Achievement
Shared objectives	Execution of the More than TV strategy with emphasis on diversifying revenue streams through development of new and existing on-demand propositions. Maximise shareholder value appreciation by effective external engagement on ITV's full portfolio of businesses (including Production and Content).	Successfully progressed the More than TV Strategy, delivering key priorities and ahead of budget growth in subscription revenue up 56% and UK subscribers up 33% on BritBox UK and ITV Hub+. Actively engaged with investors throughout the year, improving market understanding of ITV's operational breadth, production capabilities and new technologies.
CEO objectives	Delivery of the new M&E operating model and ways of working to drive the new on demand led strategy. Drive ITV's digital transformation strategy. Deliver the vision to be the most flexible employer in Media to increase organisational agility and minimise cost. Deliver ITV Diversity Acceleration Plan to increase representation on-screen and behind the camera demonstrating progress towards ITV published targets.	Accelerated delivery of the M&E operating model, deepening strategic and creative relationships with advertisers and introducing a 'Media for Equity' fund. Continued roll-out of digital transformation strategy with ahead of schedule growth in the digital businesses, creating a digital culture driving ways of working efficiencies. Delivered the smart working vision accelerating cultural, infrastructure change and flexibility for employees. Led development and publication of the ITV Diversity Acceleration Plan (see page 54).
Group CFO & COO objectives	Increase Partnerships and other revenues (including Pay and Distribution TV revenues) and profits in line with plan, by engaging new and expanding existing partnerships. Implement initial phase of the Finance and HR transformation programme. Deliver the Property and Accommodation strategy for 2022 and beyond. Deliver improvements in diversity and inclusion in the finance function.	Grew Partnerships and other related revenues to £213m in 2021 (£208m in 2020) as ITV continued to build strong partnerships globally. Successful implementation of phase 1 of the global Finance and HR digital transformation programme to schedule. Successful delivery of the P&A strategy, including consolidation of London office space. Progressed D&I across Finance, supported the CEO in developing the ITV Diversity Acceleration Plan (see page 54).

As noted above, there was strong achievement against the objectives set at the start of the year. The Committee therefore agreed that this element should deliver an outcome of 90% of maximum for the CEO and 85% of maximum for the Group CFO & COO.

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. To assist the Committee with determining whether adjustments are required, the Committee applies a framework which considers performance from multiple perspectives, including the underlying strength of results, the execution of strategic priorities, performance indicators which do not form part of the formulaic assessment, and non-financial factors, such as culture and our focus on duty of care. The Committee has a track record of adjusting outcomes where appropriate, with negative discretion applied in both 2018 and 2019, and the cancellation of the bonus for 2020.

In 2021, ITV demonstrated its resilience in what was a testing year for the economy as a result of the pandemic. Although the advertising market proved to be more buoyant than forecast at the start of the year, ITV significantly outperformed all external expectations regarding performance with the year end EBITA of £813 million representing a 42% increase on 2020. This outstanding financial performance was coupled with the continued investment in a number of strategic priorities which would support the ongoing transformation of the business. Following a holistic review of performance, the Committee was fully satisfied that the outstanding performance in the year fully justified bonus outcomes towards the upper end of the payout range. In light of the year's performance, the business was also delighted to announce that discretion would be applied to increase 2021 payouts under the colleague bonus. The bonus award for the year would have been £1,750, but was increased by 14.3% to £2,000. The overall payout under the colleague bonus for 2021 was £6 million. The business has also increased the maximum opportunity to £2,000 for future years.

	Outcome (% of maximum)	Total value	Value delivered in shares under the DSA	Value paid in cash
Carolyn McCall	96.38	£1,636,361	£545,454	£1,090,907
Chris Kennedy	95.12	£1,059,177	£353,059	£706,118

The value delivered in shares under the DSA is deferred for three years and released on the third anniversary of the award subject to continued employment. 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.

Long Term Incentive awards

The LTIP awards made in 2019 were subject to performance measured to 31 December 2021. The indicative value of these awards is set out below.

	Number of shares awarded	Value at award date £	Number of shares vesting[1]	Value at 31 December 2021[2] £
Carolyn McCall	1,934,498	2,444,625	692,937	765,557
Chris Kennedy	1,175,121	1,485,000	420,928	465,042

1. The vesting figures shown in the table above reflect the 35.82% of the total award that met performance conditions on 31 December 2021. The vesting shares will become exercisable after a two year holding period on 28 March 2024.
2. The share price used to value the shares at 31 December 2021 is the average share price for the final quarter of 2021 (110.48 pence). The share price used to calculate the number of shares under award was 126.37 pence (the average of the share prices on the three days before grant – 23, 26, 27 March 2019).

The targets for the 2019 awards were set prior to the onset of the pandemic and were therefore set in the context of a different economic outlook. Details of performance against the targets set are shown in the table below. The strong recovery in profitability in 2021, enabled partial vesting of the EPS component despite the impact of the pandemic. Although total non-advertising revenue grew by 24% in 2021, vesting did not occur on this element due to the impact of the pandemic across the three year performance period. While Family SOV performance was strong, growth in online viewing fell short of the extremely challenging targets that were set at the start of the performance period. Overall, the Remuneration Committee is satisfied that the final vesting outcome is supported by overall performance over the period.

	Weightings	Threshold (20% vesting)	Maximum (100% vesting)	Performance achieved	Payout level (% of maximum)
Adjusted EPS	40%	12.5p	17p	15.3p	27.20
Total non-advertising revenues	40%	3% growth pa	6.5% growth pa	1.9%	0
Viewing health:					
– ITV Family SOV	10%	21.2%	23.2%	22.3%	8.62
– Online viewing	10%	+200m hours growth	+450m hours growth	184m	0

For each of the measures, the following interim vesting points applied between threshold and maximum: EPS – 16 pence (80% of element), Total non-advertising revenue – 5% (60%), SOV 21.9% (80%), online viewing – 300 million (60%). Straight line vesting applies between the threshold, interim and maximum vesting points.

Chairman and Non-executive Directors

The table below sets out in a single figure the total remuneration for Non-executive Directors for the financial year. The figures for 2020 reflect their decision to take a 20% reduction in their fees for the period from 1 April to 31 October 2020. The level of fees paid to Non-executive Directors remains unchanged since 2016, for further details see page 151.

		Fees		Taxable benefits[1]		Total		
	Notes	**2021 £000**	2020 £000	**2021 £000**	2020 £000	**2021 £000**	2020[2] £000	2019 £000
Peter Bazalgette (Chairman)		**450**	398	**2**	2	**452**	400	453
Salman Amin		**70**	62	**–**	–	**70**	62	71
Edward Bonham Carter		**95**	84	**–**	–	**95**	84	96
Graham Cooke	3	**66**	41	**–**	–	**66**	41	–
Margaret Ewing		**85**	75	**–**	–	**85**	75	86
Roger Faxon	4	**–**	59	**–**	1	**–**	60	74
Mary Harris		**90**	80	**2**	1	**92**	81	94
Anna Manz		**76**	67	**–**	–	**76**	67	77
Sharmila Nebhrajani	5	**70**	4	**–**	–	**70**	4	–
Duncan Painter		**70**	62	**–**	–	**70**	62	71
		1,072	932	**4**	4	**1,076**	936	1,022

1. The amounts disclosed in the table above relate to the reimbursement of taxable relevant travel and accommodation expenses (and associated taxes) for attending Board meetings and related business. In addition, Peter Bazalgette received private healthcare.
2. The 2020 fees shown in the table reflect the decision of the Non-executive Directors to take a voluntary reduction of 20% in fees for the period 1 April 2020 to 31 October 2020, the period during which the Company had furloughed staff.
3. Graham Cooke joined the Board on 1 May 2020 and the Audit and Risk Committee on 1 November 2021.
4. Roger Faxon stepped down from the Board on 10 December 2020, he is included for comparative purposes.
5. Sharmila Nebhrajani joined the Board and the Remuneration Committee on 1 December 2020.

Restricted Share awards made in 2021

On 13 May 2021 awards were made under the ITV plc Executive Share Plan (the ITV ESP) to Carolyn McCall and Chris Kennedy as set out below.

	% salary awarded	Number of share options (nil cost)[1]	Value at award date	Vesting period ends	Holding period	Release date
Carolyn McCall	132.5	1,013,062	£1,249,814	13 May 2024	2 years	13 May 2026
Chris Kennedy	112.5	615,390	£759,206	13 May 2024	2 years	13 May 2026

1. Awards were granted based on the average share price on the 3-days preceding the award which was 123.37 pence. The closing share price on the date of grant was 126.95 pence.

The ITV ESP was approved by shareholders at the 2021 AGM. The awards are over restricted shares with grant levels reduced by 50% compared to the annual LTIP awards granted in previous years.

Awards will normally vest after three years following the date of award subject to the satisfaction of a performance underpin. Any vested awards would then be subject to a two-year holding period.

For the awards granted in 2021, the Remuneration Committee will retain the ability to reduce vesting of the Restricted Shares (including to nil) where:

- Adjusted Return on Capital Employed is below the Company's cost of capital; and/or
- There is a material weakness in the underlying financial health or sustainability of the business

When assessing the latter, the Committee will take into account all factors deemed relevant at the time, including for example, progress against execution of the strategy, performance against financial and non-financial KPIs and the nature of the wider trading environment. In line with best practice, the Remuneration Committee will retain the discretion to adjust any incentive awards where vesting outcomes are considered to be inappropriate. Further detail on the assessment of the performance underpin will be disclosed at the time of vesting in 2024.

As a further safeguard malus and clawback provisions may be operated at the discretion of the Committee in respect of any element of these awards. Under malus, unvested share awards (including any portion of the award 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 shares previously received following vesting or release from a holding period if applicable. Malus/clawback can be operated up to six years from the relevant date of grant for Restricted Share awards. The circumstances in which the operation of these provisions would be applied may be considered from time to time but currently include material misstatement of financial results, gross misconduct or fraud and material reputational damage. The Committee maintains sufficient scope in the ITV ESP rules to exercise discretion and judgement in line with the spirit of the Code.

Remuneration Policy application in 2022

Executive Directors

The following section provides details of how the Policy will be implemented in 2022.

Salary

Salaries are paid in line with the Policy. In line with the wider employee group both Executive Directors received an increase of 3% from 1 January 2022.

	2022 Salary
Carolyn McCall	£971,554
Chris Kennedy	£695,096

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 2022 remain unchanged (15% of salary). Chris Kennedy receives a cash allowance in lieu of pension of 9% of salary.

As advised in last year's report, in 2020 the Company undertook a review of its pension policy for the wider employee base. Following the completion of this review, the Committee has agreed that the contribution rate for Carolyn McCall will be reduced to 9% from 1 January 2023, fully aligning both Executive Directors with the wider employee group.

Annual Incentive – Bonus (cash and shares)

The maximum bonus opportunity for 2022 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 2022 bonuses will be broadly similar to previous years but with the addition of an element linked to ESG performance. For 2022, 10% will be assessed against a scorecard of ESG measures linked to our carbon footprint, the sustainability of our UK productions and commissions and progress towards our diversity goals. The balance of the award will be linked to EBITA (60%), cash conversion (10%) and individual strategic targets (20%). Overall the Committee is satisfied that the target ranges are realistic but highly stretching taking into account forecasts for the advertising market and planned strategic investments. The Board considers the actual targets for 2022 to be commercially sensitive at this time, however, envisage providing retrospective disclosure of these targets in next year's report.

The Committee may adjust bonus targets or outcomes to reflect significant one-off events (e.g. major transactions), foreign exchange movements or material changes to assumed plan conditions to ensure that the plan continues to reward performance fairly.

The Committee may amend the bonus pay-out should any formulaic assessment of performance not reflect overall performance in the year.

Restricted Share awards

Awards in 2022 will be made to the Executive Directors with a value of 132.5% of salary for Carolyn McCall and 112.5% of salary for Chris Kennedy. These levels remain unchanged from the awards made in 2021.

Awards will normally vest after three years following the date of award subject to the satisfaction of a performance underpin. Any vested awards would then be subject to a two-year holding period.

For 2022 awards, in line with the performance underpin that applied to awards made in 2021, the Remuneration Committee will retain the ability to reduce vesting of the Restricted Shares (including to nil) where:

- Adjusted Return on Capital Employed is below the Company's cost of capital; and/or
- There is a material weakness in the underlying financial health or sustainability of the business

When assessing the latter, the Committee will take into account all factors deemed relevant at the time, including for example, progress against execution of the strategy, performance against financial and non-financial KPIs and the nature of the wider trading environment. In line with best practice, the Remuneration Committee will retain the discretion to adjust any incentive awards where vesting outcomes are considered to be inappropriate. Further detail on the assessment of the financial underpin will be disclosed at the time of vesting.

Malus and clawback: Malus and clawback provisions may be operated at the discretion of the Committee in respect of any cash and deferred share elements of the bonus and Restricted Share awards. Under malus, unvested share awards (including any Restricted Share awards subject to a post-vesting holding period) can be reduced (down to zero if considered appropriate) or be made subject to additional conditions. Clawback allows for repayment of bonuses previously paid and/or shares previously received following vesting or release from a holding period if applicable. Malus/clawback can be operated up to four years following the start of the relevant bonus year for bonuses (for cash and shares), and up to six years from the relevant date of grant for Restricted Share awards. The circumstances in which the operation of these provisions would be applied may be considered from time to time but currently include material misstatement of financial results, gross misconduct or fraud and material reputational damage. The Committee maintains sufficient scope in the ITV plc Executive Share Plan rules to exercise discretion and judgement in line with the spirit of the Code.

Non-executive Directors

There has not been an increase in fees paid to the Non-executive Directors since 2016. Current fees are as set out below.

	1 January 2022 £	1 January 2021 £	% 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 receives private medical insurance.

Details of Committee membership can be found on page 142.

Comparison of Directors to wider employees

In line with the requirements in The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, which implement Articles 9a and 9b of European Directive 2017/828/EC1 (commonly known as the Revised Shareholder Rights Directive or SRD), the table below provides details of the percentage change in the base salary, benefits and bonus of the Directors between 31 December 2019 and 31 December 2021 compared with the average percentage change for other employees.

The figures for all Directors are calculated based on remuneration received in the relevant year as set out in the tables on page 146 and 149. For base salary/fees, part year figures have been pro-rated for the purposes of this disclosure. In addition, the figures below reflect the voluntary decision taken by members of the Board to take a 20% cut in salary/fees for the period from April to October 2020. There was also no global salary review in 2021 and no annual bonus payments paid for 2020 to the Executive Directors and wider workforce.

		2020-2021			2019-2020		
	Notes	**Salary/fee % change**	**Benefits % change**	**Bonus % change**	Salary/fee % change	Benefits % change	Bonus % change
Average employee	1	**3.58**	**5.18**	**–**	4.26	5.86	–
Salman Amin	2	**13.2**	**139.5**	–	(11.7)	(81.4)	–
Peter Bazalgette (Chair)	2	**13.2**	**24.4**	**–**	(11.7)	(17.7)	–
Edward Bonham Carter	2	**13.2**	**139.5**	–	(11.7)	(92.0)	–
Graham Cooke	2, 5	**14.8**	**–**	**–**	–	–	–
Margaret Ewing	2	**13.2**	**–**	**–**	(11.7)	(91.8)	–
Mary Harris	2	**13.2**	**154.5**	–	(11.7)	(84.3)	–
Chris Kennedy (Group CFO & COO)	3, 4	**13.2**	**11.9**	**–**	(9.68)	(9.24)	–
Anna Manz	2	**13.2**	**139.5**	–	(11.7)	(88.3)	–
Carolyn McCall (CEO)	3, 4	**13.2**	**11.9**	–	(9.68)	(9.24)	–
Sharmila Nehbrajani	2, 6	**13.2**	**–**	**–**	–	–	–
Duncan Painter	2	**13.2**	**139.5**	–	(11.1)	(88.3)	–

1. The percentage change in benefits is the average change for all UK employees (excluding the CEO and Group CFO & COO) with any of the same benefits as the CEO and Group CFO & COO.
2. Calculated using the fees and taxable benefits disclosed under the Non-executive Directors' remuneration in the table on page 149. Taxable benefits for Non-executive Directors comprise expense reimbursements relating to attendance at Board meetings rather than conventional employee benefits. The increases seen in the period 2020-2021 are primarily due to the ability for Directors to attend some meetings in person during 2021, against the majority of meetings being held on a virtual basis during 2020. In addition, Peter Bazalgette receives private healthcare
3. Calculated using the data from the single figure table on page 146. Benefits include the cost of medical insurance and car-related benefits.
4. The Executive Directors are the only employees of the parent company, and therefore there is no comparator data for this sample. In the interests of transparency, the percentage change in pay for all UK employees has been disclosed on a voluntary basis. As the majority of employees are based in the UK and share the same benefits as the Executive Directors, overseas employees have not been included.
5. Graham Cooke joined the Board in May 2020. As there were no physical Board meetings held during his tenure in 2020, there were no taxable benefits paid in 2020 To enable a comparison for the purposes of this disclosure, his 2020 fees have been pro-rated
6. Sharmila Nebhrajani joined the Board In December 2020 and received fees for this month only in 2020, and there were no benefits paid in 2020. To enable a comparison for the purposes of this disclosure, her 2020 fees have been pro-rated.

CEO pay ratio

Year	Methodology	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2021	Option A	98:1	72:1	52:1
2020	Option A	33:1	24:1	18:1
2019	Option A	89:1	66:1	49:1

The employee at the 25th percentile, median and 75th percentile was determined based on the single figure of total remuneration for every UK employee, Option A in the Reporting Regulations. This method is the most statistically accurate approach and aligned with majority practice in the FTSE 350.

Our 2020 ratios have been updated to reflect the final actual 2020 remuneration values for the CEO and all other employees. Our 2021 pay ratios are based on the current CEO single figure and the indicative value of share awards that were subject to performance measured to 31 December, based on the average share price over the final quarter of the year. The 2021 ratios will be restated in the 2022 Remuneration Report to reflect the updated CEO single figure and the actual value of shares on the vesting date.

The total remuneration of each comparator employee has been calculated using the actual values received in respect of the full financial year and in accordance with the methodology used to calculate the single figure of remuneration for the CEO. We have not omitted any component from their pay and benefits and no adjustments have been made to their actual remuneration.

The full-time equivalent remuneration values for the individuals in the table above are as follows:

2021

	CEO	25th percentile	Median	75th percentile
Salary	£943,256	£32,556	£43,851	£56,000
Total remuneration	£3,533,328	£35,878	£48,548	£67,246

Updated for 2020

	CEO	25th percentile	Median	75th percentile
Salary	£833,290	£32,307	£45,909	£58,628
Total remuneration	£1,150,176	£35,199	£47,184	£63,788

The median pay ratio for 2021 is considered to be consistent with the pay, reward and progression policies during the year for the Company's UK employees taken as a whole. The total remuneration values for the comparator employees remain consistent year-on-year. There was no Company-wide annual pay increase in January 2021, but we remain committed to ensuring colleagues earn at least the real Living Wage or higher, and we implemented the increased rates that were announced by the Living Wage Foundation.

An annual bonus arrangement extends to all of our employees and is paid in March each year. The 2021 bonus opportunity was up to £1,750, and based on ITV's financial performance it paid out in full. The Company has increased the bonus opportunity to £2,000 for 2022 onwards, and also decided to increase the 2021 bonus payment to this higher amount to recognise the contribution all employees make to ITV's success.

The increase in our 2021 pay ratios, compared to 2020, is attributable to the actions we took in relation to remuneration arrangements in 2020 to reduce costs and manage our cash flow as a result of the pandemic. A significant proportion of the remuneration for the CEO is performance related and the level of actual performance outcomes has a corresponding effect on the CEO pay ratios. With the reinstatement of annual bonuses for 2021 and the higher vesting level of the 2019 LTIP award, the total remuneration figure for the CEO is more comparable to 2019, and the pay ratios have therefore also increased accordingly.

Other Disclosures

Payments to past Directors

There were no payments made to past Directors in 2021.

Payments for loss of office

There were no payments made to Directors for loss of office in 2021.

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. 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, legacy LTIP and ESP 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. Following adoption of the policy in 2021, Executive Directors will normally be required to retain an interest equivalent to two times their annual ESP grant (265% for the Chief Executive and 225% for the Group CFO & COO) for two years following departure. In order to enforce this requirement, on vesting relevant shares will be automatically transferred to a secure nominee arrangement until the appropriate level of interest has been achieved. The shares will be retained in this arrangement until the end of the two year period.

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 2021. 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.

		Interests in shares				
	Notes	**Unconditional shares held at 31 December 2021[1]**	**Restricted shares held at 31 December 2021[2]**	**% shareholding guidelines met[3]**	Unconditional shares held at 31 December 2020	% of salary/fees required to be held under shareholding guidelines
Executive Directors						
Carolyn McCall	4	**868,131**	**1,145,159**	**67**	254,962	400
Chris Kennedy	5	**267,006**	**532,386**	**57**	87,831	225
Non-executive Directors						
Salman Amin		**50,674**	–	**100**	50,674	100
Peter Bazalgette		**357,245**	–	**100**	357,245	100
Edward Bonham Carter	6	**50,000**	–	**85**	50,000	100
Graham Cooke	7	**–**	**–**	**–**	–	100
Margaret Ewing	8	**37,700**	**–**	**78**	37,700	100
Mary Harris		**70,627**	–	**100**	59,815	100
Anna Manz	9	**33,565**	**–**	**95**	33,565	100
Sharmila Nebhrajani	10	**3,000**	**–**	**6**	–	100
Duncan Painter		**82,078**	–	**100**	–	100

1. Shares beneficially held by Directors and family interests.
2. Unvested restricted share awards (under the DSA, LTIP or ESP) 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 2021 (110.55 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 guideline.
5. Chris Kennedy was appointed to the Board on 21 February 2019 and has until 2024 to meet his shareholding guideline.
6. Edward Bonham Carter was appointed to the Board on 11 October 2018 and has until 2024 to meet his shareholding guideline.
7. Graham Cooke was appointed to the Board on 1 May 2020 and has until 2026 to meet his shareholding guideline.
8. Margaret Ewing was appointed to the Board on 31 October 2017 and has until 2023 to meet her shareholding guideline.
9. Anna Manz was appointed to the Board on 1 February 2016 and has until 2022 to meet her shareholding guideline.
10. Sharmila Nebhrajani was appointed to the Board on 10 December 2020 and has until 2026 to meet her shareholding guideline.

Outstanding interests under share plans

The following tables provide details of the Executive Directors' interests in outstanding share awards.

	Notes	At 1 January 2021	Awarded in year	Vested in year	Exercised in year[6]	Lapsed in year	**At 31 December 2021**	Share price used for award (pence)	Share option price (pence)	Share price at exercise (pence)	Vesting date	Holding period ends
Carolyn McCall												
Buyout awards												
28 March 2018	1	209,049	–	209,049	209,049	–	–	145.25	–	122.84	28 March 2021	
28 March 2019	2	947,876	–	–	947,876	–	–	169.60	–	106.70	19 Dec 2019	19 Dec 2021
LTIP												
28 March 2018	3	1,641,997	–	144,989	–	1,497,008	**144,989**	145.25	–	–	28 March 2021	28 March 2023
28 March 2019	3	1,934,498	–	–	–	–	**1,934,498**	126.37	–	–	28 March 2022	28 March 2024
6 April 2020	3	3,575,495	–	–	–	–	**3,575,495**	69.91	–	–	6 April 2023	6 April 2025
ESP												
13 May 2021	4	–	1,013,062	–	–	–	**1,013,062**	123.37	–	–	13 May 2024	13 May 2026
DSA[5]												
28 March 2019		309,860	–	–	–	–	**309,860**	126.37	–	–	28 March 2022	
6 April 2020		692,767	–	–	–	–	**692,767**	69.91	–	–	6 April 2023	
Chris Kennedy												
Buyout awards												
28 March 2019		166,179	–	166,179	166,179	–	–	126.37	–	122.84	28 March 2021	
28 March 2019		24,532	–	24,532	24,532	–	–	126.37	–	145.45	2 Sept 2021	
28 March 2019		147,187	–	147,187	147,187	–	–	126.37	–	145.45	2 Sept 2021	
LTIP												
28 March 2019	3	1,175,121	–	–	–	–	**1,175,121**	126.37	–	–	28 March 2022	28 March 2024
6 April 2020	3	2,171,954	–	–	–	–	**2,171,954**	69.91	–	–	6 April 2023	6 April 2025
ESP												
13 May 2021	4	–	615,390	–	–	–	**615,390**	123.37	–	–	13 May 2024	13 May 2026
DSA[5]												
6 April 2020		389,111	–	–	–	–	**389,111**	69.91	–	–	6 April 2023	
SAYE												
7 April 2020		24,426	–	–	–	–	**24,426**	92.11	73.69	–	1 June 2023	

1 The buyout award made in 2018 relate to the 2016-17 easyJet bonus – one-third deferred into shares for three years (209,049 ITV shares). The value reflects award forfeited under previous easyJet incentive arrangements and will vest and release over the same time horizons as the award that was forfeited.

2. The buyout award made in 2019 relates to 2016 easyJet long-term incentive based on performance to September 2019. This award was made subject to ITV performance to 31 December 2019. This award vested at 62.35% and the vesting shares were subject to a holding period and released in December 2021.

3. 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.

4 Awards under the ESP vest after three years subject to a financial underpin condition being met. The award will then become exercisable after a two year holding period The face value of awards granted in the financial year to Carolyn McCall under the ESP was £1,249,814 and to Chris Kennedy was £759,206.

5 There were no DSA awards made in 2021 for 2020 performance.

6 For all awards exercised during the year, sufficient shares were sold to cover income tax and national insurance liabilities, with the balance of shares retained by each Executive Director. The shares are included in the balance of unconditional shares in the table on page 153.

Performance conditions that apply to the unvested awards under the 2020 LTIP are summarised in the table below.

	Weighting	Threshold	Maximum
Adjusted EPS	20%	12.5p	17p
Annual non-NAR growth	40%	3%	6.5%
ITV Family SOV	10%	21.2%	23.5%
Online viewing, hours of VOD consumption growth	10%	250m	500m
TSR v. cross sector of UK companies	20%	Median	Upper quartile

TSR will be assessed against a comparator group of FTSE 350 companies that predominantly operate in the UK (excluding financial services and extractive industries). With the exception of the SOV target, there will be straight-line vesting between the threshold and maximum levels.

External directorships
With specific approval of the Board, Executive Directors may undertake external appointments as a non-executive director of other publicly quoted companies and retain any related fees paid to them. During the year, the Executive Directors retained fees for the directorships set out below.

	Company	2021 £000
Carolyn McCall	Burberry Group plc[1]	**100**
	Bridgepoint Group plc[2]	**16**
Chris Kennedy	Whitbread plc	**82**

1. Carolyn McCall will step down from her appointment to Burberry Group plc on 2 April 2022.
2. Carolyn McCall was appointed a Non-executive Director of Bridgepoint Group plc on 12 July 2021. In addition to the fee shown in the table for her role as a Non-executive Director, on 21 July 2021 she received an initial fee that after tax was used to acquire shares in Bridgepoing Group plc on admission.

The Board and Committee are satisfied that these commitments do not compromise their duties as Executive Directors of ITV plc.

Service contracts
The Directors' service contracts and letters of appointment are available for inspection at the Company's registered office.

Executive Directors: Executive Directors have rolling service contracts that provide for 12 months' notice on either side. There are no special provisions that apply in the event of a change of control.

	Date of appointment	Nature of contract	Notice period from Company	Notice period from Director	Compensation for early termination
Carolyn McCall	8 January 2018	Rolling	12 months	12 months	None
Chris Kennedy	21 February 2019	Rolling	12 months	12 months	None

Non-executive Directors: Each Non-executive Director, including the Chairman, has a contract of service with the Company. Non-executive Directors will serve for an initial term of three years, subject to election and then annual re-election by shareholders, unless otherwise terminated earlier by and at the discretion of either party upon one month's written notice (12 months for the current Chairman). After the initial three year term, reappointment is on an annual basis.

All Non-executive Directors are subject to re-election at the AGM in 2022. Details of appointment and tenure are set out in the table on page 105.

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 142.

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 with effect 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 £96,850 on a time/material basis (exclusive of VAT and expenses). Deloitte are members of the Remuneration Consultants Group and abide by its Code of Conduct in relation to remuneration consulting in the UK.

The Committee regularly reviews the quality and objectivity of the advice it receives from Deloitte in private sessions and this is challenged as a part of the Board evaluation process. It is satisfied that the advice it has received has been objective and independent, and that any conflicts have been appropriately managed. 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.

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 the executive remuneration consulting team are not incentivised to cross-sell non-related services to ITV.

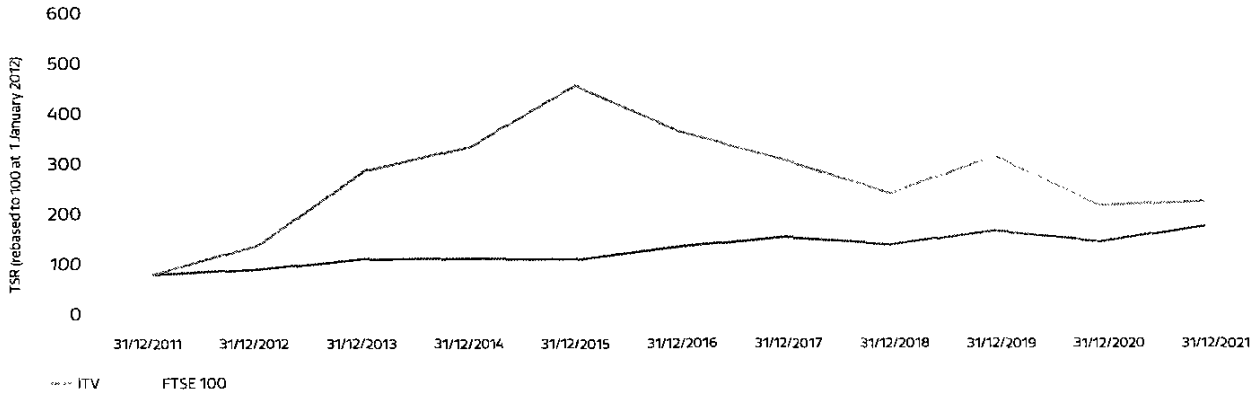
Relative importance of spend on pay
The table below shows pay for all employees compared with other key financial indicators.

	2021 £m	2020 £m	% Change
Employee pay[1]	**553**	473	17
Ordinary dividend	**0**	0	–
Employee headcount[2]	**6,315**	6,273	0.7

1. Employee pay is the total remuneration paid to all employees across ITV on a full-time equivalent basis. More detail is set out in note 2.1 of the Financial Statements.
2. Employee headcount is the monthly average number of employees across ITV on a full-time equivalent basis. More detail is set out in note 2.1 of the Financial Statements.

There were no share buybacks during either year.

Historical performance
The graph below shows the TSR performance of the Company against the FTSE 100 index over the ten year period to 31 December 2021. The FTSE 100 was chosen as ITV has been a member of the FTSE 100 during the ten year period.



Source: Thomson Reuters Datastream

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 pay-out and long-term incentive award vesting level in each year.

		Total remuneration £000	Bonus % of maximum	Long-term incentive award vesting % of maximum
2021	Carolyn McCall	3,533	96.38	35.82
2020	Carolyn McCall	1,150	–	8.83
2019	Carolyn McCall	3,122	87.5	62.35
2018	Carolyn McCall	3,695	73.6	–
2017	Peter Bazalgette (for the six month period served as Executive Chairman)	225	–	–
	Adam Crozier (for the six month period served)	2,050	97.9	63
2016	Adam Crozier	3,632	40	80
2015	Adam Crozier	3,881	96	75
2014	Adam Crozier	4,842	94	75
2013	Adam Crozier	8,399	93	87
2012	Adam Crozier	2,915	91	12

The long-term incentive award vesting percentage relates to the proportion of the award that met performance conditions in the relevant financial year.

Shareholder voting

Votes cast by proxy and at the meeting by poll in respect of the Executive Directors' remuneration at the 2021 AGM were as follows:

Resolution	Number of shares	Voting for %	Number of shares	Voting against %	Total votes cast	Votes withheld
Annual Report on Remuneration	2,919,746,914	99.40	17,477,480	0.60	2,937,224,394	250,148,922
Remuneration Policy	2,708,902,059	92.23	228,270,767	7.77	2,937,172,826	250,200,490
ITV Executive Share Plan	2,944,366,873	92.45	240,430,241	7.55	3,184,797,114	2,576,202

This Remuneration Report was approved by the Board on 3 March 2022 and has been signed on behalf of the Directors by –

Mary Harris
Chair, Remuneration Committee
3 March 2022

Directors' Report

The Directors present their Annual Report and the audited consolidated and parent company financial statements for the year ended 31 December 2021. 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 2021 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 52
Corporate Governance Report	See pages 98 to 122
Culture	See pages 116 to 119
Directors' service contracts	See page 105
Employee engagement and involvement	*See pages 114 to 115*
Employee equality, diversity, reward, investment and inclusion	See pages 56 to 58
Future developments of the business of the Group	See pages 22 to 23
Membership of the Board during the 2021 financial year	See page 105
Research and development	See pages 32 to 47
Stakeholder engagement and Company's business relationships	See pages 107 to 113

Corporate

Articles of Association: The Articles of Association may only be amended by special resolution of the shareholders. The current Articles were adopted as the Articles of Association of the Company at the conclusion of the 2021 AGM and are available on our website.

Auditor: The external auditor for the 2021 financial year was PricewaterhouseCoopers LLP. The Independent Auditors' Report starting on page 164 sets out the information contained in the Annual Report which has been audited by the external auditor.

Following an external audit tender undertaken by the Audit and Risk Committee in 2019 PricewaterhouseCoopers LLP was duly appointed as the external auditor at the close of the 2021 AGM, with its appointment taking effect from, and including, the 2021 financial year.

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 PricewaterhouseCoopers LLP for a further year as the Company's auditor be proposed to shareholders at the AGM on 28 April 2022.

Change of control: No person holds securities in the Company carrying special rights with regard to control of the Company. All of the Company's share schemes contain provisions relating to a change of control. Outstanding awards and options would normally vest and become exercisable on a change of control, subject to the satisfaction of any performance conditions and proration for time where appropriate.

Certain of the Group's debt and derivative instruments have change of control clauses whereby the counterparty can require ITV to repay or redeem the instruments in the event of a change of control (although in some cases only if it is accompanied by a credit rating downgrade to sub investment grade). The Company is not aware of any other significant agreements to which it is a party that take effect, alter or terminate upon a change of control of the Company.

Other agreements: The Company does not have any agreements with any Director or employee that would provide compensation for loss of office or employment resulting from change of control following a takeover bid.

Dividends: The Board has proposed a final dividend of 3.3 pence for the year ended 31 December 2021 subject to shareholder approval at the AGM on 28 April 2022. The final dividend will be paid on 26 May 2022 to shareholders on the register on 19 April 2022 (the record date). The ex-dividend date is 14 April 2022. For more information please refer to page 64.

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 2021 AGM. During 2021 there were no payments made by the Group falling within this definition (2020: nil). The Directors will seek to renew this authority at the 2022 AGM.

Branches: Branches of the Group outside the United Kingdom are indicated in the Subsidiary undertakings and investments section on pages 256 to 260.

Directors

Appointments: A table showing Directors who served in the year and to the date of this report can be found on page 105. Biographies for Directors currently in office can be found on pages 100 and 101 and on our website.

The appointment and replacement of Directors is governed by the Articles of Association, the UK Corporate Governance Code, the Companies Act 2006 and related legislation. The Directors may from time to time appoint one or more Directors. Any such Director shall hold office only until the next AGM and shall then be eligible for appointment by the Company's shareholders in accordance with the Corporate Governance Code. Subject to annual shareholder approval, Non-executive Directors are appointed for an initial three year period and annually thereafter. Each Director will retire and submit themselves for election at the forthcoming AGM.

Conflicts of interest: The Board has delegated the authorisation of any conflicts to the Nominations Committee and has adopted a Conflicts of Interest Policy. The Board has considered in detail the current external appointments of the Directors that may give rise to a situational conflict and has authorised potential conflicts where appropriate. This authorisation can be reviewed at any time but will always be subject to annual review.

Powers including in relation to issuing or buying back shares: Subject to applicable law and the Company's Articles of Association, the Directors may exercise all powers of the Company, including the power to authorise the issue and/or market purchase of the Company's shares (subject to an appropriate authority being given to the Directors by shareholders in a general meeting and any conditions attaching to such authority). The Articles and a schedule of Matters Reserved for the Board can be found on our website (below).

At the 2021 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 2021 financial year and up to the date of this report. These standard authorities will expire on 29 July 2022 or at the conclusion of the 2022 AGM, whichever is earlier. The Directors will seek to renew the authorities at the AGM in 2022.

Insurance and indemnities: The Company maintains liability insurance for its Directors and officers that is renewed on an annual basis. The Company has also entered into deeds of indemnity with its Directors and certain directors of associated companies. A copy of the indemnity can be found on our website. The indemnity, which constitutes a qualifying third-party indemnity as defined in Section 234 of the Companies Act 2006, was in force during the 2021 financial year.

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. See note 4.2.

Financial risk management: The Directors have carried out a robust assessment of the principal and emerging risks facing the Company, including in relation to its business model, future performance, solvency and liquidity. Details of our principal risks and associated mitigations, together with details of our approach to risk management, are set out on pages 72 to 87. Note 4.2 to the financial statements gives details of the Group's financial risk management policies and related exposures. Note 4.2 is incorporated by reference and deemed to form part of this report.

Going concern: The going concern statement is set out on page 178. The statement is incorporated by reference and deemed to form part of this 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 colleagues, it is critical that we continue to build on our approach to applying privacy in a lawful and ethical way. A programme of work to support this has been led by our Global Data Protection Officer. The work includes making improvements to our data governance framework and delivering our data privacy function to protect rights, engender trust and make data available for commercial purposes. ITV has a number of policies, procedures and tools in place to support this, including our Privacy and Data Protection Policy and an Information Security Policy that governs the processing and security of data. Compliance with these policies is mandatory and forms part of the Code of Ethics and Compliance. 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.

Subsequent events

- **New sustainability-linked Revolving Credit Facility:** On 14 January 2022, we agreed a new syndicated £500 million Revolving Credit Facility (RCF) with Barclays Bank PLC, BNP Paribas, Credit Suisse International, Mizuho Bank, Ltd., National Westminster Bank PLC and Wells Fargo Bank N.A. See note 5.3 for further detail.
- **The Voice of Holland:** In early 2022, allegations of inappropriate behaviour on the set of The Voice of Holland were made public, resulting in a mid-season suspension of series 12. A provision has been made to cover the committed costs relating to the series in production, impairment of the carrying value of work in progress and other costs. See note 5.3 for further detail.
- **BritBox UK:** To give ITV greater control over BritBox UK and enable its integration into ITVX, on 2 March 2022, the BBC ceased to be a shareholder in BritBox SVOD Limited (BritBox UK). See note 5.3 for further details.

Pensions

The Company operates a number of pension arrangements which provide retirement and death benefits for colleagues.

ITV Pension Scheme (the Scheme): The Scheme is predominantly a defined benefit (DB) scheme, which is closed to future accrual, but also includes a small defined contribution (DC) section closed to future contributions.

ITV Pension Scheme Limited (a wholly owned subsidiary of ITV plc) is a corporate Trustee and manages the Scheme under a trust which is separate from the Company. Members of the trustee board are formally appointed as directors of ITV Pension Scheme Limited. There are six directors including the Chair – four appointed by the Company and two nominated by the members. The Company appointed Trustee directors include the Chair and two professional independent Trustees.

Currently, the Trustee has two committees: Investment, and Corporate Affairs. The Corporate Affairs Committee is convened as and when appropriate for dealing with any corporate activities that may arise. The Trustee board and each committee hold regular meetings throughout the year at which key issues and more routine business matters are dealt with. A budget is agreed each year. The Trustee board manages risk through its meeting agendas and has a conflicts of interest policy and a register of interests policy, which are reviewed regularly. It is the responsibility of the Trustee to have in place appropriate training for its directors and effective committee structures. The Trustee directors receive regular training throughout the year and also have the support of various professional advisers. The Group pensions department helps identify training opportunities. Training is delivered both by attendance at external courses and with targeted training to support specific agenda items at the start of the relevant trustee board meeting. Where appropriate, longer training sessions are organised. Comprehensive records are kept of all training completed by each Trustee director. The trustee board completes regular assessments of its advisers.

The Chair confirms in an annual statement that the Trustee meets its legal duties in relation to the DC section as required under the Pensions Regulator's Code of Practice 13.

Full valuations are carried out every three years. The latest completed actuarial valuation of the main DB scheme was due as at 1 January 2020 and has now been agreed in principle with the formalities expected to be completed by 31 March 2022.

ITV Defined Contribution Plan (the Plan): The trust based Plan was established to accept contributions from 1 March 2017 for ex-DB members and DC members who transferred from the Scheme. Eligible fixed term and permanent employees are invited to join the Plan after completing the required time in the Company's auto-enrolment (AE) arrangement – the AE Section of the Plan, which was set up on 1 April 2020. These individuals are given the opportunity to transfer funds from the AE plan and make backdated contributions within permitted levels.

ITV DC Trustee Limited (a wholly owned subsidiary of ITV plc) is a corporate Trustee and manages the DC assets, which are held under trust separately from the Company. Members of the trustee board are formally appointed as directors of ITV DC Trustee Limited. There are five directors including the Chair — three appointed by the Company and two nominated by the members. 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 is closed to future accrual with effect from 31 March 2019.

UTV Pension Scheme Limited (a wholly owned subsidiary of ITV plc) is a corporate Trustee and manages the DB assets, which are held under trust separately from the Company. Members of the trustee board are formally appointed as directors of UTV Pension Scheme Limited. There are five directors including the Chair — three appointed by the Company (including a professional Trustee as chairman) and two nominated by the members. It is the responsibility of the Trustee to have in place appropriate training for its directors. The governance framework for managing the UTV Scheme and developing the board is in line with that in place for the ITV Pension Scheme.

Full valuations are carried out every three years. The latest completed actuarial valuation was carried out 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 enrol all eligible individuals into a pension scheme automatically (auto-enrolment). This applies to all eligible individuals who are contracted to work for us, regardless of their contract type or tax status (i.e. it applies to workers and not simply employees). For freelancers and employees not eligible to join the DC Plan, the auto-enrolment plan is provided by a company called The People's Pension under a master trust which is run by an independent board of trustee directors and eligible individuals are enrolled into this arrangement.

Pension Scheme indemnities: Qualifying pension scheme indemnity provisions, as defined in Section 235 of the Companies Act 2006, were in force for the financial year ended 31 December 2021 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. There are no securities carrying special rights.

Restrictions: There are no restrictions on the transfer of ordinary shares in the capital of the Company other than those which may be imposed by law from time to time. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights. With regard to the deadline for exercising voting rights, votes are exercisable at a general meeting of the Company in respect of which the business being voted upon is being heard. Votes may be exercised in person, by proxy or, in relation to corporate members, by corporate representatives. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting. However, when calculating the 48-hour period, the Directors can, and have, decided not to take account of any part of a day that is not a working day. In accordance with the Disclosure Guidance and Transparency Rules (DTRs), Persons Discharging Managerial Responsibility are required to seek approval to deal in ITV shares. The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights.

Share schemes: Details of employee share schemes are set out in note 4.8 of the Financial Statements. The Company has an Employees' Benefit Trust (EBT) funded by loans to acquire shares for the potential benefit of employees. Details of shares held by the EBT as at 31 December 2021 are set out in note 4.8. During the year, shares have been released from the EBT in respect of share schemes for employees. The Trustee of the EBT has the power to exercise all voting rights in relation to any investment (including ordinary shares) held within the EBT.

Substantial shareholders: Information regarding interests in voting rights provided to the Company pursuant to the DTRs is published on a Regulatory Information Service and on the Company's website.

As at 3 March 2022, the information in the table below had been received, in accordance with DTR5, from holders of notifiable interests (voting rights) in the Company's issued share capital. However, these holdings are likely to have changed since notified to the Company; notification of any change is not required until the next applicable threshold is crossed.

The number of shares is based on announcements made by each relevant shareholder using the Company's issued share capital at that date.

	% of interest in shares	Nature of interest in shares	Total number of shares as notified
Liberty Global Incorporated Limited	9.90	Indirect	398,515,510
Ameriprise Financial, Inc and its group	5.08	Indirect	204,366,654

Statement of Directors' Responsibilities

The Directors consider that the Annual Report and Accounts and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's and company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Board of Directors section on pages 100 to 101 confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the group;
- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company; and
- the Strategic Report contained on pages 2 to 97 includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and Company's auditors are aware of that information.

The Directors are responsible for preparing the Annual Report and Accounts and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with UK-adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The Directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Chris Kennedy
Group CFO & COO
3 March 2022
ITV plc
Registered Number: 4967001

Financial Statements

In this section

The financial statements have been presented in a style that attempts to make them less complex and more relevant to shareholders and other stakeholders. We have grouped the note disclosures into five sections: 'Basis of Preparation', 'Results for the Year', 'Operating Assets and Liabilities', 'Capital Structure and Financing Costs' and 'Other Notes'. Each section sets out the accounting policies applied in producing the relevant notes, along with details of any key judgements and estimates used. The purpose of this format is to provide readers with a clearer understanding of what drives financial performance of the Group. The aim of the text in boxes is to provide commentary on each section, or note, in plain English.

Keeping it simple

Notes to the financial statements provide information required by statute, accounting standards or Listing Rules to explain a particular feature of the financial statements. The notes are a part of the financial statements and will also provide explanations and additional disclosure to assist readers' understanding and interpretation of the Annual Report and the financial statements.

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Independent Auditors' Report to the members of ITV plc

Report on the audit of the financial statements

Opinion

In our opinion:

- ITV plc's Group financial statements and parent company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2021 and of the Group's profit and the Group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 'Reduced Disclosure Framework', and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the consolidated and parent company Statements of Financial Position as at 31 December 2021; the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the consolidated and parent company Statements of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in the Audit and Risk Committee Report, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Context

The context of our audit is set by 2021 being our first year as external auditors of the Group. During our audit transition, we shadowed the prior year audit undertaken by the predecessor auditor and reviewed the predecessor auditors' working papers. We performed a review of the half year financial information in accordance with International Standard on Review Engagements (UK and Ireland) 2410, and performed process walkthroughs to understand and evaluate the key financial processes and controls across the Group. We also performed early audit procedures in advance of the year-end in the UK and in our in-scope territories. These procedures served to inform the determination of our final 2021 Group audit scope, areas of focus and audit approach.

Our areas of focus and audit approach were responsive to the continuing impact of COVID-19 as certain territories were placed under government restrictions at differing times during the audit. The impacts of, and recovery from, the pandemic, both from a financial reporting perspective and as it related to how we conducted our work largely remotely, were continuously assessed throughout the year.

As part of our audit, we made enquiries of management to understand their process to assess the extent of the potential impact of climate change risks on the Group and its financial statements. Management's assessment has considered the climate-related risks disclosed in the Annual Report including the Group's journey to net zero, and potential exposure to carbon pricing, extreme weather events and advertising restrictions. In particular, management considered the extent to which:

- The Group may incur costs in the transition to net zero, for example, replacement to renewable energy buildings and vehicles;
- The Group may be exposed to an increase in government carbon pricing/taxations to encourage carbon reduction;
- The Group may be exposed to physical climate risks in the form of extreme weather events which could impact productions; and
- The Group may be impacted by changing advertising regulations such as restrictions or bans on advertising high carbon products and services.

As disclosed within the basis of preparation section of the financial statements, management considers that the impact of climate change does not give rise to a material financial statement impact.

In response, we used our understanding of the Group to evaluate management's assessment; in particular, we considered how climate change risks, both physical and transitional, would impact the assumptions made in the forecasts prepared by management used in their impairment analyses and in their going concern and viability assessments. We concluded that climate change risks do not materially impact the Group's financial statements. We also read the disclosures made in relation to climate change in the other information within the Annual Report, and considered their consistency with the financial statements and our knowledge from our audit.

Overview

Audit scope

- We performed full scope audit procedures over 9 components and performed specified audit procedures on a further 3 components, covering components in the UK, USA, The Netherlands and Italy.
- Taken together, the entities over which audit work was performed accounted for 85% of the Group's revenue and 88% of the Group's profit before tax and operating exceptional items.
- Due to the restrictions on travel and social distancing measures imposed at differing times in the year as a result of the continuing COVID-19 pandemic, the Group engagement team used video conferencing to oversee the component auditor work and conducted remote discussions and review activities to understand and supervise the work of the international teams.

Key audit matters

- Valuation of gross defined benefit pension scheme obligations (Group)
- Valuation of complex pension scheme assets (Group)
- Presentation of exceptional items, including valuation of the Box Clever provision (Group)
- Recoverability of investments in subsidiary undertakings (parent company)

Materiality

- Overall Group materiality: £28 million based on 5% of the Group's three-year average consolidated profit before tax and operating exceptional items.
- Overall parent company materiality: £84.7 million based on 1% of total assets. For the purposes of the Group audit, we applied a lower materiality of £18 million to parent company balances and transactions, other than those which were eliminated on consolidation in the Group financial statements.
- Performance materiality: £21 million (Group) and £63.5 million (parent company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Valuation of gross defined benefit pension scheme obligations (Group)

Key audit matter	How our audit addressed the key audit matter
Refer to the Audit and Risk Committee Report on page 129 and to note 3.6 in the financial statements. The Group had gross defined benefit scheme obligations of £3,943 million recognised at 31 December 2021, which are significant in the context of the overall balance sheet of the Group. The valuation of defined benefit pension scheme obligations involves the exercise of judgement and technical expertise in choosing appropriate actuarial assumptions such as the discount rate, inflation, and mortality rates. Management engaged external actuarial experts to assist them in selecting appropriate assumptions and to calculate the schemes' liabilities. The methodologies and assumptions utilised are judgemental and could significantly impact the magnitude of the obligations recognised.	We utilised our in-house actuarial experts to evaluate whether the assumptions and methodology used in calculating the defined benefit obligations were reasonable by: • Assessing whether the mortality rate and other demographic assumptions were reasonable based on the consideration of the specifics of each plan and industry benchmarks; • Evaluating the appropriateness of the discount and inflation rate assumptions by assessing the methodology used to set them and comparing the assumptions with our internally developed benchmarks based on national data; • Reviewing the methodology and actuarial models used by external actuaries to assess their appropriateness and testing the balance sheet liabilities and movements over the year by performing a roll-forward of the liabilities. Based on our procedures, we concluded that the key assumptions utilised lay within acceptable ranges, the methodology used to calculate the liability was appropriate, and that the liability calculation had not been materially misstated. We assessed the related disclosures included in the Group financial statements and consider them to be appropriate.

Independent Auditors' Report to the members of ITV plc continued

Valuation of complex pension scheme assets (Group)

Key audit matter	How our audit addressed the key audit matter
Refer to the Audit and Risk Committee Report on page 129 and to note 3.6 in the financial statements. The Group had gross defined benefit scheme assets of £3,873 million recognised at 31 December 2021, which are significant in the context of the overall balance sheet of the Group. The valuations of complex pension scheme assets such as Pooled Investment Vehicles (PIVs), property investments and longevity swaps are inherently subjective. As such, there is judgement in determining the fair value of the assets including the selection of appropriate valuation methodologies and other assumptions. Given the judgement and the quantum of these assets, this is a heightened area of audit risk.	We obtained independent confirmations from the investment managers to confirm the valuation of the scheme assets at the balance sheet date. We understood management's processes and controls for monitoring and review of complex asset valuations. We specifically instructed our in-house valuations experts to consider whether the assumptions and methodology used in valuing the assets were reasonable in relation to the longevity swap contract. For complex PIVs, we also requested and reviewed, where available, third party investment manager controls reports; details of any transactions close to the year end and; details of the latest audited financial statements, to determine whether there were any inconsistencies with the year-end values being attributed. Based on the procedures performed, we noted no material issues arising from our work.

Presentation of exceptional items, including valuation of the Box Clever provision (Group)

Key audit matter	How our audit addressed the key audit matter
Refer to the Audit and Risk Committee Report on page 130 and to notes 2.2 and 3.5 in the financial statements. The Group recorded significant exceptional items of £196 million which were included on the face of the consolidated income statement, and disclosed within the Annual Report. The presentation of items as exceptional can be judgemental and have a significant impact on the readers of the financial statements. Due to the quantum and number of exceptional items in the year, we focused on the presentation of these items to ensure they were treated consistently with the Group's accounting policy. The Group had recorded a provision of £52 million for the liability that might arise as a result of the Box Clever Financial Support Directions issued by the Pensions Regulator, with the increase in the provision of £21 million recorded as an exceptional charge in the year. There is continued uncertainty as to the quantum of the amount for which ITV may be liable.	We substantiated a sample of exceptional items to corroborating evidence. We assessed management's rationale for the designation of certain items as exceptional against the Group's policy, considering the nature and value of these items and whether they were 'one off' in nature. Specifically, with respect to the Box Clever provision, we enquired of management and external legal counsel on the latest status of the dispute, and circulated and obtained a letter of legal enquiry from the external legal counsel. We reviewed correspondence with management's actuarial advisors and assessed the basis for management's estimate of the provision at year-end. We assessed the appropriateness and completeness of the disclosures included in the Group financial statements and assessed the levels of equal prominence of GAAP and Non GAAP measures within the Annual Report. Based on our procedures, we were satisfied that the treatment and classification of exceptional items is consistent with the Group's policy, and the Annual Report disclosures, including the Box Clever matter, are appropriate.

Recoverability of investments in subsidiary undertakings (parent company)

Key audit matter	How our audit addressed the key audit matter
Refer to note iii in the parent company financial statements. The parent company had £3,080 million of investments in subsidiary undertakings. There is a risk that the performance of the subsidiary undertakings is not sufficient to support their carrying value and the assets may be impaired.	We evaluated management's assessment of impairment indicators and considered the consistency with other audit procedures performed. We found that management's view that there were no impairment indicators was appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the parent company, the accounting processes and controls, and the industry in which they operate.

The Group is organised and managed across three divisions: Media & Entertainment (M&E), ITV Studios and Central Services. Within the M&E and ITV Studios divisions, given the shared systems and control environment in the UK, we identified each individual UK business as a component. Outside of this, we identified each component at an individual entity level.

Based on our risk and materiality assessments, we determined which components required an audit of their complete financial information having consideration to the relative significance of each component to the Group, and the overall coverage obtained over each material line item in the consolidated financial statements.

Due to its high concentration of the Group's overall profit before tax and operating exceptional items, we identified one financially significant component, M&E, which, in our view, required an audit of its complete financial information.

We identified an additional eight components (inclusive of the parent company) as requiring a complete audit in order to achieve the required coverage in respect of each material line item in the financial statements. To further supplement this coverage, an audit over specific line items was performed in two additional components which held balances relating to the Box Clever provision and the earnout on the Talpa acquisition respectively, and specified procedures over deferred revenue and production WIP were performed at one component in Italy, due to their overall size and in order to achieve the required coverage over these specific financial statement line items.

Audit work over the UK components was performed by the UK Group engagement team in addition to central procedures over tax, treasury, legal claims, defined benefit pension schemes, impairment assessments, going concern and consolidation adjustments. Audit procedures over four components were performed by other PwC network firms in The Netherlands, USA and Italy.

Where the work was performed by international component audit teams, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. Our oversight procedures included the issuance of formal, written instructions to component auditors setting out the work to be performed and regular communication throughout the audit cycle including regular component calls, remote review of component auditor work papers and participation in audit clearance meetings via video call due to the continued COVID-19 restrictions.

Taken together, the components where we performed our audit work accounted for 85% of consolidated revenue, and 88% of consolidated profit before tax and operating exceptional items. This was before considering the contribution to our audit evidence from performing audit work at the Group level, including disaggregated analytical review procedures, which covers a significant portion of the Group's smaller and lower risk components that were not directly included in our Group audit scope.

Independent Auditors' Report to the members of ITV plc continued

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – parent company
Overall materiality	£28 million	£84.7 million
How we determined it	5% of the Group's three-year average consolidated profit before tax and operating exceptional items	Materiality for the parent company financial statements was based on 1% of total assets. Our lower materiality of £18 million for the balances and transactions which do not eliminate upon consolidation in the Group financial statements was based on our calculation and allocation of component materiality for the Group audit.
Rationale for benchmark applied	We consider the most appropriate benchmark on which to calculate materiality was the Group's adjusted profit before tax and operating exceptional items. Given the volatility in profitability as a result of COVID-19 in 2021 and 2020, we based our materiality on the average for three years of the Group's profit before tax and operating exceptional items. We believe that an average for three years is appropriate, as users' views of materiality for the financial statements should not be significantly affected by the impact of, including the recovery from, COVID-19 on trading performance in the current year.	Balances and transactions that eliminate upon consolidation were audited to a higher materiality. We consider a total asset measure to reflect the nature of the parent company, which primarily acts as a holding company for the Group's investments.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £4.5 million and £25 million.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £21 million for the Group financial statements and £63.5 million for the parent company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £1.4 million (Group and parent company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- A critical assessment of management's base case and downside scenarios, challenging and obtaining corroborating evidence for the key assumptions, and verifying that the forecasts have been subject to board review and approval;
- Examining the Group's available financing, including related covenants, and maturity profile to assess liquidity through the assessment period;
- Reviewing the key inputs into the model management used to develop their scenarios to ensure that these were consistent with our understanding and the inputs used in other key accounting judgements in the financial statements such as impairment;
- Assessing the historical reliability of management forecasting by comparing budgeted results to actual performance;
- Performing our own independent sensitivity analysis to assess appropriate downside scenarios.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the parent company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Independent Auditors' Report to the members of ITV plc continued

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and parent company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the parent company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and parent company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety regulations, anti-bribery and corruption laws, tax legislation, data privacy, broadcasting and media regulations, and UK Listing Rules, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate the financial performance of the Group and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Enquiry of management, those charged with governance and the Group's legal counsel around actual and potential fraud and non-compliance with laws and regulations;
- Reviewing legal confirmations from external lawyers;
- Enquiry of tax and compliance functions to identify any instances of non-compliance with laws and regulations;
- Challenging assumptions made by management in determining their significant judgements and accounting estimates (refer to key audit matters);
- Identifying and testing journal entries, in particular journal entries posted with unusual account combinations and journals posted by unexpected users; and
- Reviewing financial statement disclosures and testing to supporting documentation.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the members on 29 April 2021 to audit the financial statements for the year ended 31 December 2021 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

Other matter

As required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard (ESEF RTS). This auditors' report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Jonathan Lambert (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

03 March 2022

Consolidated Income Statement

For the year ended 31 December	*Note*	**2021 £m**	2020 £m
Revenue	2.1	**3,453**	2,781
Operating costs		**(2,934)**	(2,425)
Operating profit		**519**	356
Presented as:			
Earnings before interest, tax and amortisation (EBITA) before exceptional items	2.1	**784**	561
Operating exceptional items	2.2	**(196)**	(118)
Amortisation and impairment	3.3, 3.4	**(69)**	(87)
Operating profit		**519**	356
Financing income	4.4	**8**	2
Financing costs	4.4	**(58)**	(46)
Net financing costs	4.4	**(50)**	(44)
Share of profits after tax of joint ventures and associated undertakings	3.4	**12**	9
Gain on sale of non-current assets	3.2	**–**	4
Loss on sale of subsidiaries and investments		**(1)**	–
Profit before tax		**480**	325
Taxation	2.3	**(92)**	(44)
Profit for the year		**388**	281
Profit/(loss) attributable to:			
Owners of the Company		**378**	285
Non-controlling interests	4.7.6	**10**	(4)
Profit for the year		**388**	281
Earnings per share			
Basic earnings per share	2.4	**9.4p**	7.1p
Diluted earnings per share	2.4	**9.3p**	7.1p

Consolidated Statement of Comprehensive Income

For the year ended 31 December	Note	2021 £m	2020 £m
Profit for the year		**388**	281
Other comprehensive (expense)/income:			
Items that are or may be reclassified to profit or loss			
Revaluation of financial assets	4.7.4	**–**	4
Net gain/(loss) on cash flow hedges and costs of hedging	4.7.3	**15**	(6)
Exchange differences on translation of foreign operations (net of hedging)	4.7.3	**16**	(19)
Items that will never be reclassified to profit or loss			
Remeasurement (losses)/gains on defined benefit pension schemes	3.6	**(58)**	5
Income tax credit/(charge) on items that will never be reclassified	2.3	**3**	(1)
Other comprehensive expense for the year, net of income tax		**(24)**	(17)
Total comprehensive income for the year		**364**	264
Total comprehensive income/(expense) attributable to:			
Owners of the Company		**355**	268
Non-controlling interests	4.7.6	**9**	(4)
Total comprehensive income for the year		**364**	264

Consolidated Statement of Financial Position

	Note	31 December 2021 £m	31 December 2020* £m
Non-current assets			
Property, plant and equipment	3.2	**254**	285
Intangible assets	3.3	**1,478**	1,545
Investments in joint ventures, associates and equity investments	3.4	**98**	77
Derivative financial instruments	4.3	**–**	2
Distribution rights	3.1.2	**21**	18
Contract assets	3.1.6	**6**	7
Defined benefit pension surplus	3.6	**26**	22
Other pension asset	3.6	**62**	62
Deferred tax asset	2.3	**37**	34
		1,982	2,052
Current assets			
Programme rights and other inventory	3.1.1	**313**	308
Trade and other receivables due within one year	3.1.3	**589**	458
Trade and other receivables due after more than one year	3.1.3	**42**	46
Trade and other receivables		**631**	504
Contract assets	3.1.6	**543**	409
Current tax receivable	2.3	**32**	6
Derivative financial instruments	4.3	**3**	6
Restricted cash	4.1	**50**	50
Cash and cash equivalents	4.1	**686**	618
		2,258	1,901
Current liabilities			
Borrowings	4.1, 4.2	**(290)**	(7)
Lease liabilities	4.6	**(21)**	(22)
Derivative financial instruments	4.3	**(5)**	(7)
Trade and other payables due within one year	3.1.4	**(849)**	(959)
Trade payables due after more than one year	3.1.5	**(18)**	(54)
Trade and other payables		**(867)**	(1,013)
Contract liabilities	3.1.6	**(359)**	(271)
Current tax liabilities	2.3	**(20)**	(25)
Provisions	3.5	**(120)**	(59)
		(1,682)	(1,404)
Net current assets		**576**	497
Non-current liabilities			
Borrowings	4.1, 4.2	**(732)**	(1,078)
Lease liabilities	4.6	**(71)**	(83)
Derivative financial instruments	4.3	**(37)**	(24)
Defined benefit pension deficit	3.6	**(96)**	(110)
Deferred tax liabilities	2.3	**(12)**	(20)
Other payables	3.1.5	**(67)**	(61)
Provisions	3.5	**(25)**	(22)
		(1,040)	(1,398)
Net assets		**1,518**	1,151
Attributable to equity shareholders of the parent company			
Share capital	4.7.1	**403**	403
Share premium	4.7.1	**174**	174
Merger and other reserves	4.7.2	**215**	224
Translation reserve	4.7.3	**41**	7
Fair value reserve	4.7.4	**13**	18
Retained earnings	4.7.5	**634**	296
Total equity attributable to equity shareholders of the parent company		**1,480**	1,122
Non-controlling interests	4.7.6	**38**	29
Total equity		**1,518**	1,151

* £50 million of cash, the use of which is restricted to meeting the commitments under the asset-backed pension agreements has been presented as restricted cash in 2021. The comparative balances for 31 December 2020 have also been restated.

The financial statements on pages 172 to 260 were approved by the Board of Directors on 3 March 2022 and were signed on its behalf by:

Chris Kennedy
Group CFO and COO

Consolidated Statement of Changes in Equity

	Note	Attributable to equity shareholders of the parent company								
		Share capital £m	Share premium £m	Merger and other reserves £m	Translation reserve* £m	Fair value reserve £m	Retained earnings £m	**Total £m**	Non-controlling interests £m	**Total equity £m**
Balance at 1 January 2021	4.7	**403**	**174**	**224**	**7**	**18**	**296**	**1,122**	**29**	**1,151**
Total comprehensive income for the year										
Profit for the year		–	–	–	–	–	378	378	10	**388**
Other comprehensive (expense)/income										
Net gain on cash flow hedges and costs of hedging	4.7.3	–	–	–	15	–	–	15	–	**15**
Exchange differences on translation of foreign operations (net of hedging)	4.7.3	–	–	–	17	–	–	17	(1)	**16**
Remeasurement losses on defined benefit pension schemes	3.6	–	–	–	–	–	(58)	(58)	–	**(58)**
Income tax (charge)/credit reclass**		–	–	–	7	(4)	(3)	–	–	**–**
Income tax (charge)/credit on other comprehensive income/(expense)	2.3	–	–	–	(5)	(1)	9	3	–	**3**
Total other comprehensive income/(expense)		–	–	–	34	(5)	(52)	(23)	(1)	**(24)**
Total comprehensive income/(expense) for the year		**–**	**–**	**–**	**34**	**(5)**	**326**	**355**	**9**	**364**
Transactions with owners, recorded directly in equity										
Contributions by and distributions to owners										
Equity dividends		–	–	–	–	–	–	–	(1)	**(1)**
Movements due to share-based compensation	4.8	–	–	–	–	–	12	12	–	**12**
Tax on items taken directly to equity	2.3	–	–	–	–	–	1	1	–	**1**
Total transactions with owners		**–**	**–**	**–**	**–**	**–**	**13**	**13**	**(1)**	**12**
Changes in non-controlling interests	4.7.6	**–**	**–**	**(9)**	**–**	**–**	**(1)**	**(10)**	**1**	**(9)**
Balance at 31 December 2021	4.7	**403**	**174**	**215**	**41**	**13**	**634**	**1,480**	**38**	**1,518**

* See note 4.3 for further breakdown of Translation Reserve, including Hedging Reserve and Cost of Hedging Reserve.

** Income tax on other comprehensive income has been reallocated to the relevant reserves from Retained Earnings in the current year.

Consolidated Statement of Changes in Equity continued

	Note	Attributable to equity shareholders of the parent company								
		Share capital £m	Share premium £m	Merger and other reserves £m	Translation reserve* £m	Fair value reserve £m	Retained earnings £m	**Total £m**	Non-controlling interests £m	**Total equity £m**
Balance at 1 January 2020	4.7	**403**	**174**	**224**	**32**	**14**	**1**	**848**	**30**	**878**
Total comprehensive income/(expense) for the year										
Profit/(loss) for the year		–	–	–	–	–	285	285	(4)	**281**
Other comprehensive income/(expense)										
Revaluation of financial assets	4.7.4	–	–	–	–	4	–	4	–	**4**
Net loss on cash flow hedges and costs of hedging	4.7.3	–	–	–	(6)	–	–	(6)	–	**(6)**
Exchange differences on translation of foreign operations (net of hedging)	4.7.3	–	–	–	(19)	–	–	(19)	–	**(19)**
Remeasurement gains on defined benefit pension schemes	3.6	–	–	–	–	–	5	5	–	**5**
Income tax charge on other comprehensive income/(expense)	2.3	–	–	–	–	–	(1)	(1)	–	**(1)**
Total other comprehensive (expense)/income		–	–	–	(25)	4	4	(17)	–	**(17)**
Total comprehensive (expense)/income for the year		**–**	**–**	**–**	**(25)**	**4**	**289**	**268**	**(4)**	**264**
Transactions with owners, recorded *directly in equity*										
Contributions by and distributions to owners										
Equity dividends		–	–	–	–	–	–	–	(1)	**(1)**
Movements due to share-based compensation	4.8	–	–	–	–	–	6	6	–	**6**
Tax on items taken directly to equity	2.3	–	–	–	–	–	3	3	–	**3**
Total transactions with owners		**–**	**–**	**–**	**–**	**–**	**9**	**9**	**(1)**	**8**
Changes in non-controlling interests	4.7.6	–	–	–	–	–	(3)	(3)	4	**1**
Balance at 31 December 2020	4.7	**403**	**174**	**224**	**7**	**18**	**296**	**1,122**	**29**	**1,151**

* See note 4.3 for further breakdown of Translation Reserve, including Hedging Reserve and Cost of Hedging Reserve.

Consolidated Statement of Cash Flows

For the year ended 31 December	Note	2021 £m		2020 £m	
Cash flows from operating activities					
Cash generated from operations before exceptional items	2.1		**714**		761
Cash flow relating to operating exceptional items:					
Operating exceptional items	2.2	**(196)**		(118)	
(Decrease)/Increase in exceptional payables		**(111)**		47	
Decrease in exceptional prepayments and other receivables		**–**		3	
Cash outflow from exceptional items			**(307)**		(68)
Cash generated from operations			**407**		693
Defined benefit pension deficit funding		**(74)**		(59)	
Interest received		**10**		13	
Interest paid*		**(53)**		(34)	
Net taxation paid		**(119)**		(88)	
			(236)		(168)
Net cash inflow from operating activities			**171**		525
Cash flows from investing activities					
Acquisition of property, plant and equipment		**(22)**		(35)	
Acquisition of intangible assets		**(23)**		(31)	
Acquisition of investments		**(19)**		(18)	
Proceeds from sale of property, plant and equipment		**–**		4	
Proceeds from sale of subsidiaries and available for sale investments		**–**		5	
Loans granted to associates and joint ventures		**(5)**		(2)	
Loans repaid by associates and joint ventures		**4**		5	
Net cash outflow from investing activities			**(65)**		(72)
Cash flows from financing activities					
Bank and other loans – amounts repaid		**(18)**		(7)	
Bank and other loans – amounts raised		**21**		5	
Payment of lease liabilities**		**(26)**		(22)	
Acquisition of non-controlling interests		**(11)**		(2)	
Dividends paid to non-controlling interests		**(1)**		(1)	
Purchase of own shares via employees' benefit trust		**–**		(1)	
Net cash outflow from financing activities			**(35)**		(28)
Net increase in cash and cash equivalents			**71**		425
Cash and cash equivalents at 1 January* **	4.1		**618**		196
Effects of exchange rate changes and fair value movements			**(3)**		(3)
Cash and cash equivalents at 31 December* **	4.1		**686**		618

* Interest paid includes interest on bank, other loans, derivative financial instruments and lease liabilities.

** Net cash flow on lease liabilities in note 4.1 of £29 million (2020: £26 million) includes interest on lease liabilities included in interest paid of £3 million (2020: £4 million).

*** In 2021, £50 million of cash, the use of which is restricted to meeting the commitments under the asset-backed pension agreements has been restated as restricted cash. The comparative balances for all periods have also been restated.

Notes to the Financial Statements
Section 1: Basis of Preparation

In this section

This section sets out the Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates. This section also shows new UK-adopted accounting standards, amendments and interpretations, and whether they are effective in 2021 or later years. We explain how these changes are expected to impact the financial position and performance of the Group.

The financial statements consolidate those of ITV plc ('the Company') and its subsidiaries (together referred to as the 'Group') and the Group's interests in associates and jointly controlled entities. The Company is registered in England and Wales.

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. ITV plc transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no change on recognition, measurement or disclosure in the financial year reported as a result of the change in framework.

These Group financial statements were prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

The accounting policies have been applied consistently in the financial years presented, other than where new policies have been adopted.

The financial statements are principally prepared on the basis of historical cost. Where other bases are applied, these are identified in the relevant accounting policy.

The parent company financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101').

The notes form part of the financial statements.

Going concern

The management and Board of Directors of ITV plc continue to closely monitor the COVID-19 situation and its impact on business performance and the Group's liquidity position.

As at 31 December 2021, the Group was in a net debt position of £414 million (2020: £545 million), including gross borrowings of £1,150 million (2020: £1,213 million) offset by unrestricted cash of £686 million (2020: £618 million) and restricted cash of £50 million (2020: £50 million).

The Group had, in addition to £686 million of unrestricted cash, a £630 million committed and undrawn Revolving Credit Facility (RCF) expiring in December 2023 (which was subsequently refinanced on 14 January 2022 to a £500 million RCF maturing in January 2027) and a £300 million committed bilateral facility expiring in June 2026, of which £148 million was available at 31 December 2021, providing £1,464 million of liquidity.

Both RCFs are subject to leverage and interest cover semi-annual covenant tests that require the Group to maintain a leverage ratio of below 3.5x and interest cover above 3.0x (as defined in the RCF documentation). As at 31 December 2021, the Group had covenant net debt of £278 million and its financial position was well within its covenants. The leverage and interest cover tests will be tested again on 30 June 2022.

There are no financial covenants in relation to the bonds in issue although there are cross default provisions. Within the next 12 months, the Group's €335 million Eurobond will reach maturity (September 2022).

The Directors have prepared forecasts for three cash flow scenarios (mid, high and low cases), for the period of three years from 1 January 2022 (in line with the viability assessment period). The mid case scenario is the basis for the 2022 Board approved budget. The key assumptions in the scenarios relate to fluctuations in the advertising market due to audience and/or market decline, and therefore the Group's advertising revenue, and the scale and timing of productions for ITV Studios. All scenarios assume increased production costs in the medium term in relation to inflation and COVID-19 protocols as well as continued structural changes in the advertising market and viewing habits. The Directors have also considered a number of sensitivities to the mid case scenario to arrive at a severe but plausible scenario that has been used to assess the appropriateness of preparing these consolidated financial statements using the going concern basis. These sensitivities include an increase in pension contributions, settlements in respect of ongoing litigation, lost and/or delayed Studios productions, and a decline in advertising revenue in comparison to 2021. In the severe but plausible downside scenario the Group experiences significant loss of profit and cash outflows but remains able to operate within its financial covenants and has sufficient liquidity.

The Directors will continue to monitor the changing impact of COVID-19 and the Group's performance against the scenarios. In 2021, a 3.3 pence dividend (equivalent to 5.0 pence for the full year) was proposed, subject to approval by shareholders at the AGM on 28 April 2022 (2020: nil). The Directors intend to at least maintain this dividend over the medium term (this was included in all scenarios modelled). The Directors will continue to balance shareholder returns with a commitment to maintain investment grade metrics over the medium term and to continue to invest in the Group's strategy.

Consequently, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of these consolidated financial statements and therefore have prepared the consolidated financial statements on a going concern basis.

Subsidiaries, joint ventures, associates and investments

Subsidiaries are entities that are directly or indirectly controlled by the Group. Control exists where the Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account.

A joint venture is a joint arrangement in which the Group holds an interest under a contractual arrangement where the Group and one or more other parties undertake an economic activity that is subject to joint control. The Group accounts for its interests in joint ventures using the equity method. Under the equity method, the investment in the entity is stated as one line item at cost plus the investor's share of retained post-acquisition profits or losses, less any dividends received and other changes in net assets.

An associate is an entity, other than a subsidiary or joint venture, over which the Group has significant influence. Significant influence is the power to participate in, but not control or jointly control, the financial and operating decisions of an entity. These investments are also accounted for using the equity method.

Investments are entities where the Group concludes it does not have significant influence and are held at fair value unless the investment is a start-up business, in which case it is valued initially at cost as a proxy for fair value.

Current/non-current distinction

Current assets include assets held primarily for trading purposes, cash and cash equivalents, and assets expected to be realised in, or intended for sale or use in, the course of the Group's operating cycle. All other assets are classified as non-current assets.

Current liabilities include liabilities held primarily for trading purposes, liabilities expected to be settled in the course of the Group's operating cycle and those liabilities due within one year from the reporting date. All other liabilities are classified as non-current liabilities.

Classification of financial instruments

The financial assets and liabilities of the Group are classified into the following financial statement captions in the Consolidated Statement of Financial Position in accordance with IFRS 9 'Financial Instruments':

- Financial assets/liabilities at fair value through OCI – measured at fair value through other comprehensive income – separately disclosed as financial assets/liabilities in current and non-current assets and liabilities or equity investments in non-current assets
- Financial assets/liabilities at fair value through profit or loss – separately disclosed as derivative financial instruments in current and non-current assets and liabilities and included in other payables (put option liabilities and contingent consideration) or convertible loan receivable within other receivables
- Financial assets measured at amortised cost – separately disclosed as cash and cash equivalents and trade and other receivables
- Financial liabilities measured at amortised cost – separately disclosed as borrowings and trade and other payables

Judgement is required when determining the appropriate classification of the Group's financial instruments, requiring assessment of contractual provisions that do or may change the timing or amount of contractual cash flows. Details of the accounting policies for measurement of the above instruments are set out in the relevant note. Where unconditional rights to set off financial instruments exist, the Group presents the relevant instruments net in the Consolidated Statement of Financial Position.

Recognition and derecognition of financial assets and liabilities

The Group recognises a financial asset or liability when it becomes a party to the contract. Financial instruments are no longer recognised in the Consolidated Statement of Financial Position when the contractual cash flows expire or when the Group no longer retains control of substantially all the risks and rewards under the instrument.

Notes to the Financial Statements
Section 1: Basis of Preparation continued

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with a maturity of less than or equal to three months from the date of acquisition. The carrying value of cash and cash equivalents is considered to approximate fair value.

Restricted cash
Restricted cash comprises cash that is held in a restricted bank account as a replacement asset in the pension funding arrangements and is not available to the Group for general business use. The carrying value of restricted cash is considered to approximate fair value.

Foreign currencies
The primary economic environment in which the Group operates is the UK and therefore the consolidated financial statements are presented in pounds sterling ('£').

Where Group companies based in the UK transact in foreign currencies, these transactions are translated into pounds sterling at the exchange rate on the transaction date. Foreign currency monetary assets and liabilities are translated into pounds sterling at the year end exchange rate. Where there is a movement in the exchange rate between the date of the transaction and the year end, a foreign exchange gain or loss is recognised in the income statement. Non-monetary assets and liabilities measured at historical cost are translated into pounds sterling at the exchange rate on the date of the transaction.

The assets and liabilities of Group companies outside of the UK are translated into pounds sterling at the year end exchange rate. The revenue, expenses and other comprehensive income of these companies are translated into pounds sterling at the average monthly exchange rate during the year. Where differences arise between these rates, they are recognised in the translation reserve within other comprehensive income.

The Group's net investments in companies outside the UK may be hedged where the currency exposure is considered to be material. Hedge accounting is implemented on certain foreign currency firm commitments, for which the effective portion of any foreign exchange gains or losses is recognised in other comprehensive income (note 4.3).

Exchange differences arising on the translation of the Group's interests in joint ventures and associates are recognised in the translation reserve within other comprehensive income.

On disposal of a foreign subsidiary, an interest in a joint venture or an associate, the related translation reserve is released to the income statement as part of the gain or loss on disposal.

Where a forward currency contract is used to manage foreign exchange risk and hedge accounting is not applied, any impact of movements in currency for both the forward currency contracts and the assets and liabilities is taken to the income statement.

Accounting judgements and estimates
The preparation of financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the period in which the estimates are revised and in any future periods affected.

The areas involving material judgement or complexity are set out below. Additional detail on the judgements and sources of estimation uncertainty applied by management are set out in the accounting policies section of the relevant notes:

Area	Key judgements	Key sources of estimation uncertainty
Defined benefit pension (See note 3.6)		Estimates of the assumptions for valuing the defined benefit obligation
Provisions related to Box Clever (see note 3.5)	The basis for calculating the provision	Estimates of the amount required to settle the potential liability
Employee-related provisions (See note 3.5)	The individuals who are included in the calculation	Estimates of the amounts required to settle the liability
Acquisition-related liabilities (See note 3.1.4 and 3.1.5)	Whether future amounts payable are linked to employment	Estimates of cash-flow forecasts to support the calculation of the future liabilities. (Key source of estimation uncertainty in 2020 only)

In addition to the above, there are a number of areas which involve a high degree of estimation and are significant to the financial statements but are not expected to have a material impact on them in the next 12 months. The key areas underlying estimation uncertainty include the reviews of onerous contracts and impairment provisions in relation to sports rights, impairment of intangible assets and taxation. More detail on each of these items is given in the relevant notes.

The Directors recognise the climate crisis and the potential impact it may have on both the wider world and the success of the business. The threat continues to evolve and businesses globally have a responsibility to take meaningful action to mitigate and prevent further climate change. The Directors are committed to reducing the impact of the business on the environment. Climate related risks have been identified as an emerging business risk, however the Directors do not view them as a source of material estimation uncertainty for the Group. For further detail, see the Risks and Uncertainties section of the Strategic Report.

New or amended accounting standards

The following new standards and/or amendments are effective 1 January 2021, but have not had a significant impact on the Group's results or Consolidated Statement of Financial Position.

Accounting standard	Requirement
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020)	The IASB issued amendments to IFRS 9, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures, that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates.
Amendments to IFRS 17 and Extension of the Temporary Exemption from applying IFRS 9 (Amendments to IFRS 4)	The amendments defer the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023 and change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities will be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023 instead of 1 January 2021.
IFRS 16 'Leases'	In response to the COVID-19 coronavirus pandemic, the amendments to IFRS 16 'Leases' to allow lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions

Accounting standards effective in future periods

The Directors have considered the impact on the Group of new and revised accounting standards, interpretations or amendments that are not yet effective and do not expect them to have a significant impact on the Group's results and Consolidated Statement of Financial Position.

Notes to the Financial Statements
Section 2: Results for the Year

In this section →

This section focuses on the results and performance of the Group. On the following pages, you will find disclosures explaining the Group's results for the year, segmental information, exceptional items, taxation and earnings per share.

2.1 Profit before tax

Keeping it simple →

This section analyses the Group's profit before tax by reference to the activities performed by the Group and an analysis of key operating costs.

***Adjusted earnings before interest, tax and amortisation (adjusted EBITA) (as defined* in the APMs) is the Group's key profit indicator. This reflects the way the business is managed and how the Directors assess the performance of the Group. This section therefore also shows each division's contribution to total revenue and adjusted EBITA.**

Accounting policies

Revenue measurement and recognition

The Group derives revenue from the transfer of goods and services. Revenue recognition is based on the delivery of performance obligations and an assessment of when control is transferred to the customer. Revenue is recognised either when the performance obligation in the contract has been performed ('point in time' recognition) or 'over time' as control of the performance obligation is transferred to the customer.

Customer contracts can have a wide variety of performance obligations, from production contracts to format licences and distribution activities. For these contracts, each performance obligation is identified and evaluated. Under IFRS 15 the Group needs to evaluate if a format or licence represents a right to access the content (revenue recognised over time) or represents a right to use the content (revenue recognised at a point in time). The Group has determined that most format and licence revenues are satisfied at a point in time due to there being limited ongoing involvement in the use of the licence following its transfer to the customer.

The transaction price, being the amount to which the Group expects to be entitled and has rights to under the contract is allocated to the identified performance obligations. The transaction price will also include an estimate of any variable consideration where the Group's performance may result in additional revenues. Variable consideration is estimated based on the achievement of agreed targets, such as audience targets. Variable consideration is recognised only to the extent that it is probable that a significant reversal of revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Revenue is stated exclusive of VAT and equivalent sales taxes.

Complexity in advertising revenue measurement and recognition is driven by a combination of automated and manual processes involved in measuring the value delivered to the customer and therefore the value of variable consideration due.

In assessing the transaction price, any non-cash consideration received from a customer is included. Non-cash consideration is measured at fair value. It takes into account the value of what the Group is receiving rather than the value of what the Group is giving up.

Complex one-off contracts in all classes of revenue are assessed individually and judgement is exercised in identifying performance obligations and allocating price to them. Timing of revenue recognition is another area of judgement particularly in respect of contracts particularly in the ITV Studios division to assess whether revenue should be recognised at a point in time or over time.

Revenue recognition criteria for the Group's key classes of revenue are as follows:

Segment	Major classes of revenue	Payment terms
ITV Studios		
Programme production	• Revenue generated from the programmes produced for broadcasters and OTT platforms in the UK, US and internationally is recognised at the point of delivery of an episode and acceptance by the customer. Revenue from producer for hire contracts, where in an event of cancellation cost is recovered plus a margin, is recognised over time	• Payment term is over the term of the contract
Format licences	• A licence is granted for the exploitation of a format in a stated territory, media and period. Licence revenue is recognised when the licence period has commenced (point in time)	• Payment term is over the term of the contract
Programme distribution rights	• A licence is granted for the transmission of a programme in a stated territory, media and period and revenue is recognised at the point when the contract is signed, the content is available for download and the licence period has started (point in time)	• Payment term is over the term of the contract

Segment	Major classes of revenue	Payment terms
Media & Entertainment		
Total advertising revenue	• Net advertising revenue is generated from selling spot airtime on linear TV and is recognised at the point of transmission • Online advertising revenue from video on demand (VOD) is generated from selling advertising on the ITV Hub and is recognised at the point of delivery • Revenue from the sponsorship of programmes across ITV linear channels and online is recognised over the period of transmission	• Received in the month after transmission • Received in the month after campaign is delivered • Received prior to transmission
Subscriptions	• Pay revenue is generated from the provision of HD channels, catch up content and licences to ready-made programmes in the form of box sets to third parties and is recognised either over the term of the contract or per subscriber or download (point in time) • Revenue from subscription services is recognised over the subscription period	• Payment term is over the term of the contract or subscription period
SDN	• Revenue is generated from the carriage fee or capacity of the digital multiplex and is recognised over the term of the contract	• Payment term is over the term of the contract
Partnerships and other revenue	• Revenue from platforms such as Sky and Virgin Media O2, and third-party commissions • Interactive revenue is earned from entries to competitions and is recognised as the event occurs (point in time)	• Payment term is over the term of the contract • Payment term is within two months of the competition being aired

In October 2020, the Group announced a restructure of its Broadcast segment to better reflect and serve the changing viewing habits. As part of the restructure, which came into effect from 1 April 2021, Broadcast has been renamed Media & Entertainment (M&E).

As part of the restructure, Gaming, Live Events and Merchandising has been transferred from M&E to ITV Studios and is now reported within Global Formats and Distribution, as this revenue stream better aligns with ITV Studios. As a result, we have re-presented the revenue and adjusted EBITA for 2020 to reflect this transfer. Gaming, Live Events and Merchandising had revenue for 2021 of £7 million (31 December 2020: £5 million) and adjusted losses before interest, tax and amortisation of £2 million (31 December 2020: £nil). The comparative information has been re-presented to reflect this change.

We have also re-categorised non-advertising revenues to reflect how revenues are now reviewed internally within the M&E segment. Subscriptions is a new category consisting of subscription revenue generated directly from streaming services and includes ITV Hub+ and BritBox UK. Partnerships and other revenue is also a new category and includes revenues from platforms, such as Sky and Virgin Media O2, competitions revenue, third-party commission and commercial revenue from our creative partnerships. The Direct to Consumer category is no longer used. The comparative information has been re-presented to reflect these changes.

Notes to the Financial Statements
Section 2: Results for the Year continued

The results for the year aggregate these classes of revenue into the following categories:

	2021 £m	2021 % of total	Re-presented*** 2020 £m	Re-presented*** 2020 % of total
ITV Studios UK	**683**		535	
ITV Studios US	**372**		234	
ITV Studios International	**407**		343	
Global Formats and Distribution	**298**		263	
Total ITV Studios*	**1,760**	**44%**	1,375	42%
Total advertising revenue ('TAR')	**1,957**	**48%**	1,577	48%
Subscriptions	**42**		27	
SDN	**70**		73	
Partnerships and other revenue	**213**		208	
Media & Entertainment	**2,282**	**56%**	1,885	58%
Total revenue**	**4,042**		3,260	

* ITV Studios UK, ITV Studios US and Studios International revenues are mainly programme production. Global Formats and Distribution revenue is from programme distribution rights, format licences and gaming, live events and merchandising

** Includes internal supply as discussed in the APMs (page 61)

*** 2020 revenue is re-presented to reflect the change in composition of the operating segments following the reorganisation of M&E mentioned above

Segmental information

Operating segments, which have not been aggregated, are determined in a manner that is consistent with how the business is managed and reported to the Management Board. The Management Board is regarded as the chief operating decision-maker and considers the business, primarily from an operating activity perspective.

Following the restructure, the Groups' segments are now Media & Entertainment and ITV Studios, the results of which are outlined in the following tables:

	ITV Studios[i] 2021 £m	Media & Entertainment 2021 £m	Consolidated 2021 £m
Total segment revenue	**1,760**	**2,282**	**4,042**
Intersegment revenue	**(583)**	**(6)**	**(589)**
Revenue from external customers	**1,177**	**2,276**	**3,453**
Adjusted EBITA[ii]	**215**	**598**	**813**

	Re-presented ITV Studios 2020 £m	Re-presented Media & Entertainment 2020 £m	Consolidated 2020 £m
Total segment revenue	1,375	1,885	3,260
Intersegment revenue [i]	(472)	(7)	(479)
Revenue from external customers [iii]	903	1,878	2,781
Adjusted EBITA[ii] [iii]	152	421	573

(i) Intersegment revenue originates mainly in the UK

(ii) *Adjusted EBITA is EBITA adjusted to exclude exceptional items and includes the benefit of production tax credits. It is stated after the elimination of* intersegment revenue and costs

(iii) 2020 revenue and adjusted EBITA is re-presented to reflect the change in composition of the operating segments following the reorganisation of M&E mentioned above

The Group's principal operations are in the United Kingdom. Revenue from external customers in the United Kingdom is £2,365 million (2020: £1,985 million), and revenue from external customers in other countries is £1,088 million (2020: £796 million). Revenue of £485 million (2020: £312 million) was generated in the US during the year. The Operating and Financial Performance Review provides further detail on ITV's international revenues. The US represented £431 million of non-current assets at year end.

Intersegment revenue, which is earned on arm's length terms, is mainly generated from the supply of ITV Studios programmes to Media & Entertainment for transmission primarily on the ITV network. This revenue stream is a measure that informs the Group's strategic priority of building a strong international content business, as producing and retaining rights to the shows broadcast on the ITV network benefits the Group further from subsequent international content and format sales.

In preparing the segmental information, centrally managed costs have been allocated between reportable segments on a methodology driven principally by revenue, headcount or building occupancy of each segment. This is consistent with the basis of reporting to the Board of Directors.

There are two media buying agencies (2020: two) acting on behalf of a number of advertisers that represent the Group's major customers. These agencies are the only customers that individually represent over 10% of the Group's revenue, with £593 million (2020: £471 million) and £353 million (2020: £303 million) respectively, revenue derived from these customers. This revenue is attributable to the Media & Entertainment segment.

Timing of revenue recognition

The following table includes classes of revenue from contracts disaggregated by the timing of recognition:

	2021 £m	2020* £m	**2021 £m**	2020* £m
	Products and services transferred at a point in time		Products and services transferred over time	
Total advertising revenue, subscriptions, SDN and other M&E	1,952	1,582	324	296
Programme production, programme distribution rights	914	687	184	116
Format licences	74	94	5	6
Total external revenue	**2,940**	2,363	**513**	418

* 2020 re-presented to reflect the change in composition of the operating segments following the M&E reorganisation

Forward bookings

The following table includes revenue from contracts signed before the reporting date that is to be recognised in periods after the reporting date (i.e. the performance obligations remain unsatisfied or partially unsatisfied at the reporting date):

	2022 £m	2023 £m	2024 £m	Beyond £m
Media & Entertainment	150	90	64	107
ITV Studios*	181	162	19	13
Total revenue	**331**	**252**	**83**	**120**

* includes internal supply.

The Group applies the practical expedients in IFRS 15 and, therefore, does not disclose information about remaining performance obligations that have original expected durations of less than one year or where the price is not yet known (e.g. net advertising revenue (NAR)).

ITV Studios

ITV Studios is the Group's international content business, creating and producing programmes and formats that return and travel, namely drama, entertainment and factual entertainment.

ITV Studios UK is the largest commercial producer in the UK and produces programming for the Group's own channels, accounting for 70% of ITV main channel spend on commissioned programming (2020: 68%). Programming is also sold to other UK broadcasters and OTT platforms.

ITV Studios US is the leading unscripted independent producer of content in the US and is growing its scripted presence by increasing investment in high-profile dramas.

ITV Studios also operates in ten other international locations, together called ITV Studios International, being Australia, Germany, France, Italy, Spain, the Netherlands, Sweden, Norway, Finland and Denmark where content is produced for local broadcasters and international OTT platforms. This content is either locally created IP or formats that have been created elsewhere by ITV, primarily in the UK, the Netherlands and in Israel.

ITV Studios Global Formats and Distribution division operates three centres of excellence – The Creative Network, Global Distribution and Global Entertainment. This enables the Group to create more hits, to build better brands and formats internationally and to monetise them effectively. Global Formats and Distribution license ITV's finished programmes, formats and third-party content internationally. Within this business, the Group also finances productions both on and off ITV to acquire global distribution rights.

Media & Entertainment

As detailed above, with effect from 1 April 2021, Broadcast has been renamed Media & Entertainment ('M&E') with two business streams – Broadcast and Streaming. The Broadcast business is the home of ITV main channel, ITV3 and ITV4 channels, and continues to deliver ITV's USP of mass simultaneous reach. The Streaming business focuses on driving digital viewing by providing content that appeals to audiences who do most or all of their viewing on demand, and serving it to them in whatever way they want to access it. It includes our advertiser funded channels of ITV Hub, ITV2, ITVBe and CITV and SVOD through ITV Hub+ and BritBox.

Notes to the Financial Statements
Section 2: Results for the Year continued

Adjusted EBITA

The Directors assess the performance of the reportable segments based on a measure of adjusted EBITA. The Directors use this non-IFRS measurement basis as it excludes the effect of transactions that could distort the understanding of the Group's performance for the year and comparability between periods. See the Operating and Financial Performance Review on pages 32 to 47 for the detailed explanation of the Group's use of adjusted performance measures. A reconciliation of adjusted EBITA to reported profit before tax is provided as follows:

	Note	2021 £m	2020 £m
Adjusted EBITA		**813**	573
Production tax credits		**(29)**	(12)
EBITA before exceptional items		**784**	561
Operating exceptional items	2.2	**(196)**	(118)
Amortisation and impairment		**(69)**	(87)
Net financing costs	4.4	**(50)**	(44)
Share of profits of joint ventures and associated undertakings		**12**	9
Gain on sale of non-current assets		**–**	4
Loss on sale of subsidiaries and investments		**(1)**	–
Reported profit before tax		**480**	325

Cash generated from operations

A reconciliation from profit before tax to cash generated from operations before exceptional items is as follows:

	Note	2021 £m	2020 £m
Cash flows from operating activities			
Reported profit before tax		**480**	325
Add back:			
Gain on sale of non-current assets (exceptional items)		**–**	(4)
Loss on sale of subsidiaries and investments (exceptional items)		**1**	–
Share of profits of joint ventures and associated undertakings		**(12)**	(9)
Net financing costs	4.4	**50**	44
Operating exceptional items	2.2	**196**	118
Depreciation of property, plant and equipment (net of exceptional items)	3.2	**59**	57
Amortisation and impairment		**69**	87
Share-based compensation	4.8	**12**	6
(Increase)/decrease in programme rights and distribution rights		**(6)**	16
(Increase)/decrease in receivables and contract assets		**(270)**	2
Increase/(decrease) in payables and contract liabilities		**135**	119
Movement in working capital		**(141)**	137
Cash generated from operations before exceptional items		**714**	761

Operating costs

The major components of operating costs of £2,934 million (2020: £2,425 million) are network schedule costs of £1,100 million (2020: £935 million), other net costs of production of £957 million (2020: £755 million), staff costs of £553 million (2020: £473 million), depreciation, amortisation and impairment of £128 million (2020: £144 million) and operating exceptional items of £196 million (2020: £118 million).

Staff costs

Staff costs before exceptional items can be analysed as follows:

	2021 £m	2020 £m
Wages and salaries	**441**	382
Social security and other costs	**69**	55
Share-based compensation (see note 4.8)	**12**	6
Pension costs	**31**	30
Total staff costs	**553**	473
Less: staff costs allocated to productions	**(221)**	(191)
FTEE staff costs (non-production)	**332**	282

Exceptional staff costs are disclosed separately in note 2.2.

Full-time equivalent employees (FTEE) include those FTEEs that are allocated to the cost of productions during the year, however they exclude short-term contractors and freelancers who are engaged on productions. The weighted average FTEE over the year is:

	2021	2020
ITV Studios	**3,816**	3,893
Media & Entertainment	**2,499**	2,380
	6,315	6,273

The monthly average number of people employed over the year is:

	2021	2020
ITV Studios	**4,109**	4,064
Media & Entertainment	**2,509**	2,451
	6,618	6,515

As a result of the M&E restructure, a significant number of technology employees are now allocated to the M&E division resulting in the increase in FTEE. This is in line with the updated strategy. Details of Directors' emoluments, share options, pension entitlements and long-term incentive scheme interests are set out in the Remuneration Report. ITV plc Executive Directors' gains on share options for 2021 are set out in the ITV plc Company financial statements.

Depreciation

Depreciation in the year was £59 million (2020: £57 million), of which £39 million (2020: £36 million) relates to ITV Studios and £20 million (2020: £21 million) to Media & Entertainment. A further £8 million in respect of accelerated depreciation following a change in useful life of the related assets in relation to the move to a new London site has been included in exceptional items. See notes 2.2 and 3.3 for further details.

Audit fees

The Group's auditor in 2021 is PricewaterhouseCoopers LLP (PwC). In previous years, the position was held by KPMG LLP (KPMG). The Group may engage PwC on assignments additional to its statutory audit duties where its expertise and experience with the Group are important and are in line with Group's policy on auditor independence. In 2021, no non-audit fees, other than in respect of audit-related assurance services (being the review of the interim results for the six months to 30 June 2021) were paid to PwC (2020: KPMG: £nil). Fees paid to PwC and its associates during the year (2020: paid to KPMG and its associates) are set out below:

	PWC 2021 £m	KPMG 2020 £m
For the audit of the Group's annual financial statements	**1.8**	0.9
For the audit of subsidiaries of the Group	**1.5**	0.9
Audit-related assurance services	**0.2**	0.3
Total audit and audit-related assurance services	**3.5**	2.1
Other assurance services	**–**	–
Total non-audit services*	**–**	–
Total fees paid to auditor	**3.5**	2.1

* See details of non-audit services policy in the Audit and Risk Committee Report on page 136.

** Fees paid to KPMG in 2021 in relation to the completion of prior period subsidiary financial statements was £0.2 million.

There were no fees payable in 2021 to PwC or in 2020 to KPMG or their associates for the auditing of financial statements of any associate or pension scheme of the Group, internal audit, and services relating to corporate finance transactions entered into or proposed to be entered into, by or on behalf of the Group or any of its associates.

Notes to the Financial Statements
Section 2: Results for the Year continued

2.2 Exceptional items

Keeping it simple

Exceptional items are excluded from management's assessment of profit because by their size or nature they could distort the Group's underlying quality of earnings. They are typically gains or losses arising from events that are not considered part of the core operations of the business. These items are excluded to reflect performance in a consistent manner and are in line with how the business is managed and measured on a day-to-day basis.

Accounting policies

Exceptional items as described above are highlighted on the face of the Consolidated Income Statement. See the Operating and Financial Performance Review on pages 32 to 47 for the detailed explanation of the Group's use of adjusted performance measures. Gains or losses on disposal of non-core assets are also considered exceptional due to their nature and impact on the Group's underlying quality of earnings.

Exceptional items

Operating and non-operating exceptional items are analysed as follows:

(Charge)/credit	Ref.	2021 £m	2020 £m
Operating exceptional items:			
Acquisition-related expenses	A	**(109)**	(13)
Restructuring, transformation and property costs	B	**(16)**	(11)
Pension related costs	C	**(21)**	(37)
COVID-19	D	**–**	(11)
Sports rights	E	**(1)**	(23)
Transponder onerous contract	F	**(16)**	(19)
Employee-related tax provision	G	**(22)**	–
Other	H	**(11)**	(4)
Total operating exceptional items		**(196)**	(118)
Tax on operating exceptional items		**16**	22
Total operating exceptional items net of tax		**(180)**	(96)
Non-operating exceptional items:			
Financing exceptional item: acquisition-related	I	**(10)**	–
Total non-operating exceptional items		**(10)**	–
Tax on non-operating exceptional items		**–**	–
Total exceptional items net of tax		**(190)**	(96)

A. Acquisition-related expenses

Acquisition-related expenses of £109 million (2020: £13 million) relate to performance-based, employment-linked expected payments to former owners, with the Talpa acquisition accounting for the majority of the amount charged *in 2021. On 23 July 2021, the final determination of the second and final earnout on the Talpa acquisition was received* from the independent arbiter, resulting in an additional amount payable of €125 million (£108 million).

B. Restructuring, transformation and property costs

Restructuring costs of £8 million (2020: £11 million) relate to one-off significant restructuring and transformation programmes of the business. Significant programmes in the year were the finalisation of the Media & Entertainment restructure, which commenced in the latter half of 2020, and a significant Board-approved business transformation programme, which commenced in 2021. This programme includes the implementation of a new cloud-based ERP *solution, a software as a service (SaaS) solution where the implementation costs are expensed as incurred.* The implementation commenced in 2021 and is expected to continue throughout 2022. Additional exceptional costs related to the business transformation programme of between £60 million and £65 million are expected to be incurred over the next two years.

Following the decision to move to Broadcast Centre in early 2022, £8 million (2020: £nil) of property costs and move related costs have been recognised as exceptional, including accelerated depreciation following a change in useful life of the related assets. Additional exceptional costs related to the property move of between £20 million and £25 million *are expected to be incurred over the next two years.*

C. Pension related costs

During the prior year, a provision was recognised for an estimate of the settlement in relation to the Box Clever case for £31 million. The provision has been increased by £21 million in 2021 reflecting an increase in managements estimate of the provision required. The treatment of this increase as exceptional is consistent with the recognition of the £31 million provision in 2020 as an exceptional charge. See 3.5 for further details. The comparative balance for 31 December 2020 has been reclassified from 'Other' exceptional costs to provide clearer reporting.

On 20 November 2020, a High Court ruling determined that pension schemes need to address inequalities between men and women in Guaranteed Minimum Pension (GMP) for those members that transferred out of the Schemes between May 1990 and October 2018. A past service cost for GMP Equalisation in transfers out of £1 million was recognised in the prior year. Also during 2020, the Group completed the rectification of historical benefits of the members of the Network Section of Section A of the ITV Pension Scheme. The change in benefits of £5 million was recognised as an exceptional past service cost in the prior year. Further details are provided in note 3.6.

D. COVID-19 directly related costs
Costs directly related to the COVID-19 pandemic have been recognised as exceptional items. These included £9 million in 2020 related to the costs incurred in productions shutting down and restarting in a safe environment and additional one-off costs to maintain production during the lockdown for certain daytime shows. Despite the ongoing impact of COVID-19 on the business of ITV throughout 2021, there were no directly related costs.

E. Sports rights
The impact of COVID-19 on the planned sporting schedule and the consequential impact on TAR, along with changing forecasts of audience mix and revenues for certain sporting events, resulted in the recognition of a £23 million provision for impairment of specific sports rights in 2020. It is not possible to split this impairment between that caused by the COVID-19 pandemic and underlying market movements. The Group has recognised a net increase of £1 million to this specific provision in 2021. The remaining provision (£5 million) will be utilised in 2022.

F. Transponder onerous contract
During 2020, we commenced a review of the efficiency of our transponder capacity usage with a view to reducing our capacity requirements. This has allowed us to reorganise our channels over fewer transponders with the result that we have cleared all channels from two transponders and are no longer utilising them. In 2020, we provided for an onerous contract of £19 million from the date the first transponder was cleared and in 2021, the second transponder capacity was cleared and a second onerous contract provision was recognised for £16 million. The comparative cost in 2020 for 31 December 2020 has been reclassified from 'Other' exceptional costs to provide clearer reporting.

G. Employee-related tax provisions
The determination of the employment tax status of some individuals contracted by the Group is complex. In March 2021, HMRC issued an initial assessment on several individuals engaged by the Group during the tax year 2016/17 as employed for tax purposes. In June 2021, HMRC updated guidance on factors determining the employment tax status of TV and Radio presenters. Following this assessment and HMRC's updated guidance, the Group has undertaken a review of the tax status of individuals and used best endeavours to estimate that circa £22 million may be assessed as payable for periods up to 31 December 2020. Landmark court cases are being heard by the Court of Appeal in early 2022. Whilst the Group is not involved in these cases, judgements handed down will impact on how employment tax status is determined for TV and Radio presenters generally and will therefore have a bearing on how much tax might be payable by the Group. As a consequence of this, the final amount payable for periods up to December 2020 could be significantly different to the £22 million currently provided.

H. Other
Included in other are legal costs in relation to litigation outside the normal course of business and a provision for costs related to The Voice of Holland.

In early 2022 allegations of inappropriate behaviour on the set of The Voice of Holland were made public, resulting in a mid-season suspension of series 12. A provision has been made to cover the committed costs relating to the series in production, impairment of the carrying value of work in progress and other costs. An external investigation of the allegations is currently ongoing. While unquantifiable at present, there may be further financial impact on the Group.

I. Acquisition-related (net financing exceptional item)
Exceptional finance costs of £10 million relate principally to interest accrued on exceptional acquisition-related expenses.

Notes to the Financial Statements
Section 2: Results for the Year continued

2.3 Taxation

Keeping it simple

This section sets out the Group's tax accounting policies, the current and deferred tax charges or credits in the year (which together make up the total tax charge or credit in the Consolidated Income Statement), a reconciliation of profit before tax to the tax charge for the period and the movements in deferred tax assets and liabilities.

Accounting policies

The tax charge for the year is recognised in the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income and directly in equity, according to the accounting treatment of the related transactions. The tax charge comprises both current and deferred tax. The calculation of the Group's tax charge involves estimation and judgement in respect of certain items whose tax treatment cannot be fully determined until a resolution has been reached by the relevant tax authority.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment in respect of previous years.

The Group recognises liabilities for anticipated tax issues based on estimates and judgement of the additional taxes that are likely to become due. Amounts are accrued based on management's interpretation of specific tax law and the likelihood of settlement. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

Deferred tax

Deferred tax arises due to certain temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and those for taxation purposes.

The following temporary differences are not provided for:

- The initial recognition of goodwill
- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination
- Differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. Deferred tax is calculated using tax rates that are enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that sufficient taxable profit will be available to utilise the temporary difference. Recognition of deferred tax assets, therefore, involves judgement regarding the timing and level of future taxable income.

Deferred tax assets and liabilities are disclosed net to the extent that they relate to taxes levied by the same authority and the Group has the right of set-off.

Taxation – Consolidated Income Statement

The total taxation charge in the Consolidated Income Statement is analysed as follows:

	2021 £m	2020 £m
Current tax:		
Current tax charge on profit before exceptional items	**(108)**	(73)
Current tax credit on exceptional items	**11**	21
	(97)	(52)
Adjustments related to prior periods	**(7)**	7
	(104)	(45)
Deferred tax:		
Origination and reversal of temporary differences	**1**	3
Deferred tax credit on exceptional items	**5**	–
Impact of changes to statutory tax rates	**(4)**	(2)
	2	1
Adjustments related to prior periods	**10**	–
	12	1
Total taxation charge in the Consolidated Income Statement	**(92)**	(44)

In order to understand how, in the Consolidated Income Statement, a tax charge of £92 million (2020: £44 million) arises on a profit before tax of £480 million (2020: £325 million), the taxation charge that would arise at the standard rate of UK corporation tax is reconciled to the actual tax charge as follows:

	2021 £m	2020 £m
Profit before tax	**480**	325
Notional taxation charge at UK corporation tax rate of 19% (2020: 19%) on profit before tax	**(91)**	(62)
Non-taxable income/non-deductible expenses	**(9)**	(1)
Overseas non-deductible exceptional expenses	**(26)**	–
Prior year adjustments	**3**	7
Other taxes	**(7)**	(4)
Current year losses not recognised	**(1)**	(3)
Impact of overseas tax rates	**10**	3
Impact of changes in tax rates	**(4)**	(2)
Movement on tax provisions	**(5)**	3
Production tax credits	**38**	15
Total taxation charge in the Consolidated Income Statement	**(92)**	(44)

Non-deductible expenses are expenses that are not expected to be allowable for tax purposes. Similarly, non-taxable income is income that is not expected to be taxable.

Adjustments to prior periods primarily arise where an outcome is obtained on certain tax matters, which differs from expectations held when the related provision was made. Where the outcome is more favourable than the provision made, the difference is released, lowering the current year tax charge. Where the outcome is less favourable than our provision, an additional charge to current year tax will occur. The current tax charge includes a £7 million charge relating to prior years, and the deferred tax credit includes a £10 million credit relating to prior years. This adjustment has arisen following changes in estimates of taxes that have already become due, or will become due in the future.

In 2021 we introduced a policy of paying for losses available for Group tax relief across UK entities and in addition to this a historical payment for consortium relief received from Freesat (UK) Limited was made during the year, resulting in a payment of £6 million (2020: nil), this is included in the prior year adjustments.

Other taxes of £7 million charge (2020: £4 million charge) includes state taxes of £3 million in the US, local taxes of £3 million in Germany, Italy and France plus £1 million of irrecoverable withholding tax in the UK.

The impact of overseas tax rates reflects the fact that some of our profits are earned in territories other than the UK and taxed at rates different from the UK corporation tax rate. In 2021, the total impact is £10 million credit (2020: £3 million credit) due to losses arising in higher taxed jurisdictions, which were recognised through deferred tax, giving rise to a reconciling benefit.

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was announced on 3 March 2021, the rate change was substantively enacted on 24 May 2021. This will increase the Group's future current tax charge accordingly and the impact on deferred tax is forecast to be a £4 million charge through the Consolidated Income Statement with an associated credit through other comprehensive income or equity.

In line with our accounting policy on current tax, provisions are held on the balance sheet within current tax liabilities in respect of uncertain tax positions where management believes that it is probable that future payments of tax will be required.

The production tax credits included within the reconciliation above are UK High-End Television (HETV) tax credits and Children's Television tax credits, which are part of a group of incentives provided to support the creative industries in the UK. The ability to access these tax credits is fundamental when assessing the viability of investment decisions in the production of high-end drama and children's programmes. Under IFRS, these production tax credits are reported within the total taxation charge in the Consolidated Income Statement. However, ITV considers them to be a contribution to production costs, and therefore working capital in nature, and excludes them from its adjusted tax charge, including them instead within Adjusted EBITA.

The effective tax rate is 19.2% (2020: 13.5%), and is the tax charge on the face of the Consolidated Income Statement expressed as a percentage of the profit before tax. The tax rate is higher than in 2020 primarily due to the exceptional earnout payment in relation to the Talpa BV acquisition, which is not deductible for tax purposes. As explained in the Finance Review, the Group uses an adjusted tax rate to show how tax impacts total adjusted earnings in a way that is more aligned with the Group's cash tax position. The adjusted tax rate is 19.9% (2020: 18.0%).

In 2021, the current year movement recognised in the Consolidated Income Statement on origination and reversal of temporary differences (excluding exceptional items) is a credit of £1 million, compared with a credit of £3 million in 2020.

Notes to the Financial Statements
Section 2: Results for the Year continued

Taxation – Other comprehensive income (OCI) and equity

As analysed in the table below a deferred tax charge of £2 million (2020: £8 million credit) has been recognised on actuarial movements on pensions. Included in other temporary differences, a deferred tax charge of £1 million (2020: £nil) on gilts, a deferred tax charge of £4 million (2020: £5 million) on derivatives and a £2 million deferred tax credit on the cost of hedging (2020: £nil) has been recognised in other comprehensive income. A deferred tax credit of £2 million (2020: £3 million) has been recognised in equity in respect of share-based payments.

A current tax charge of £3 million on foreign exchange movements net of hedging has been recognised in other comprehensive income (2020: £2 million credit) plus a current tax credit of £11 million on pensions has been recognised in other comprehensive income (2020: £nil). There is no current tax recognised in equity in relation to share-based payments (2020: £nil).

Taxation – Consolidated Statement of Financial Position

The table below outlines the deferred tax assets/(liabilities) that are recognised in the Consolidated Statement of Financial Position, together with their movements in the year:

	At 1 January 2021 £m	Recognised in the income statement £m	Recognised in OCI and equity £m	Foreign exchange £m	**At 31 December 2021 £m**
Tangible assets	8	(3)	–	(1)	**4**
Intangible assets	(41)	(5)	–	1	**(45)**
Pension scheme	(5)	1	(2)	–	**(6)**
Tax losses	35	(3)	–	–	**32**
Share-based compensation	8	1	2	–	**11**
Other temporary differences	9	23	(3)	–	**29**
	14	14	(3)	–	**25**

	At 1 January 2020 £m	Recognised in the income statement £m	Recognised in OCI and equity £m	Foreign exchange £m	At 31 December 2020 £m
Tangible assets	7	1	–	–	8
Intangible assets	(50)	10	–	(1)	(41)
Programme rights	1	(1)	–	–	–
Pension scheme	8	(5)	(8)	–	(5)
Tax losses	37	–	–	(2)	35
Share-based compensation	6	(1)	3	–	8
Other temporary differences	9	(3)	5	(2)	9
	18	1	–	(5)	14

At 31 December 2021, the net deferred tax asset position is £25 million (2020: £14 million), consisting of total deferred tax assets of £134 million (2020: £110 million) and total deferred tax liabilities of £109 million (2020: £95 million). The Consolidated Statement of Financial Position presents deferred tax after netting off balances within countries – a deferred tax asset of £37 million and a deferred tax liability of £12 million (2020: deferred tax asset of £34 million and a deferred tax liability of £20 million).

The deferred tax balances relate to:

- Property, plant and equipment temporary differences arising on assets qualifying for tax depreciation
- Temporary differences on intangible assets, including those arising on business combinations
- Programme rights – temporary differences on intercompany profits on stock
- Pension scheme deficit temporary differences on the IAS 19 pension deficit and SDN and LTVC pension funding partnerships
- Temporary differences arising from the timing of the use of tax losses
- Share-based compensation temporary differences on share schemes
- Other temporary differences on provisions and financial instruments

The deferred tax balance associated with the pension deficit reflects the current tax benefit obtained in 2021 following the employer contributions to the Group's defined benefit pension scheme. The adjustment in other comprehensive income to both the current tax and deferred tax balances relates to the actuarial gain recognised in the year and a prior year adjustment.

A deferred tax asset of £32 million has been recognised for tax losses where a full recovery is expected based on forecasted taxable profits. A deferred tax asset of £559 million (2020: £425 million) in respect of capital losses of £2,237 million (2020: £2,237 million) has not been recognised due to uncertainties as to whether capital gains will arise in the appropriate form and relevant territories against which such losses could be utilised. The increase in the deferred tax asset in respect of the capital losses compared to the prior year is due to the future corporate tax rate change in the UK. For the same reasons, total deferred tax assets of £15 million (2020: £17 million) in respect of overseas losses of £67 million (2020: £73 million) have not been recognised (including £2 million in respect of losses that expire between 2022 and 2027).

Subsidiaries of ITV PLC Group have undistributed earnings of £16 million (2020: nil) which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as ITV PLC Group is able to control the timing of the distributions from these subsidiaries and is not expected to distribute these profits in the foreseeable future.

In October 2021, the Organisation for Economic Co-operation and Development (OECD) agreed a two-pillar solution to address the tax challenges arising from the digitalisation of the economy. We are working through the implications of this and the financial impact it might have on ITV.

2.4 Earnings per share

Keeping it simple

Earnings per share ('EPS') is the amount of post-tax profit attributable to each share.

Basic EPS is calculated on the Group profit for the year attributable to equity shareholders of £378 million (2020: £285 million) divided by 4,005 million (2020: 4,002 million), being the weighted average number of shares in issue during the year, which excludes EBT shares held in trust (see note 4.8).

Diluted EPS reflects any commitments made by the Group to issue shares in the future and so it includes the impact of share options.

Adjusted EPS is presented in order to show the business performance of the Group in a consistent manner and reflect how the business is managed and measured on a day-to-day basis. Adjusted EPS reflects the impact of operating and non-operating exceptional items on Basic EPS. Other items excluded from Adjusted EPS are amortisation and impairment of intangible assets acquired through business combinations; net financing cost adjustments; and the tax adjustments relating to these items. Each of these adjustments is explained in detail in the section below.

The calculation of Basic EPS and Adjusted EPS, together with the diluted impact on each, is set out below:

Basic earnings per share

	2021 £m	2020 £m
Profit for the year attributable to equity shareholders of ITV plc	**378**	285
Weighted average number of ordinary shares in issue – million	**4,005**	4,002
Basic earnings per ordinary share	**9.4p**	7.1p

Diluted earnings per share

	2021 £m	2020 £m
Profit for the year attributable to equity shareholders of ITV plc	**378**	285
Weighted average number of ordinary shares in issue – million	**4,005**	4,002
Dilution due to share options	**46**	23
Total weighted average number of ordinary shares in issue – million	**4,051**	4,025
Diluted earnings per ordinary share	**9.3p**	7.1p

Notes to the Financial Statements
Section 2: Results for the Year continued

Adjusted earnings per share

	Ref.	2021 £m	2020 £m
Profit for the year attributable to equity shareholders of ITV plc		**378**	285
Exceptional items (net of tax)	A	**180**	96
Profit for the year before exceptional items		**558**	381
Amortisation and impairment of acquired intangible assets	B	**37**	52
Gain on sale of non-current assets	C	**–**	(3)
Loss on sale of subsidiaries and investments	C	**1**	–
Adjustments to net financing costs	D	**15**	6
Adjusted profit		**611**	436
Total weighted average number of ordinary shares in issue – million		**4,005**	4,002
Adjusted earnings per ordinary share		**15.3p**	10.9p

Diluted adjusted earnings per share

	2021 £m	2020 £m
Adjusted profit	**611**	436
Weighted average number of ordinary shares in issue – million	**4,005**	4,002
Dilution due to share options	**46**	23
Total weighted average number of ordinary shares in issue – million	**4,051**	4,025
Diluted adjusted earnings per ordinary share	**15.1p**	10.8p

Details of the adjustments to earnings are as follows:

A. Exceptional items (net of tax) £180 million (2020: £96 million)
Exceptional items of £196 million (2020: £118 million), net of related tax credit of £16 million (2020: £22 million). See note 2.2 for the detailed composition of exceptional items.

B. Amortisation and impairment of acquired intangible assets of £37 million (2020: £52 million)
Amortisation and impairment of assets acquired through business combinations and investments of £69 million (2020: £87 million), excluding amortisation of software licences and development of £20 million (2020: £19 million), net of related tax credit of £12 million (2020: £16 million)

C. Loss/(gain) on sale of non-current assets and investments of £1 million loss (2020: gain of £3 million)
Loss on sale of investments of £1 million (2020: gain of £4 million), net of related tax credit of £nil (2020: related tax charge of £1 million). 2020 gain was shown within exceptional items (A. above)

D. Adjustments to net financing costs £15 million (2020: £6 million)
Adjustments to net financing costs includes exceptional finance costs of £10 million (2020: £nil) relating principally to interest accrued on exceptional acquisition-related expenses; foreign exchange, pension interest charges and the unwind of discounting on acquisition related liabilities of £9 million (2020: £8 million), net of related tax credit of £4 million (2020: £2 million)

Notes to the Financial Statements
Section 3: Operating Assets and Liabilities

In this section

This section shows the assets used to generate the Group's trading performance and the liabilities incurred as a result. On the following pages, there are notes covering working capital, non-current assets and liabilities, acquisitions and disposals, provisions and pensions.

Liabilities relating to the Group's financing activities are addressed in section 4. Deferred tax assets and liabilities are shown in note 2.3.

3.1 Working capital

Keeping it simple

Working capital represents the assets and liabilities the Group generates through its trading activity. The Group therefore defines working capital as distribution rights, programme rights, trade and other receivables, trade and other payables and contract assets and liabilities.

Careful management of working capital ensures that the Group can meet its trading and financing obligations within its ordinary operating cycle.

Working capital is a driver of the profit to cash conversion ratio, a key performance indicator for the Group. For those subsidiaries acquired during the year, working capital at the date of acquisition is excluded from the profit to cash calculation so that only subsequent working capital movements in the period controlled by ITV are reflected in this metric.

In the following note, you will find further information regarding working capital management and analysis of the elements of working capital.

3.1.1 Programme rights and commitments

Accounting policies

Rights are recognised when the Group controls the respective rights and the risks and rewards associated with them.

Programme rights not yet utilised are included in the Consolidated Statement of Financial Position at the lower of cost and net realisable value. In assessing net realisable value for programmes in production, judgement is required when considering the contracted sales price and estimated costs to complete.

Programme rights

Acquired programme rights (which include films) and sports rights are purchased for the primary purpose of broadcasting on the ITV family of channels, including AVOD and SVOD platforms. These are recognised within current assets the earlier of when payments are made or when the rights are ready for exploitation. The Group generally expenses these rights through operating costs over a number of transmissions reflecting the pattern and value in which the right is consumed.

Commissions, which primarily comprise programmes purchased, based on editorial specification and over which the Group has some control, are recognised in current assets as payments are made and are generally expensed to operating costs in full on first transmission. Where a commission is repeated on any platform, incremental costs associated with the broadcast are included in operating costs.

The net realisable value assessment for acquired and commissioned rights (excluding sports rights) is based on estimated airtime value, with consideration given to whether the number of transmissions purchased can be efficiently played out over the licence period. The net realisable value is assessed on a portfolio basis unless specific indicators of impairment are identified.

The net realisable value assessment for sports rights is based on the estimated airtime value on the transmission date of the sporting event.

As a result of the impact of COVID-19 on the sporting schedule for 2020 and 2021 and the consequential impact on TAR, along with changing forecasts of audience mix and revenues for certain sporting events, the Group recognised an impairment for certain sporting events included in programme rights as well as onerous contract provisions for future commitments. Further details are provided in note 3.5.

Notes to the Financial Statements
Section 3: Operating Assets and Liabilities continued

The programme rights and other inventory at the year end are shown in the table below:

	2021 £m	2020 £m
Acquired programme rights	**177**	169
Commissions	**78**	69
Sports rights	**58**	70
	313	308

£13 million relates to stock that will be transmitted in 2023 and beyond (2020: £19 million transmitted in 2022 and beyond)

Programme and transmission commitments
Transmission commitments are the contracted future payments under transmission supply agreements that require the use of transponder capacity for a period of up to ten years with payments increasing over time, limited by specific RPI caps.

Programming commitments are transactions entered into in the ordinary course of business with programme suppliers, sports organisations and film distributors in respect of rights to broadcast on the ITV network (including ITV Hub and ITV Hub+) and on BritBox UK.

In 2021, the Group has onerous contract provisions of £32 million (2020: £37 million) in respect of transponder capacity usage and sports rights commitments. See note 3.5 for further details.

Commitments in respect of these transactions, which are not reflected in the Consolidated Statement of Financial Position, are due for payment as follows:

2021	Transmission £m	Programme £m	Total £m
Within one year	**25**	**552**	**577**
Later than one year and not more than five years	**43**	**488**	**531**
	68	**1,040**	**1,108**

2020	Transmission £m	Programme £m	Total £m
Within one year	35	479	514
Later than one year and not more than five years	95	465	560
	130	944	1,074

3.1.2 Distribution rights
Accounting policies
Distribution rights are programme rights the Group buys from producers to derive future revenue, principally through licensing to other broadcasters. These are classified as non-current assets as these rights are used to derive long-term economic benefit for the Group.

Distribution rights are recognised initially at cost and charged through operating costs in the Consolidated Income Statement over a period not exceeding five years, reflecting the value and pattern in which the right is consumed. Advances paid for the acquisition of distribution rights are disclosed as distribution rights as soon as they are contracted. *These advances are not expensed until the programme is available for distribution.* Up to that point, they are assessed annually for impairment through the reassessment of the future sales expected to be earned from that title.

The net book value of distribution rights at the year end is as follows:

	2021 £m	2020 £m
Distribution rights	**21**	18

During the year, £46 million was charged to the Consolidated Income Statement (2020: £19 million).

3.1.3 Trade and other receivables

Accounting policies

Trade receivables are recognised initially at the value of the invoice sent to the customer and subsequently at the amounts considered recoverable (amortised cost). Where payments are not due for more than one year, they are shown in the financial statements at their net present value to reflect the economic cost of delayed payment. The Group provides goods and services to substantially all of its customers on credit terms.

The credit risk management practices of the Group include internal review and reporting of the ageing of trade and other receivables by days past due. The Group applies the IFRS 9 simplified approach in measuring expected credit losses, which use a lifetime expected credit loss allowance for all trade receivables.

To measure expected credit losses, trade receivables have been grouped by shared credit risk characteristics and days past due. In addition to the expected credit losses, the Group may make additional provisions for the receivables of particular customers if the deterioration of financial position was observed.

The carrying value of trade receivables is considered to approximate fair value. Trade and other receivables can be analysed as follows:

	2021 £m	2020 £m
Due within one year:		
Trade receivables	**434**	360
Other receivables	**107**	49
Prepayments	**48**	49
	589	458
Due after more than one year:		
Trade receivables	**33**	33
Other receivables	**9**	13
	42	46
Total trade and other receivables	**631**	504

£467 million (2020: £393 million) of total trade receivables, stated net of provisions for impairment, are aged as follows:

	2021 £m	2020 £m
Current	**427**	357
Up to 30 days overdue	**26**	16
Between 30 and 90 days overdue	**10**	19
Over 90 days overdue	**4**	1
	467	393

Movements in the Group's provision for impairment of trade receivables and contract assets can be shown as follows:

	2021 £m	2020 £m
At 1 January	**46**	38
Charged during the year	**6**	12
Unused amounts reversed	**(9)**	(4)
At 31 December	**43**	46

Of the provision total, £41 million relates to balances overdue by more than 90 days (2020: £45 million) and less than £2 million relates to current balances (2020: less than £1 million).

£25 million of the provision relates to the overdue receivable for The Voice of China. The provision for this insured receivable, net of insurance excess, was recognised as an exceptional expense in 2017.

Notes to the Financial Statements
Section 3: Operating Assets and Liabilities continued

3.1.4 Trade and other payables due within one year

Accounting policies

Trade payables are recognised at the value of the invoice received from a supplier. The carrying value of current and non-current trade payables is considered to approximate fair value. Trade and other payables due within one year can be analysed as follows:

	2021 £m	2020* £m
Trade payables	**91**	54
VAT and social security	**60**	132
Other payables	**122**	147
Acquisition-related liabilities – employment-linked contingent consideration	**3**	157
Acquisition-related liabilities – payable to sellers under put options agreed on acquisition	**22**	6
Accruals	**551**	463
	849	959

* A balance of £90 million, relating primarily to programme creditors, royalty payaways and bonus and social security accruals, originally included in other payables has been represented as accruals.

3.1.5 Trade and other payables due after more than one year

Trade and other payables due after more than one year can be analysed as follows:

	2021 £m	2020 £m
Trade payables	**18**	54
Other payables	**28**	15
Acquisition-related liabilities – employment-linked contingent consideration	**6**	7
Acquisition-related liabilities – payable to sellers under put options agreed on acquisition	**33**	39
	67	61
Total trade and other payables due after more than one year	**85**	115

Trade payables due after more than one year relate to royalties (2020: royalties of £19 million and film creditors of £35 million).

Acquisition-related liabilities or performance-based employment-linked earnouts are the estimated amounts payable to previous owners. The estimated future payments that are accrued over the period the sellers are required to remain with the business are treated as exceptional costs (see note 2.2). Those amounts not linked to employment are estimated and recognised at acquisition at their time discounted value, with the unwind of the discount recorded as part of finance costs.

Acquisition related liabilities at 31 December 2021 were £64 million (2020: £209 million) which represents the amount accrued to date at their time discounted value. The total undiscounted estimated future payments of £79 million (2020: £227 million) are sensitive to forecast profits as they are based on a multiple of earnings. The range of reasonably possible outcomes for the undiscounted liability is between £66 million and £143 million. The liabilities due after more than one year are expected to be settled between 2023 and 2026.

During the year, the final earnout on the Talpa acquisition was determined by an independent arbiter resulting in a payment of €298 million (£256 million) and interest of €11 million (£10 million).

All earnouts are sensitive to forecast profits as they are based on a multiple of earnings and judgement is required where there may be adjustments to forecasted profits or when earnouts are negotiated, hence the reason for the range noted above.

3.1.6 Contract assets and liabilities

Contract assets (accrued income) primarily relate to the Group's right to consideration for work completed but not billed at the reporting date. Many of the programmes the Studios division produces are sold internationally and also used within the ITV network. Production work in progress is treated as a contract asset until the point the programme is completed.

Contract liabilities (deferred income) primarily relate to the consideration received from customers in advance of transferring a good or service. The following table provides movements in contract assets and liabilities in the period:

	2021		2020	
	Contract assets £m	**Contract liabilities £m**	Contract assets £m	Contract liabilities £m
Balance at 1 January	**416**	**(271)**	445	(219)
Decrease due to balance transferred to trade receivables	**(404)**	**–**	(409)	–
Increases as a result of the changes in the measure of progress	**537**	**–**	380	–
Decreases due to revenue recognised in the period	**–**	**260**	–	208
Increase due to cash received	**–**	**(348)**	–	(260)
Balance at 31 December	**549**	**(359)**	416	(271)

Non-current contract assets of £6 million (2020: £7 million) is included in the above reconciliation. Contract assets include production work in progress of £360 million (2020: £261 million).

3.1.7 Working capital management

Cash and working capital management has been a critical area of focus during 2020 and 2021. During the year, the cash outflow from working capital was £141 million (2020: inflow of £137 million) derived as follows:

	2021 £m	2020 £m
(Increase)/decrease in programme rights and distribution rights	**(6)**	16
(Increase)/decrease in receivables and contract assets	**(270)**	2
Increase/(decrease) in payables and contract liabilities	**135**	119
Working capital (outflow)/inflow	**(141)**	137

Notes to the Financial Statements
Section 3: Operating Assets and Liabilities continued

3.2 Property, plant and equipment

Keeping it simple

The following note shows the physical assets used by the Group to operate the business, generating revenues and profits. These assets include office buildings and studios, as well as equipment used in broadcast transmission, programme production and support activities.

The cost of these assets is the amount initially paid for them or for right of use assets, the discounted future lease payments. A depreciation expense is charged to the Consolidated Income Statement to reflect annual wear and tear and the reduced value of the asset over time. Depreciation is calculated by estimating the number of years the Group expects the asset to be used (useful economic life). If there has been a technological change or decline in business performance, the Directors review the value of the assets to the business to ensure they have not fallen below their depreciated value. If an asset's value falls below its depreciated value, an additional impairment charge is made against profit.

This note also explains the accounting policies followed by ITV and the specific estimates made in arriving at the net book value of these assets.

Accounting policies

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Certain items of property, plant and equipment that were revalued to fair value prior to 1 January 2004 (the date of transition to IFRS) are *measured on the basis of deemed cost, being the revalued amount less depreciation up to the date of transition.*

Right of use assets

A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. These assets are called right of use assets and have been included on the Group's balance sheet at a value equal to the discounted future lease payments. For leases recognised on transition to IFRS 16 'Leases' the value is also adjusted by any prepayments or lease incentives recognised immediately before the date of initial application.

Depreciation

Depreciation is provided to write off the cost of property, plant and equipment less estimated residual value, on a straight-line basis over their estimated useful lives. The annual depreciation charge is sensitive to the estimated useful life of each asset and the expected residual value at the end of its life. The major categories of property, plant and equipment are depreciated as follows:

Asset class	Depreciation policy
Freehold land	not depreciated
Freehold buildings	up to 60 years
Leasehold improvements	shorter of residual lease term or estimated useful life
Vehicles, equipment and fittings*	3 to 20 years
Right of use assets	over the term of the lease

* Equipment includes studio production and technology assets.

Assets under construction are not depreciated until the point at which the asset comes into use by the Group.

Impairment of assets

Property, plant and equipment that is subject to depreciation is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Indicators of impairment may include changes in technology and business.

Property, plant and equipment

Property, plant and equipment can be analysed as follows:

	Freehold land and buildings £m	Improvements to leasehold land and buildings		Vehicles, equipment and fittings	Right of use assets £m	**Total £m**
		Long £m	Short £m	Owned £m		
Cost						
At 1 January 2020	12	70	27	240	112	461
Additions	1	15	1	20	40	77
Foreign exchange	–	(1)	–	–	(1)	(2)
Disposals and retirements	(1)	(4)	–	(38)	(4)	(47)
At 31 December 2020	12	80	28	222	147	489
Additions	1	8	–	12	13	34
Reclassifications	–	–	(2)	5	–	3
Foreign exchange	–	–	–	(1)	(1)	(2)
Disposals and retirements	(1)	(1)	–	(3)	(5)	(10)
At 31 December 2021	**12**	**87**	**26**	**235**	**154**	**514**
Depreciation						
At 1 January 2020	1	23	16	127	25	192
Charge for the year	1	3	–	26	27	57
Foreign exchange	–	–	–	–	(1)	(1)
Disposals and retirements	–	(4)	–	(36)	(4)	(44)
At 31 December 2020	2	22	16	117	47	204
Charge for the year	–	4	1	37	25	67
Reclassifications	(2)	–	2	–	–	–
Foreign exchange	–	–	–	–	(1)	(1)
Disposals and retirements	–	(1)	–	(2)	(7)	(10)
At 31 December 2021	**–**	**25**	**19**	**152**	**64**	**260**
Net book value						
At 31 December 2021	**12**	**62**	**7**	**83**	**90**	**254**
At 31 December 2020	10	58	12	105	100	285

Included within property, plant and equipment are assets in the course of construction of £17 million (2020: £17 million).

Included within the depreciation charge for the year of £67 million (2020: £57 million) is £8 million (2020: £nil) in respect of accelerated depreciation following a change in useful life of the related assets in relation to the move to a new London site. This depreciation has been included in exceptional items. See notes 2.2 and 3.3 for further details.

Included in net book value of right of use assets is £89 million (2020: £99 million) related to properties and £1 million (2020: £1 million) relating to vehicles, equipment and fittings.

Capital commitments

Following the decision to move to Broadcast Centre in early 2022, the Group signed new lease agreements for the next 13 years. The right of use assets, which will be recognised in 2022, will be approximately £45 million. The Group has additional capital commitments of £6 million at 31 December 2021 (2020: £1 million).

Notes to the Financial Statements
Section 3: Operating Assets and Liabilities continued

3.3 Intangible assets

Keeping it simple →

The following note identifies the non-physical assets used by the Group to generate revenue and profits.

These assets include formats and brands, customer contracts and relationships, contractual arrangements, licences, software development, film libraries and goodwill. The cost of these assets is the amount that the Group has paid or, where there has been a business combination, the fair value of the specific intangible assets that could be sold separately or which arise from legal rights. In the case of goodwill, its cost is the amount the Group has paid in acquiring a business over and above the fair value of the individual assets and liabilities acquired. The value of goodwill is the 'intangible' value that comes from, for example, a uniquely strong market position and the outstanding productivity of its employees.

The value of intangible assets, with the exception of goodwill, reduces over the number of years the Group expects to use the asset, the useful economic life, via an annual amortisation charge to the Consolidated Income Statement. Where there has been a technological change or decline in business performance, the Directors review the value of assets, including goodwill, to ensure they have not fallen below their amortised value. Should an asset's value fall below its amortised value, an additional impairment charge is made against profit.

This note explains the accounting policies applied and the specific judgements and estimates made by the Directors in arriving at the net book value of these assets.

Accounting policies

Goodwill

Goodwill represents the future economic benefits that arise from assets that are not capable of being individually identified and separately recognised. Goodwill is stated at its recoverable amount being cost less any accumulated impairment losses and is allocated to the business to which it relates.

All business combinations that have occurred since 1 January 2009 were accounted for using the acquisition method. Under this method, goodwill is measured as the fair value of the consideration transferred (including the recognition of any part of the business not yet owned (non-controlling interests)), less the fair value of the identifiable assets acquired and liabilities assumed, all measured at the acquisition date. The identification of acquired assets and liabilities and the allocation of the purchase price to them is considered a key judgement and is based on the Group's understanding and experience of the media business. Any contingent consideration expected to be transferred in the future is recognised at fair value at the acquisition date and recognised within other payables. Contingent consideration classified as an asset or liability that is a financial instrument is measured at fair value with changes in fair value recognised in the Consolidated Income Statement. The determination of fair value is based on an estimate of discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount rate.

Where less than 100% of a subsidiary is acquired, and call and put options are granted over the remaining interest, a non-controlling interest is initially recognised in equity at fair value, which is established based on the value of the put option. A call option is recognised as a derivative financial instrument, carried at fair value. The put option is recognised as a liability within other payables, carried at the present value of the put option exercise price, and a corresponding charge is included in merger and other reserves. Any subsequent remeasurement of the put option liability is recognised within finance income or cost.

Subsequent adjustments to the fair value of net assets acquired can only be made within 12 months of the acquisition date, and only if fair values were determined provisionally at an earlier reporting date. These adjustments are accounted for from the date of acquisition.

Acquisitions of non-controlling interests are accounted for as transactions with owners and therefore no goodwill is recognised as a result of such transactions. Transaction costs incurred in connection with those business combinations, such as legal fees, due diligence fees and other professional fees, are expensed as incurred. The Directors consider these costs to reflect the cost of acquisition and to form a part of the capital transaction, and highlight them separately as exceptional items.

Other intangible assets
Intangible assets other than goodwill are those that are distinct and can be sold separately or which arise from legal rights.

The main intangible assets the Group has valued are formats, brands, licences, contractual arrangements, customer contracts and relationships and libraries.

Within ITV, there are two types of other intangible assets: those assets directly purchased by the Group for day-to-day operational purposes (such as software licences and development) and intangible assets identified as part of an acquisition of a business.

Intangible assets acquired directly by the Group are stated at cost less accumulated amortisation. Those separately identified intangible assets acquired as part of an acquisition or business combination are shown at fair value at the date of acquisition less accumulated amortisation.

Each class of intangible assets' valuation method on initial recognition, amortisation method and estimated useful life is set out in the table below:

Class of intangible asset	Amortisation method	Estimated useful life	Valuation method
Brands	Straight-line	8 to 14 years	Applying a royalty rate to the expected future revenue over the life of the brand.
Formats	Straight-line	up to 8 years	Expected future cash flows from those assets existing at the date of acquisition are estimated. If applicable, a contributory charge is deducted for the use of other assets needed to exploit the cash flow. The net cash flow is then discounted back to present value.
Customer contracts	Straight-line or reducing balance as appropriate	up to 6 years	
Customer relationships	Straight-line	5 to 10 years	
Contractual arrangements	Straight-line	up to 10 years depending on the contract terms	Expected future cash flows from those contracts existing at the date of acquisition are estimated. If applicable, a contributory charge is deducted for the use of other assets needed to exploit the cash flow. The net cash flow is then discounted back to present value.
Licences	Straight-line	11 to 29 years depending on term of licence	Start-up basis of expected future cash flows existing at the date of acquisition. If applicable, a contributory charge is deducted for the use of other assets needed to exploit the cash flow. The net cash flow is then discounted back to present value. Public service broadcasting (PSB) licences are valued as a start-up business with only the licence in place.
Libraries and other	Sum of digits or straight-line as appropriate	up to 20 years	Initially at cost and subsequently at cost less accumulated amortisation.
Software licences and development	Straight-line	1 to 10 years	Initially at cost and subsequently at cost less accumulated amortisation.

Cloud computing arrangements
Cloud computing arrangements are reviewed to determine if they are within the scope of IAS 38 Intangible Assets, IFRS 16 Leases, or a service contract. This is to determine if the Group has control of the software intangible asset. Control is assumed if the Group has the right to take possession of the software and run it on its own or a third party's computer infrastructure or if the Group has exclusive rights to use the software whereby the supplier cannot make the software available to other customers.

Configuration of the software involves the setting of various flags or switches within the application software or defining values to set up the software's existing code to function in a specified way. Customisation involves modifying the software code in the application or writing additional code. Customisation generally changes or creates additional functionalities within the software. In both situations, the Group also needs to assess if there is a separate intangible asset. If no separate intangible asset is identified, then these costs are expensed when incurred. If an asset is identified, it is capitalised and amortised over the life of the asset.

This represents a change in accounting policy as the Group previously capitalised all costs relating to the implementation of cloud computing arrangements. No material adjustments were required to the Group's intangible assets following the change in accounting policy, however, the implementation cost of a new cloud-based ERP solution which commenced in 2021 is being expensed (see note 2.2).

Notes to the Financial Statements
Section 3: Operating Assets and Liabilities continued

Fair value on acquisition
Determining the fair value of the purchase consideration allocated to intangible assets arising on acquisition requires judgement. The Directors make estimates regarding the timing and amount of future cash flows derived from exploiting the assets being acquired. The Directors then estimate an appropriate discount rate to apply to the forecast cash flows. Such estimates are based on current budgets and forecasts, extrapolated for an appropriate period taking into account growth rates, operating costs and the expected useful lives of assets. Judgements are also made regarding whether, and for how long, licences will be renewed; this drives our amortisation policy for those assets.

The Directors estimate the appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the assets or businesses being acquired.

Amortisation
Amortisation is charged to the Consolidated Income Statement over the estimated useful lives of intangible assets unless such lives are judged to be indefinite. Indefinite life assets, such as goodwill, are not amortised but are tested for impairment at each year end.

Impairment
Goodwill is not subject to amortisation and is tested annually for impairment and when circumstances indicate that the carrying value may be impaired.

Other intangible assets are subject to amortisation and are reviewed for impairment whenever events or changes in circumstances indicate that the amount carried in the Consolidated Statement of Financial Position is less than its recoverable amount.

Determining whether the carrying amount of intangible assets has any indication of impairment requires judgement. Any impairment is recognised in the Consolidated Income Statement.

An impairment test is performed by assessing the recoverable amount of each asset, or for goodwill the cash-generating unit ('CGU'), or group of CGUs, related to the goodwill. Total assets (which include goodwill) are grouped at the lowest levels for which there are separately identifiable cash flows. The identification of the relevant CGUs for assessing impairment of goodwill is considered a key judgement. The Directors have identified 3 CGUs, Media & Entertainment (formerly Broadcast), ITV Studios and SDN.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use is based on the present value of the future cash flows expected to arise from the asset.

In testing for impairment, estimates are used in deriving cash flows and the discount rates. Such estimates reflect current market assessments of the risks specific to the asset and the time value of money. The estimation process is complex due to the inherent risks and uncertainties associated with long-term forecasting. If different estimates of the projected future cash flows or a different selection of an appropriate discount rate or long-term growth rate were made, these changes could materially alter the projected value of the cash flows of the asset, and as a consequence materially different amounts would be reported in the financial statements.

Impairment losses in respect of goodwill cannot be reversed. In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

There is a wide range of potential outcomes regarding the possible future performance of each of ITV Group's cash-generating units, Media & Entertainment, ITV Studios and SDN. In the impairment review the Directors used the scenarios utilised for the viability statement. The Directors, however, do not consider that any reasonably possible changes in the key assumptions would cause the recoverable amount of the Group's cash-generating units to fall below their carrying values and therefore they are not considered key sources of estimation uncertainty.

Intangible assets

Intangible assets can be analysed as follows:

	Goodwill £m	Formats and brands £m	Customer contracts and relationships £m	Contractual arrangements £m	Licences £m	Libraries and other £m	Software licences and development £m	**Total £m**
Cost								
At 1 January 2020	3,897	530	441	11	176	103	207	5,365
Additions	–	–	–	–	–	1	21	22
Foreign exchange	(2)	17	–	–	–	(1)	–	14
At 31 December 2020	3,895	547	441	11	176	103	228	5,401
Additions	–	–	–	–	–	–	15	15
Acquisitions	1	–	1	–	–	–	–	2
Reclassifications	–	–	–	–	–	–	(3)	(3)
Foreign exchange	(3)	(20)	(1)	–	–	1	–	(23)
At 31 December 2021	**3,893**	**527**	**441**	**11**	**176**	**104**	**240**	**5,392**
Amortisation and impairment								
At 1 January 2020	2,654	382	422	11	118	91	95	3,773
Charge for the year	–	42	6	–	6	1	20	75
Foreign exchange	–	11	(1)	–	–	(1)	(1)	8
At 31 December 2020	2,654	435	427	11	124	91	114	3,856
Charge for the year	–	41	5	–	5	1	20	72
Reclassifications	–	–	–	–	–	–	–	–
Foreign exchange	–	(16)	1	–	–	1	–	(14)
At 31 December 2021	**2,654**	**460**	**433**	**11**	**129**	**93**	**134**	**3,914**
Net book value								
At 31 December 2021	**1,239**	**67**	**8**	**–**	**47**	**11**	**106**	**1,478**
At 31 December 2020	1,241	112	14	–	52	12	114	1,545

Goodwill impairment tests

The carrying amount of goodwill for each CGU is represented as follows:

	2021 £m	2020 £m
ITV Studios	**777**	779
Media & Entertainment	**386**	386
SDN	**76**	76
	1,239	1,241

There has been no impairment charge for any CGU during the year (2020: £nil).

When assessing impairment, the recoverable amount of each CGU is based on value in use calculations. These calculations require the use of estimates, specifically: pre-tax cash flow projections; long-term growth rates; and a pre-tax market discount rate. Cash flow projections are based on the Group's current long-term plan. Beyond the plan, these projections are extrapolated using an estimated nominal long-term growth rate of 2% (2020: 1%). The growth rate used is consistent with the long-term average growth rates for both the industry and the countries in which the CGUs are located and is appropriate because these are long-term businesses.

The discount rate has been updated for each CGU to reflect the latest market assumptions for the risk-free rate, the equity risk premium and the net cost of debt. There is currently no reasonably possible change in discount rate that would reduce the headroom in any CGU to zero.

Notes to the Financial Statements
Section 3: Operating Assets and Liabilities continued

ITV Studios
The goodwill for ITV Studios has arisen as a result of the acquisition of production businesses since 1999. Significant balances were created from the acquisition by Granada of United News and Media's production businesses in 2000 and the merger of Granada and Carlton in 2004 to form ITV plc. ITV Studios goodwill also includes the goodwill arising from acquisitions since 2012, with the largest acquisitions being Leftfield in 2014, followed by Talpa in 2015.

The key assumptions on which the forecast cash flows for the whole CGU were based (as represented by the approved financial budget for 2022 and forecast to 2024) include revenue (including international revenue and the ITV Studios share of ITV output, growth in commissions and hours produced), margins and the pre-tax market discount rate. These assumptions have been determined by using a combination of extrapolation of historical trends within the business, industry estimates and in-house estimates of growth rates in all markets. No impairment was identified.

A pre-tax discount rate of 8.4% (2020: 7.7%) has been used in discounting the projected cash flows.

Following the organisational redesign by ITV Studios, with effect from 1 January 2020, the Directors considered how assets and resources are shared across the ITV Studios division and the level of integration within the management structure for the purposes of reporting and strategic decision-making. They concluded that a single ITV Studios CGU continues to remain appropriate.

Media & Entertainment (formerly Broadcast)
The goodwill in this CGU arose as a result of the acquisition of broadcasting businesses since 1999, the largest of which was the merger of Carlton and Granada in 2004 to form ITV plc, which was treated as an acquisition of Carlton for accounting purposes. Media & Entertainment goodwill also includes the goodwill arising on acquisition of UTV Limited in February 2016.

In October 2020, the Group announced a restructure of its Broadcast segment to better reflect and serve the changing viewing habits. As part of the restructure, which came into effect from 1 April 2021, Broadcast has been renamed Media & Entertainment ('M&E') with two business streams. The restructure did not have any impact on the composition of the CGUs.

The main assumptions on which the forecast cash flow projections for this CGU are based (as represented by the approved financial budget for 2022 and forecast to 2024) include: the performance and share of the television advertising market; share of commercial impacts; programme and other costs; and the pre-tax market discount rate.

The key assumption in assessing the recoverable amount of Media & Entertainment goodwill is the size of the television advertising market. In forming its assumptions about the television advertising market, the Group has used a combination of long-term trends, industry forecasts and in-house estimates, which place greater emphasis on recent experience. No impairment was identified.

An impairment charge of £2,309 million was recognised in the Media & Entertainment CGU in 2008, as a result of the downturn in the short-term outlook for the advertising market. The current year impairment review, set out above, results in significant headroom in excess of the 2008 impairment amount. Even though the advertising market has improved since then and the impaired assets are still owned and operated by the Group, due to accounting rules the impairment cannot be reversed.

A pre-tax discount rate of 8.4% (2020: 7.8%) has been used in discounting the projected cash flows.

SDN
Goodwill was recognised when the Group acquired SDN (the licence operator for DTT Multiplex A) in 2005. It represented the wider strategic benefits of the acquisition specific to the Group, principally the enhanced ability to promote Freeview as a platform, business relationships with the channels which are on Multiplex A and additional capacity available from 2010.

SDN's current multiplex licence expires towards the end of 2022. The government consulted on the future of the SDN licence (as well as most of those held by Arqiva, the BBC and Channel 4) in 2020 and published its decision in September 2021. The government highlighted that it will give Ofcom the power to carry out the renewal of the SDN licence until 2034. Following this decision, we await the renewal from Ofcom, which we expect during 2022.

The main assumptions on which the forecast cash flows are based (as represented by the approved financial budget for 2022 and forecast to 2024) are: renewal of the licence to 2034; income to be earned from renewals of medium-term contracts; the market price of available multiplex video streams; and the pre-tax market discount rate. These assumptions have been determined by using a combination of current contract terms, recent market transactions and in-house estimates of video stream availability and pricing. No impairment was identified.

A pre-tax discount rate of 11.7% (2020: 11.4%) has been used in discounting the projected cash flows.

3.4 Investments

Keeping it simple

The Group holds non-controlling interests in a number of different entities. Accounting for these investments, and the Group's share of any profits and losses, depends on the level of control or influence the Group is granted via its interest. The three principal types of non-consolidated investments are joint arrangements (joint ventures or joint operations), associates, and equity investments.

A joint arrangement is an investment where the Group has joint control, with one or more third parties. An associate is an entity over which the Group has significant influence (i.e. power to participate in the investee's financial and operating decisions). Any other investment is an equity investment.

Accounting policies

For joint ventures and associates, the Group applies equity accounting. Under this method, it recognises the investment in the entity at cost and subsequently adjusts this for its share of profits or losses, which are recognised in the Consolidated Income Statement within non-operating items and included in adjusted profit.

Where the Group has invested in associates by acquiring preference shares or convertible debt instruments, the share of profit recognised is usually £nil as no equity interest exists.

Equity investments are held at fair value unless the investment is a start-up business, in which case it is valued initially at cost as a proxy for fair value.

The carrying amount of each category of our investments is represented as follows:

	Joint ventures £m	Associates £m	Equity investments £m	**Total £m**
At 1 January 2020	1	43	8	52
Additions	10	18	1	29
Share of profits/(losses)	14	(4)	–	10
Disposals	–	(1)	–	(1)
Impairments/fair value adjustments	–	(1)	(8)	(9)
Foreign exchange	(1)	(3)	–	(4)
At 31 December 2020	24	52	1	77
Additions	4	8	3	15
Share of profits/(losses)	14	(2)	–	12
Impairments/fair value adjustments	–	(7)	–	(7)
Foreign exchange	1	–	–	1
At 31 December 2021	**43**	**51**	**4**	**98**

Significant investments in joint ventures include £34 million (2020: £19 million) invested in BritBox LLC in the US. The Group's associates include £31 million (2020: £30 million) relating to a 45% investment in Blumhouse TV Holdings LLC, a film and television production company in the US. The equity investments relate primarily to Group's Media for Equity programme.

Please refer to page 256 for the list of principal investments held at 31 December 2021.

Notes to the Financial Statements
Section 3: Operating Assets and Liabilities continued

3.5 Provisions

Keeping it simple

A provision is recognised by the Group where an obligation exists relating to events in the past and it is probable that cash will be paid to settle it.

A provision is made where the Group is not certain how much cash will be required to settle a liability, so an estimate is required. The main estimates relate to the cost of holding properties that are no longer in use by the Group, the likelihood of settling legal claims and contracts the Group has entered into that are now unprofitable.

Accounting policies

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation arising from past events, it is probable cash will be paid to settle it and the amount can be estimated reliably. Provisions are determined by discounting the expected future cash flows by a rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a financing cost in the Consolidated Income Statement. The value of the provision is determined based on assumptions and estimates in relation to the amount and timing of actual cash flows, which are dependent on future events.

Provisions

The movements in provisions during the year are as follows:

	Contract provisions £m	Property provisions £m	Legal and Other provisions £m	**Total £m**
At 1 January 2021	37	3	41	81
Additions	17	3	70	90
Utilised	(21)	–	(2)	(23)
Released	–	–	(2)	(2)
Foreign exchange	(1)	–	–	(1)
At 31 December 2021	**32**	**6**	**107**	**145**

Provisions of £120 million are classified as current liabilities (2020: £59 million). Unwind of the discount is £nil in 2021 and 2020.

Contract provisions £32 million (2020: £37 million)

Represent liabilities in respect of onerous contracts in relation to individual sports rights of £5 million (2020: £18 million) and transmission capacity supply contracts of £27 million (2020: £19 million).

Sports rights

As a result of the impact of COVID-19 and consequential changes to the sporting schedule, along with resulting changing forecasts of audience mix and revenues for certain sporting events, the Group recognised a provision for the sporting events directly impacted by these changes in 2020. The provision is sensitive to the changes in the sporting schedule and consequential impact on TAR.

In calculating the provision, management has made estimates and used assumptions in determining the nature, amount and timing of potential outflows, including the commercial impacts of the target audience that will be generated by those rights, scheduling of the events and revenue forecasts. A provision is recognised for rights where the estimated revenues are less than the obligation held.

The provision held at 31 December 2021 is £5 million (2020: £18 million). The provision was increased by £1 million in the year (2020: £37 million). £14 million (2020: £11 million) has been utilised during the year and £nil (2020: £8 million) was released. The remaining provision is expected to be utilised in 2022.

Transponders

During 2020, we commenced a review of the efficiency of our transponder capacity usage with a view to reducing our capacity requirements. This has allowed us to reorganise our channels over fewer transponders with the result that we have cleared all channels from two transponders. We are no longer utilising them and therefore not generating revenues. Management has applied judgement in its assessment that the individual element of the contract is separable from the remaining elements of the contract, which are not considered onerous. The contracted future commitment to October 2024 has therefore been recognised as a provision as there are no future economic benefits expected.

In 2020, we provided £19 million as an onerous contract for the first transponder from the date it was cleared and in 2021, £16 million for the second transponder capacity.

The total provision for onerous contracts at 31 December 2021 is £27 million (2020: £19 million), £7 million of the provision was utilised during the year (2020: £2 million).

Property provisions £6 million (2020: £3 million)
These provisions primarily relate to expected dilapidation costs at rental properties and include additions in the year for the move of our London site.

Legal and Other provisions £107 million (2020: £41 million)
Represents provisions for potential liabilities and the related legal costs. These include £52 million (31 December 2020: £31 million) for the potential liability that may arise as a result of the Box Clever Financial Support Directions ('FSDs') being issued by the Pensions Regulator ('tPR'), employee-related tax and other provisions of £39 million (2020: £nil), a provision related to The Voice of Holland (£9 million) (2020: £nil) and other legal and related costs.

Box Clever Pension Scheme
The Box Clever Pension Scheme ('the Scheme') was managed from its establishment by an independent Trustee and the Group has not had any commercial connection with the Box Clever business since it went into administrative receivership in 2003. After court proceedings in the Upper Tribunal and Court of Appeal were dismissed, certain companies within ITV were issued with FSDs by tPR on 17 March 2020. An FSD does not set out what form any financial support should take, nor its amount, and those issues have not yet been resolved as part of the legal process.

The legislation provides that any contribution that ITV may make must be considered reasonable and have regard to the Group's financial circumstances. If an agreement is reached with tPR there may not be an immediate cash flow impact. If an agreement cannot be reached, then settlement may be protracted and subject to further legal proceedings over several years.

At 2003, the Scheme was estimated to have had a deficit on a buyout basis of £25 million. The most recent estimate of the deficit in the Box Clever Group Pension Scheme is £110 million as at 30 April 2020 and remains management's best estimate of the deficit. This estimate was calculated on a buyout basis, using membership data and benefits currently being provided in that Scheme, and based on membership data as of February 2020. Both of these valuations were of the whole Scheme, encompassing liabilities in respect of former employees of Granada's joint venture partner, Thorn, as well as former employees of the Group. Given the significant number of undecided issues as to the quantum and form of financial support, the Group will strongly contest any attempt to impose liability in an amount the Directors consider unreasonable.

The Directors continue to believe there are many important factors, that need to be taken into account in any decision, and therefore there remains a great deal of uncertainty around the quantum and form of financial support to be provided. The Company and tPR are in discussions to try to resolve the matter on a consensual basis. The provision has been increased by £21 million to £52 million and represents the IAS 19 valuation using market conditions as at 31 October 2021 of management's best estimate of the provision required. If this is not accepted, tPR may issue a warning notice.

Employee-related
The determination of the employment tax status of some individuals contracted by the Group is complex. In March 2021, HMRC issued an initial assessment on several individuals engaged by the Group during the tax year 2016/17 as employed for tax purposes. In June 2021, HMRC updated guidance on factors determining the employment tax status of TV and Radio presenters. Following this assessment and HMRC's updated guidance, the Group has undertaken a review of the tax status of individuals and used best endeavours to estimate that circa £36 million may be assessed as payable for periods up to 31 December 2021. Landmark court cases are being heard by the Court of Appeal in early 2022. Whilst the Group is not involved in these cases, judgements handed down will impact on how employment tax status is determined for TV and Radio presenters generally and will therefore have a bearing on how much tax might be payable by the Group. As a consequence of this, the final amount payable could be significantly different to the £36 million currently provided. A further £3 million was provided for in the current year, in relation to other employment related matters.

The Voice of Holland
In early 2022 allegations of inappropriate behaviour on the set of The Voice of Holland were made public, resulting in a mid-season suspension of series 12. A provision has been made to cover the committed costs relating to the series in production, impairment of the carrying value of work in progress and other costs. An external investigation of the allegations is currently ongoing. While unquantifiable at present, there may be further financial impact on the Group.

Other
Other provisions relate to historical environmental provisions in relation to our production sites, closure costs and provision for legal fees for other ongoing litigation.

Notes to the Financial Statements
Section 3: Operating Assets and Liabilities continued

3.6 Pensions

Keeping it simple

In this note, we explain the accounting policies governing the Group's pension schemes, followed by analysis of the components of the net defined benefit pension deficit, including assumptions made, and where the related movements have been recognised in the financial statements. In addition, we have placed text boxes to explain some of the technical terms used in the disclosure.

What are the Group's pension schemes?
There are two types of pension schemes. A 'Defined Contribution' scheme that is open to ITV employees, and a number of 'Defined Benefit' schemes that have been closed to new members since 2006 and closed to future accrual in 2017. In 2016, on acquisition of UTV Limited, the Group took over the UTV Defined Benefit Scheme, which closed to future accrual at the end of March 2019.

What is a Defined Contribution scheme?
The Defined Contribution scheme is where the Group makes fixed payments into a separate fund on behalf of those employees participating in saving for their retirement. ITV has no further obligation to the participating employee and the risks and rewards associated with this type of scheme are assumed by the members rather than the Group. Although the Trustee of the scheme makes available a range of investment options, it is the members' responsibility to make investment decisions relating to their retirement benefits.

What is a Defined Benefit scheme?
In a Defined Benefit scheme, members receive payments during retirement, the value of which is dependent on factors such as salary and length of service. The Group makes contributions to the scheme, a separate Trustee-administered fund that is not consolidated in these financial statements, but is reflected on the defined benefit pension deficit line in the Consolidated Statement of Financial Position.

The Trustee, appointed according to the terms of the Schemes' documentation, is required to act in the best interest of the beneficiaries and is responsible for managing and investing the assets of the Scheme and its funding position.

Schemes can be funded, where regular cash contributions are made by the employer into a fund which is invested. In the event of poor investment returns or increases in liabilities, the Group may need to address this through increased levels of contribution. Alternatively, schemes can be unfunded, where no regular money or assets are required to be put aside to cover future payments but in some cases security is required.

The accounting defined benefit pension deficit (IAS 19) is different from the actuarial valuation deficit as they are calculated on the basis of different assumptions, such as discount rate. The accounting defined benefit pension deficit (IAS 19) figure is calculated as at the balance sheet date, and the actuarial deficit (which drives cash funding requirements) was calculated for the last triennial valuation as of 1 January 2017 for Section A of the ITV Pension Scheme, 1 January 2020 for Section C of the ITV Pension Scheme and 30 June 2020 for the UTV Pension Scheme. The 2020 Triennial valuations for each Section A of the ITV Pension Scheme is still underway. The valuation is expected to be agreed in early 2022.

Accounting policies

Defined contribution scheme
Obligations under the Group's defined contribution schemes are recognised as an operating cost in the Consolidated Income Statement as incurred. For 2021, total contributions expensed were £26 million (2020: £25 million).

Defined benefit scheme
The Group's obligation in respect of the Defined Benefit Scheme is calculated by estimating the amount of future retirement benefit that eligible employees ('beneficiaries') have earned during their services. That benefit payable in the future is discounted to today's value and then the fair value of scheme assets is deducted to measure the defined benefit pension position.

Unless otherwise stated, references to Defined Benefit Schemes ('the Schemes') within this note refer to the ITV Pension Scheme, the Unfunded Scheme and the UTV Pension Scheme combined. Details on each scheme are provided below.

The liabilities of the Schemes are measured by discounting the best estimate of future cash flows to be paid using the 'projected unit' method. These calculations are complex and are performed by a qualified actuary. There are many judgements and estimates necessary to calculate the Group's estimated liabilities, the main assumptions are set out later in this note. Movements in assumptions during the year are called 'actuarial gains and losses' and these are recognised in the period in which they arise through the Consolidated Statement of Comprehensive Income.

The accounting defined benefit pension surplus or deficit (IAS 19) is different from the actuarial valuation deficit as they are calculated on the basis of different assumptions, such as discount rate. The accounting defined benefit pension surplus or deficit (IAS 19) figure is calculated as at the balance sheet date, and the actuarial valuation deficit is calculated per the last triennial valuation.

In October 2021, the triennial valuation of Section C of the ITV Pension Scheme at 31 December 2019 was completed. The Scheme had assets of £569 million as at the valuation date and £559 million of liabilities resulting in an agreed Technical Provisions funding surplus of £10 million. At the previous valuation at 1 January 2017, there was a surplus of £19 million. The 2020 triennial valuation for Section A of the ITV Pension Scheme is still underway. The valuation is expected to be agreed in early 2022. This valuation will drive subsequent contribution rates.

The Group continues to make deficit funding contributions in line with the most recent actuarial valuation in order to eliminate the deficits in each Section. The IAS 19 deficit does not drive the deficit funding contribution.

An unfunded scheme in relation to former beneficiaries who accrued benefits in excess of the maximum allowed for tax purposes is accounted for under IAS 19 and the Group is responsible for meeting the pension obligations as they fall due. For the four former Granada executives within the unfunded scheme, there is additional security in the form of a charge over £62 million of securitised gilts held by the Group, which are classified as other pension assets to reflect the Group's net pension deficit.

Due to the size of the UTV Pension Scheme, the Directors present the results and position of the UTV Pension Scheme within this note combined with the existing ITV Schemes. In November 2021, the triennial valuation of the UTV Pension Scheme at 30 June 2020 was completed. The Scheme had assets of £140 million as at the valuation date and £136 million of liabilities resulting in an agreed Technical Provisions funding surplus of £4 million. At the previous valuation at 30 June 2017, there was a shortfall of £7 million.

The principal employer of the ITV Pension Scheme and the Unfunded Scheme is ITV Services Limited, the Granada supplementary scheme is Granada Group Limited and the UTV Pension Scheme is UTV Limited.

The defined benefit pension deficit

Net pension deficit of £8 million at 31 December 2021 (2020: £26 million) is stated after including the unfunded scheme security asset of £62 million (2020: £62 million). The totals recognised in 2021 and 2020 are:

	2021 £m	2020 £m
Total defined benefit scheme obligations	**(3,943)**	(4,120)
Total defined benefit scheme assets	**3,873**	4,032
Defined benefit pension deficit (IAS 19)	**(70)**	(88)
Presented as:		
Defined benefit pension surplus*	**26**	22
Defined benefit pension deficit	**(96)**	(110)
Defined benefit pension deficit (IAS 19)	**(70)**	(88)
Other pension asset	**62**	62
Net pension deficit	**(8)**	(26)

* The defined benefit pension surplus relates solely to the UTV Scheme. The defined benefit scheme assets in the UTV Scheme were £142 million as at 31 December 2021 (2020: £142 million) and the defined benefit scheme obligations were £116 million (2020: £120 million).

The remaining notes provide further detail of the value of the Schemes' assets and liabilities, how these are accounted for and the impact on the financial statements.

Notes to the Financial Statements
Section 3: Operating Assets and Liabilities continued

Defined benefit scheme obligations

Keeping it simple

What causes movements in the defined benefit pension obligations?
The areas that impact the defined benefit obligation (the pension scheme liabilities) position at the year end are as follows:

- **Past service cost** – is a change in present value of the benefits built up by the beneficiaries in the prior periods; can be positive or negative resulting from changes to the existing plan as a result of an agreement between ITV and employees or legislative change (including legal rulings) or as a result of significant reduction by ITV in the number of employees covered by the plan (curtailment)
- **Interest cost** – the pension obligations payable in the future are discounted to the present value at year end. A discount factor is used to determine the current value today of the future cost. The interest cost is the unwinding of one year's movement in the present value of the obligation. It is broadly determined by multiplying the discount rate at the beginning of the period by the updated present value of the obligation during the period. The discount rate is a key assumption explained later in this note. This interest cost is recognised through net financing costs in the Consolidated Income Statement (see note 4.4)
- **Actuarial gains or losses** – there are broadly two causes of actuarial movements: 'experience' adjustments, which arise when comparing assumptions made when estimating the liabilities and what has actually occurred, and adjustments resulting from changes in actuarial assumptions e.g. movements in corporate bond yields or change in mortality. Key assumptions are explained in detail later in this note. Actuarial gains or losses are recognised through other comprehensive income
- **Benefits paid** – any cash benefits paid out by the Scheme will reduce the obligation

The movement in the present value of the Group's defined benefit obligation is analysed below:

	2021 £m	2020 £m
Defined benefit obligation at 1 January	**4,120**	4,037
Past service cost		
– GMP equalisation	**–**	1
– ITV A rectification	**–**	5
Interest cost	**54**	81
Actuarial (gain)/loss	**(44)**	183
Benefits paid	**(187)**	(187)
Defined benefit obligation at 31 December	**3,943**	4,120

Of the above total defined benefit obligation at 31 December 2021, £60 million relates to the unfunded schemes (2020: £60 million).

On 20 November 2020, a High Court ruling determined that pension schemes need to address inequalities between men and women in Guaranteed Minimum Pension (GMP) for those beneficiaries that transferred out of the Schemes between May 1990 and October 2018. An allowance of £1 million for GMP Equalisation was recognised as a past service cost in 2020.

During 2020, the Group completed the rectification of historical benefits for the members of the Network Section of Section A of the ITV Pension Scheme. The review, which involved detailed individual member calculations, amended the benefits of the Network Section members accrued between 1991 and 1997 in accordance with an agreement approved by the High Court in February 2019. As part of the review, changes to membership data were also identified. The change in benefits of £5 million was recognised as a past service cost in 2020 and the change in membership data of £7 million was included within the actuarial loss in Other Comprehensive Income.

Assumptions used to estimate the Scheme obligations

Keeping it simple

What are the main assumptions used to estimate the Scheme obligations?
The main assumptions are:

- An estimate of increases in pension payments and the effect of inflation
- The life expectancy of beneficiaries
- The discount rate used to estimate the present day fair value of these obligations

How do we determine the appropriate assumptions?
The Group takes independent actuarial advice relating to the appropriateness of the assumptions used.

IFRS requires that we estimate a discount rate by reference to high-quality fixed income investments in the UK that match the estimated term of the pension obligations.

The inflation assumption has been set by looking at the difference between the yields on fixed and index-linked government bonds. The inflation assumption is used as a basis for the remaining financial assumptions, except where caps have been implemented.

The discount rate has therefore been obtained using the yields available on AA rated corporate bonds, which match projected cash flows. The Group's estimate of the weighted average term of the liabilities is 15 years (2020: 16 years).

The principal assumptions used in the Schemes' valuations at the year end were:

	2021	2020
Discount rate	**1.80%**	1.35%
Inflation assumption (RPI) – before 2030	**3.40%**	2.95%
Inflation assumption (RPI) – post 2030	**3.40%**	2.70%
	Deferred/ Pensioner	
Rate of increase in pension payment (LPI* 5% pension increases)	**2.90%/3.35%**	2.75%
Rate of increase to deferred pensions (CPI)	**2.90%**	2.05%

* Limited Price Index.

The Retail Prices Index ('RPI') reform consultation outcome was announced on 25 November 2020. The announcement means that from February 2030 onwards, increases in the RPI will be aligned with those under the Consumer Prices Index ('CPI'). For Defined Benefit schemes, it means that members with RPI-linked pension increases will see future retirement benefits increase more slowly from 2030 than they otherwise would. The Group updated its approach to setting RPI and CPI inflation assumptions as follows:

- The Group continued to set RPI inflation in line with the market break-even expectations less an inflation risk premium. The overall inflation risk premium has been amended from 0.25% per annum pre-2030 and 0.5% per annum post-2030 at 31 December 2020 to 0.3% pre and post 2030 as at 31 December 2021. The estimated impact of the change in inflation risk premium in respect of Section A of the ITV Pension Scheme is an increase in the defined benefit obligation of approximately £15 million to £20 million. Section C of the ITV Pension Scheme, the Unfunded Scheme and the UTV Pension Scheme is not expected to have a material change in the defined benefit obligations
- The assumptions linked to RPI and CPI as at 31 December 2021 have been determined by weighting the cash flows to which the link applies. Hence, given the current downward sloping inflation curve, this leads to higher deferred revaluation rates, higher pension increase rates for current pensioners, and lower pension increases for current deferred members than the equivalent rates using whole-scheme cash flows, as used for year end 31 December 2020

The table below reflects published mortality investigation data in conjunction with the results of investigations into the mortality experience of Scheme beneficiaries. The assumed life expectations on retirement are:

	2021	2021	2020	2020
Retiring today at age	**60**	**65**	60	65
Males	**26.3**	**21.7**	26.3	21.7
Females	**29.0**	**24.1**	28.9	24.1
Retiring in 20 years at age	**60**	**65**	60	65
Males	**27.6**	**22.8**	27.6	22.8
Females	**30.4**	**25.5**	30.4	25.5

The net pension deficit is sensitive to changes in assumptions. These are disclosed further in this note.

Notes to the Financial Statements
Section 3: Operating Assets and Liabilities continued

Total defined benefit scheme assets

Keeping it simple

The Scheme holds assets across a number of different classes, which are managed by the Trustee, who consults with the Group on changes to its investment policy.

What are the Pension Scheme assets?
At 31 December 2021, the Schemes' assets were invested in a diversified portfolio that consisted primarily of debt securities, infrastructure, property and insurance policies matching the pensions due to certain beneficiaries. The tables below set out the major categories of assets.

Financial instruments are in place in order to provide protection against changes in market factors (interest rates and inflation), which could act to increase the net pension deficit.

One such instrument is the longevity swap, which the Scheme transacted in 2011 to obtain protection against the effect of increases in the life expectancy of the majority of pensioner beneficiaries at that date. Under the swap, the Trustee agreed to make pre-determined payments in return for payments to meet the specified pension obligations as they fall due, irrespective of how long the beneficiaries and their dependants live. The difference in the present values of these two streams of payments is reflected in the Scheme assets. The swap had a nil valuation at inception and, using market-based assumptions, is subsequently adjusted for changes in the market life expectancy and market discount rates, in line with its fair value.

How do we measure the pension Scheme assets?
Defined benefit scheme assets are measured at their fair value and can change due to the following:

- Interest income on scheme assets – this is determined by multiplying the fair value of the Scheme assets by the discount rate, both taken as of the beginning of the year. This is recognised through net financing costs in the Consolidated Income Statement
- Return on assets arise from differences between the actual return and interest income on Scheme assets and are recognised in the Consolidated Statement of Other Comprehensive Income
- Employer's contributions are paid into the Scheme to be managed and invested and
- Benefits and administrative expenses paid out by the Schemes will lower the fair value of the Schemes' assets

The movement in the fair value of the defined benefit schemes' assets is analysed below:

	2021 £m	2020 £m
Fair value of Scheme assets at 1 January	**4,032**	3,892
Interest income on Scheme assets	**54**	78
Return on assets, excluding interest income	**(102)**	188
Employer contributions	**82**	67
Benefits paid	**(187)**	(187)
Administrative expenses paid	**(6)**	(6)
Fair value of Scheme assets at 31 December	**3,873**	4,032

How are the Schemes' assets invested?

At 31 December 2021, the Schemes' assets were invested in a diversified portfolio that consisted primarily of debt securities, infrastructure, property and insurance policies matching pensions due to certain beneficiaries. The Trustee is responsible for deciding the investment strategy for the Schemes' assets, although changes in investment policies require consultation with the Group. The assets are invested in different classes to hedge against unfavourable movements in the funding obligation. When selecting the mix of assets to hold, and considering their related risks and returns, the Trustee will weigh up the variability of returns against the target long-term rate of return on the overall portfolio.

The fair value of the Schemes' assets is shown in the following table by major category:

	Market value 2021 £m	**Quoted 2021 £m**	**Market value 2021 %**	Market value 2020 £m	Quoted 2020 £m	Market value 2020 %
Liability hedging assets						
Fixed interest gilts	**514**	**514**		591	591	
Index-linked interest gilts	**1,139**	**1,127**		1,142	1,129	
Interest rate and inflation hedging derivatives (swaps and repos)	**60**	**25**		57	21	
	1,713	**1,666**	**44%**	1,790	1,741	44%
Other bonds	**1,767**	**75**	**46%**	1,815	73	45%
Return seeking investments						
Infrastructure	**168**			181		
Property	**148**			144		
Hedge funds/alternatives	**1**			2		
	317		**8%**	327		8%
Other investments						
Cash and cash equivalents	**134**			149		
Insurance policies	**530**			553		
Longevity swap fair value	**(588)**			(602)		
	76		**2%**	100		2%
Total Scheme assets	**3,873**	**1,741**	**100%**	4,032	1,814	100%

Included in the above are overseas assets of £257 million (2020: £275 million). None of these assets are quoted.

In November 2018, the Pension Trustee entered into a bulk annuity insurance contract in respect of the benefits of two Sections of the ITV Pension Scheme. This type of deal is also known as a 'Buy-in'. A buy-in is where the Trustee purchases an insurance policy which is effectively a Scheme asset which pays the members benefits. The ultimate obligation to pay the members benefits still remains with the scheme. The assets in respect of the buy-in are included in the insurance policies listed above.

The Trustee entered into a longevity swap in 2011, which hedges the risk of increasing life expectancy over the next 70 years for 11,700 current pensioners at inception covering £1.7 billion of the pension obligation. The fair value of the longevity swap is negative due to declining mortality assumptions and equals the discounted value of the projected net cash flows resulting from the contract. The fair value loss has reduced in 2021.

Notes to the Financial Statements
Section 3: Operating Assets and Liabilities continued

Defined pension deficit sensitivities

Keeping it simple

Which assumptions have the biggest impact on the Scheme?
It is important to note that comparatively small changes in the assumptions used may have a significant effect on the Consolidated Income Statement and Consolidated Statement of Financial Position. This 'sensitivity' to change is analysed below to demonstrate how small changes in assumptions can have a large impact on the estimation of the defined benefit pension obligation. The Trustee manages the investment, mortality and inflation risks to ensure the pension obligations are met as they fall due.

The investment strategy is aimed at the Trustee's actuarial valuation deficit rather than IAS 19 defined pension deficit value. As such, the effectiveness of the risk hedging strategies on a valuation basis will not be the same as on an accounting basis. Those hedging strategies have significant impact on the movement in the net pension deficit as assumptions change, offsetting the impacts on the obligation *disclosed below.*

In practice, changes in one assumption may be accompanied by offsetting changes in another assumption (although this is not always the case). Changes in the assumptions may occur at the same time as changes in the market value of Scheme assets, which may or may not offset the changes in assumptions.

Changes in assumptions have a different level of impact as the value of the net pension deficit fluctuates, because the relationship between them is not linear.

The analysis below considers the impact of a single change in principal assumptions on the defined benefit obligation while keeping the other assumptions unchanged and does not take into account any risk hedging strategies:

Assumption	Change in assumption	Impact on defined benefit obligation
Discount rate	Increase by 0.1%	Decrease by £60 million
	Decrease by 0.1%	Increase by £60 million
Rate of inflation (Retail Price Index)	Increase by 0.1%	Increase by £25 million
	Decrease by 0.1%	Decrease by £30 million
Rate of inflation (Consumer Price Index)	Increase by 0.1%	Increase by £10 million
	Decrease by 0.1%	Decrease by £10 million
Life expectancies	Increase by one year	Increase by £185 million

The sensitivity analysis has been determined by extrapolating the impact on the defined benefit obligation at the year end with changes in key assumptions that might reasonably occur.

While the Schemes' risk hedging strategy is aimed at a valuation basis, the Directors estimate that on an accounting basis it would significantly reduce the above impact on the defined benefit obligation.

In particular, while an increase in assumption of life expectancies by one year would increase the defined benefit obligation by £185 million, the assets would benefit from an estimated increase of the value of the longevity swap by £95 million and the value of the bulk annuity insurance contracts by £20 million, resulting in a net increase in the defined pension deficit of £70 million.

The insured assets in respect of the buy-in will move in line with the change to the defined benefit obligation, partially offsetting the change to the impacts in the table above.

Further, the ITV Pension Scheme invests in UK government bonds and interest rate and inflation swap contracts and therefore movements in the defined benefit obligation are typically offset, to an extent, by asset movements.

Keeping it simple

What was the impact of movements on the Schemes' assets and liabilities?
The notes above describe how the Scheme obligations and assets are comprised and measured. The following note sets out the impact of various movements and expenses on the Scheme on the Group's financial statements.

Amounts recognised through the Consolidated Income Statement
Amounts recognised through the Consolidated Income Statement are as follows:

	2021 £m	2020 £m
Amount charged to operating costs:		
Scheme administration expenses	**(6)**	(6)
	(6)	(6)
Amount charged to exceptional costs:		
Past service cost	**–**	(6)
Amount charged to net financing costs:		
Net interest on net pension deficit	**–**	(2)
Total charged in the Consolidated Income Statement	**(6)**	(14)

Amounts recognised through the Consolidated Statement of Comprehensive Income
The amounts recognised through the Consolidated Statement of Comprehensive Income/(cost) are:

	2021 £m	2020 £m
Remeasurement (losses)/gains		
Return on scheme assets excluding interest income	**(102)**	188
Actuarial gains/(losses) on liabilities arising from change in:		
– experience adjustments	**(8)**	35
– financial assumptions	**88**	(355)
– demographic assumptions	**(36)**	137
	44	(183)
Total recognised in the Consolidated Statement of Comprehensive Income	**(58)**	5

The £44 million actuarial gain on the Schemes' liabilities was principally due to changes in bond yields offset by updated demographic assumptions. The £102 million loss on the Schemes' assets follows a change in the gilts yields. This has been partially offset by an increase in market implied inflation, increasing the value of the inflation-linked assets, and an increase in the value of the longevity swap.

Notes to the Financial Statements
Section 3: Operating Assets and Liabilities continued

Addressing the defined benefit pension deficit

Keeping it simple →

The Group works closely with the Trustee to agree appropriate levels of funding for the Scheme. This involves agreeing a Schedule of Contributions at each triennial valuation, which specifies the contribution rates for the employer and, where relevant, scheme beneficiaries and the date these contributions are due. A recovery plan setting out the steps that will be taken to address a funding shortfall is also agreed.

In the event that the Group's defined benefit scheme is in a net liability position, the Directors must take steps to manage the size of the deficit. Apart from the funding agreements mentioned above, this could involve pledging additional assets to the Scheme, as was the case in the SDN and London Television Centre pension funding partnerships.

The levels of ongoing contributions to the Scheme are based on the expected future cash flows of the Scheme. Contributions in 2022 for administration expenses are expected to be in the region of £6 million (2021: £6 million) and deficit funding contributions for the main ITV scheme in 2022 are expected to be £60 million (2021: £60 million), assuming current contribution rates continue as agreed with the Trustee. This is subject to the new funding schedule which will be finalised as part of the triennial valuation in 2022.

As part of the action to tighten cash flows as a result of COVID-19, we agreed with the pension Trustees to defer £15 million of the 2020 funding contributions. The £15 million will now be paid in a lump sum in March 2022 in addition to the above £60 million.

The Group's deficit funding contributions for the year was £60 million (2020: £45 million).

The Group has two asset-backed pension funding agreements with the Trustee and makes annual payments of £11 million for 12 years from 2011, and £3 million, increasing by 5% per annum until 2038. In 2022, a payment of £14 million is expected as a result of those agreements.

SDN Pension Funding Partnership
In 2010, ITV established a Pension Funding Partnership (PFP) with the Trustee backed by the asset of SDN, which resulted in the assets of Section A of the defined benefit pension scheme being increased by £200 million. The Group is contracted to provide additional collateral to support the original value of the structure at the rate of £50.7 million each year from March 2019 to March 2022. The contract provided that the cash collateral would not leave the Group but would be maintained in a restricted bank account. The Trustee agreed to accept a letter of credit as an alternative to the 2019, 2020 and 2021 collateral instalments with the result that £152 million cash collateral did not become due in March 2021. The PFP is currently being reviewed as we look to replace it with an arrangement, which is broadly equivalent in value, using a combination of an alternative asset backed by SDN and cash contributions to the scheme. There may be a short delay in implementing this alternative, in which case we may have to arrange an additional £50 million of collateral for the Trustee.

London Television Centre Pension Funding Partnership
In 2014, ITV established a Pension Funding Partnership with the Trustees backed by the London Television Centre which resulted in the assets of Section A of the defined benefit pension scheme being increased by £50 million. In November 2019 the London Television Centre was sold. £50 million of the proceeds has been held in a restricted bank account as a replacement asset in the pension funding arrangement.

The Scheme's interest in these Partnerships reduces the deficit on a funding basis but does not impact the deficit on an IAS 19 basis as the Scheme's interest is not a transferrable financial instrument.

Both these structures continue to be reviewed in 2022.

IFRIC 14 clarifies how the asset ceiling rules should be applied if the Schemes are expected to be in surplus, for example as a result of deficit funding agreements. The Group has determined that it has an unconditional right to a refund of any surplus assets if the Schemes are run off until the last member dies. On this basis, IFRIC 14 rules do not cause any change in the pension deficit accounting or disclosures.

Notes to the Financial Statements

Section 4: Capital Structure and Financing Costs

In this section

This section outlines how the Group manages its capital structure and related financing costs, including its balance sheet liquidity and access to capital markets.

The Directors determine the appropriate capital structure of ITV; specifically how much is raised from shareholders (equity) and how much is borrowed from financial institutions (debt) in order to finance the Group's activities both now and in the future. Maintaining capital discipline and balance sheet efficiency remains important to the Group. Any potential courses of action in relation to this will take into account the Group's liquidity needs, flexibility to invest in the business, pension deficit initiatives and impact on credit ratings.

The Directors consider the Group's capital structure and dividend policy at least twice a year ahead of announcing results. The Directors take into account the available realised distributable reserves from which a dividend would be paid in addition to liquidity and solvency of the Group. The Directors also consider the capital structure and dividend policy in the context of the Group's ability to continue as a going concern, to execute the strategy and to invest in opportunities to grow the business and enhance shareholder value. The ITV plc Board oversees governance and approves tax and treasury related policies and procedures.

4.1 Net debt

Keeping it simple

Net debt is the Group's key measure used to evaluate total cash resources net of the current outstanding debt, including our discounted lease liabilities. A full analysis and discussion of net debt and covenant net debt is included in the Operating and Performance Review.

The tables below analyse movements in the components of net debt during the year:

	1 January 2021 £m	Net cash flow £m	Currency and non-cash movements £m	**31 December 2021 £m**
Loans and facilities due within one year	(7)	(21)	(262)	**(290)**
Loans and facilities due after one year	(1,078)	18	328	**(732)**
Total loans and facilities	(1,085)	(3)	66	**(1,022)**
Currency component of swaps held against euro denominated bonds	(23)	–	(13)	**(36)**
Lease liabilities	(105)	29	(16)	**(92)**
Total debt	(1,213)	26	37	**(1,150)**
Restricted cash*	50	–	–	**50**
Cash	296	(50)	–	**246**
Cash equivalents	322	121	(3)	**440**
Total cash and cash equivalents*	618	71	(3)	**686**
Net debt	(545)	97	34	**(414)**

* £50 million of cash, the use of which is restricted to meeting the commitments under the asset-backed pension agreements has been presented as restricted cash in 2021. The comparative balances for 31 December 2020 have also been restated.

Notes to the Financial Statements
Section 4: Capital Structure and Financing Costs continued

	1 January 2020 £m	Net cash flow £m	Acquisitions £m	Currency and non-cash movements £m	31 December 2020 £m
Loans and facilities due within one year	(10)	7	–	(4)	(7)
Loans and facilities due after one year	(1,016)	(5)	–	(57)	(1,078)
Total loans and facilities	(1,026)	2	–	(61)	(1,085)
Currency component of swaps held against euro denominated bonds	(24)	–	–	1	(23)
Lease liabilities	(89)	26	–	(42)	(105)
Total debt	(1,139)	28	–	(102)	(1,213)
Restricted cash*	50	–	–	–	50
Cash	93	205	–	(2)	296
Cash equivalents	103	220	–	(1)	322
Total cash and cash equivalents*	196	425	–	(3)	618
Net debt	(893)	453	–	(105)	(545)

* £50 million of cash, the use of which is restricted to meeting the commitments under the asset-backed pension agreements has been presented as restricted cash in 2021. The comparative balances for 31 December 2020 have also been restated.

Loans and facilities due within one year

Throughout the year, the Group had a £630 million Revolving Credit Facility ('RCF') to meet short-term funding requirements. At 31 December 2021, the Group had drawings of £nil under the RCF (2020: £nil), leaving £630 million available to draw down. The maximum draw down of the RCF during the year was £nil (2020: £210 million). Subsequent to the year end, the Group has agreed a new syndicated £500 million RCF. The terms of the new RCF run until January 2027 (with the opportunity to renew for one or two years from the expiry date, potentially providing funding out to 2029). This facility replaces the previous £630 million facility, which was due to mature in 2023. The financial covenants in the new RCF remain unchanged. There are ESG targets linked to the delivery of ITV's science-based carbon emissions targets.

The €335 million Eurobond, which has a coupon of 2.125%, matures in September 2022.

Loans and loan notes due after one year

In addition to the above, the Group has the following Eurobonds in issue:

- €259 million at a fixed coupon of 2.0%, which matures in December 2023
- €600 million at a fixed coupon of 1.375%, which matures in September 2026

The €600 million bond issued in September 2019 has been swapped back to sterling using a number of cross-currency interest rate swaps. The resulting fixed rate payable in sterling is c.2.9%.

Available facilities

The Group has taken steps to strengthen the Group's liquidity:

- The Group has a £300 million bilateral loan facility which matures on 30 June 2026. Utilisation requests are subject to the lender's ability to source ITV Credit Default Swaps (CDS) in the market at the time the utilisation request is made. The facility remains free of financial covenants. At 31 December 2021 £152 million of the facility was utilised as a letter of credit to support the Group's asset-backed pension scheme arrangement currently in place in respect of the defined benefit pension scheme. See section 3.6 for details.
- As noted above, the Group had £630 million of committed funding through a Revolving Credit Facility ('RCF') with a group of relationship banks which is available until 2023. This was replaced in January 2022 with a new £500 million RCF which runs until January 2027. The RCF documentation continues to define a leverage covenant (which has to be maintained at less than 3.5x) and an interest cover covenant (which has to be maintained at greater than 3.0x). Both are tested at 30 June and 31 December each year. During the first half of 2020, as a precautionary measure, these financial covenants were replaced with two new temporary covenants requiring covenant net debt to be maintained below £1,800 million and covenant liquidity (defined as cash and cash equivalents plus unused committed credit lines) to be maintained at greater than £250 million. Both of these financial covenants were tested on a quarterly basis from 30 June 2020 through to 30 June 2021. From 31 December 2021, the testing of the leverage and interest cover financial covenant tests was reinstated and the two temporary covenants fell away. All financial covenants were met and the facility remains available at 31 December 2021.
- The Group also had a £100 million Receivables Purchase Agreement (RPA) which was unutilised and cancelled during the course of the year.

4.2 Borrowings

Keeping it simple

The Group borrows money from financial institutions in the form of bonds, bank facilities and other financial instruments. The interest payable on these instruments is shown in the net financing costs note (note 4.4).

There are Board-approved policies in place to manage the Group's financial risks. Macroeconomic market risks, which impact currency transactions and interest rates, are discussed in note 4.3. Credit and liquidity risks are set out below.

- Credit risk: the risk of financial loss to the Group if a customer or counterparty fails to meet its contractual obligations and
- Liquidity risk: the risk that the Group will not be able to meet its financial obligations as they fall due

The Group is required to disclose the fair value of its debt instruments. The fair value is the amount the Group would pay a third party to transfer the liability. This estimation of fair value is consistent with instruments valued under level 1 in note 4.5.

Accounting policies

Borrowings

Borrowings are recognised initially at fair value less directly attributable transaction costs, with subsequent measurement at amortised cost using the effective interest rate method. Under the amortised cost method, the difference between the amount initially recognised and the redemption value is recorded in the Consolidated Income Statement over the period of the borrowing on an effective interest rate basis.

Managing credit and liquidity risk

Credit risk

The Group's maximum exposure to credit risk is represented by the carrying amount of derivative financial assets (see note 4.3), trade receivables (see note 3.1.3), and cash and cash equivalents (see note 4.1).

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The majority of trade receivables relate to airtime sales contracts with advertising agencies and advertisers. Credit insurance has been taken out against these companies to minimise the impact on the Group in the event of a possible default. The Group also reviews other significant receivables and will seek to take out credit insurance on an individual basis where appropriate.

Notes to the Financial Statements
Section 4: Capital Structure and Financing Costs continued

Cash
The Group operates investment guidelines with respect to surplus cash that emphasise preservation of capital. The guidelines set out procedures and limits on counterparty risk and maturity profile of cash placed. Counterparty limits for cash deposits are largely based upon long-term ratings published by the major credit rating agencies. Cash and cash equivalents include money market funds valued at fair value through profit and loss.

Borrowings
ITV is rated as investment grade by Moody's and S&P. ITV's credit ratings, the cost of credit default swap hedging and *the absolute level of interest rates are key determinants in the cost of new borrowings for ITV.*

Liquidity risk
The Group's financing policy is to fund itself for the medium to long-term by using debt instruments with a range of maturities and to ensure access to appropriate short-term borrowing facilities with a minimum of £250 million of undrawn facilities available at all times.

Long-term funding comes from the UK and European capital markets, while any short to medium-term debt requirements were provided during 2021 through bank credit facilities totalling £930 million (see below). Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn bank facilities and cash and cash equivalents) on the basis of expected cash flows. This monitoring includes financial ratios to assess any possible future impact on credit ratings and headroom and takes into account the accessibility of cash and cash equivalents.

During 2021 and 2020 the Group had a £630 million Revolving Credit Facility with a group of relationship banks. This facility was due to mature in 2023 and was committed with leverage and interest cover financial covenants. In addition, the Group has £300 million of financial covenant free financing, which runs to June 2026.

Subsequent to the year end, the Group has agreed a new syndicated £500 million Revolving Credit Facility. The terms of the new Revolving Credit Facility run until January 2027 (with the opportunity to renew for one or two years from the expiry date, potentially providing funding out to 2029). This facility replaces the previous £630 million facility, which was due to mature in 2023. The financial covenants in the new Revolving Credit Facility remain unchanged. There are ESG targets linked to the delivery of ITV's science-based carbon emissions targets.

Fair value versus book value
The tables below provide fair value information for the Group's borrowings:

		Book value		Fair value	
	Maturity	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Loans due within one year					
€335 (previously €600) million Eurobond	Sept 2022	**281**	–	**284**	–
Other short-term loans	Various	**9**	7	**9**	7
		290	7	**293**	7
Loans due in more than one year					
€335 (previously €600) million Eurobond	Sept 2022	**–**	299	**–**	308
€259 (previously €500) million Eurobond	Dec 2023	**218**	232	**225**	240
€600 million Eurobond	Sept 2026	**504**	537	**518**	553
Other long-term loans	Various	**10**	10	**10**	10
		732	1,078	**753**	1,111
		1,022	1,085	**1,046**	1,118

4.3 Managing market risks: derivative financial instruments

Keeping it simple

What is a derivative?
A derivative is a type of financial instrument typically used to manage risk. A derivative's value changes over time in response to underlying variables, such as exchange rates or interest rates and is entered into for a fixed period. A hedge is where a derivative is used to manage exposure in an underlying variable.

The Group is exposed to certain market risks. In accordance with Board-approved policies, which are set out in this note, the Group manages these risks by using derivative financial instruments to hedge the underlying exposures.

Why do we need them?
The key market risks facing the Group are:

- Currency risk arising from:

i. Translation risk, that is the risk in the period of adverse currency fluctuations in the translation of foreign currency profits, assets and liabilities ('balance sheet risk') and non-functional currency monetary assets and liabilities ('income statement risk') and
ii. Transaction risk, that is the risk that currency fluctuations will have a negative effect on the value of the Group's non-functional currency trading cash flows. A non-functional currency transaction is a transaction in any currency other than the reporting currency of the subsidiary

- Interest rate risk to the Group arises from significant changes in interest rates on borrowings issued at or swapped to floating rates

How do we use them?
The Group mainly employs three types of derivative financial instruments when managing its currency and interest rate risk:

- Foreign exchange swap contracts are derivative instruments used to hedge income statement translation risk arising from short-term intercompany loans denominated in a foreign currency
- Forward foreign exchange contracts are derivative instruments used to hedge transaction risk so they enable the sale or purchase of foreign currency at a known fixed rate on an agreed future date and
- Cross-currency interest rate swaps are derivative instruments used to exchange the principal and interest coupons in a debt instrument from one currency to another

Analysis of the derivatives used by the Group to hedge its exposure and the various methods used to calculate their respective fair values are detailed in this section.

Accounting policies
Derivative financial instruments are initially recognised at fair value and are subsequently remeasured at fair value with the movement recorded in the Consolidated Income Statement, except where derivatives qualify for cash flow hedge accounting. In this case, the effective portion of a cash flow hedge is recognised in other comprehensive income and presented in the hedging reserve within equity. The cumulative gain or loss is later reclassified to the Consolidated Income Statement in the same period as the relevant hedged transaction is realised. Derivatives with positive fair values are recorded as assets and negative fair values as liabilities.

Notes to the Financial Statements
Section 4: Capital Structure and Financing Costs continued

Determining fair value

The fair value of forward foreign exchange contracts is determined by using the difference between the contract exchange rate and the quoted forward exchange rate from third parties at the reporting date. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to exit the swap at the reporting date, taking into account current interest rates and the Group's current creditworthiness, as well as that of the swap counterparties.

Third-party valuations are used to fair value the Group's interest rate derivatives. The valuation techniques use inputs such as interest rate yield curves and currency prices/yields, volatilities of underlying instruments and correlations between inputs.

How do we manage our currency and interest rate risk?

Currency risk

As the Group expands its international operations, the performance of the business becomes increasingly sensitive to movements in foreign exchange rates, primarily with respect to the US dollar and the euro.

The Group's foreign exchange policy is to use forward foreign exchange contracts to hedge material non-functional currency denominated costs or revenue for up to five years forward.

The Group ensures that its net exposure to foreign currency denominated cash balances is kept to a minimal level by using foreign currency swaps to exchange balances back into sterling or by buying or selling foreign currencies at spot rates when necessary.

The Group also utilises foreign exchange swaps and cross-currency interest rate swaps both to manage foreign currency cash flow timing differences and to hedge foreign currency denominated monetary items.

The Group's net investments in overseas subsidiaries may be hedged where the currency exposure is considered to be material. The Group designated a portion of its euro borrowings into a net investment hedge against its euro denominated assets following the acquisition of Talpa Media.

The following table highlights the Group's exposure to foreign currency risk resulting from a 10% strengthening/weakening in sterling against the US dollar and euro, assuming all other variables are held constant:

	Impact on profit before tax 2021 £m	Impact on profit before tax 2020 £m	**Impact on Equity 2021 £m**	Impact on Equity 2020 £m
US dollar – increase 10%	**(3)**	(3)	**4**	(4)
US dollar – decrease 10%	**3**	3	**(4)**	3
Euro – increase 10%*	**(1)**	(3)	**15**	10
Euro – decrease 10%*	**2**	3	**(19)**	(14)

* *Equity impact is offset by the euro net assets in the translation reserve using the net investment hedge.*

Interest rate risk

The Group's interest rate policy is to allow fixed rate gross debt to vary between 20% and 100% of total gross debt to accommodate floating rate borrowings under the Revolving Credit Facility.

For financial assets and liabilities classified at fair value through profit or loss, the movements in the year relating to changes in fair value and interest are not separated.

At 31 December 2021, the Group's fixed rate debt represented 99.8% of total gross debt (2020: 99%), therefore with the majority of debt issued at fixed interest rates, changes in the floating rates of interest do not significantly affect the Group's net interest charge. There are no other material floating interest rate financial instruments.

What is the value of our derivative financial instruments?

The following table shows the fair value of derivative financial instruments analysed by type of contract. Interest rate swap fair values exclude accrued interest.

At 31 December 2021	Assets £m	Liabilities £m
Current		
Foreign exchange forward contracts and swaps – cash flow hedges	**1**	**(2)**
Foreign exchange forward contracts and swaps – fair value through profit or loss	**2**	**(3)**
Non-current		
Cross-currency interest swaps – cash flow hedges	**–**	**(36)**
Foreign exchange forward contracts and swaps – cash flow hedges	**–**	**(1)**
	3	**(42)**

At 31 December 2020	Assets £m	Liabilities £m
Current		
Foreign exchange forward contracts and swaps – cash flow hedges	4	(2)
Foreign exchange forward contracts and swaps – fair value through profit or loss	2	(5)
Non-current		
Cross-currency interest swaps – cash flow hedges	–	(23)
Foreign exchange forward contracts and swaps – cash flow hedges	2	(1)
Foreign exchange forward contracts and swaps – fair value through profit or loss	–	–
	8	(31)

Cash flow hedges

The Group applies hedge accounting for certain foreign currency firm commitments and highly probable cash flows where the underlying cash flows are payable within the next seven years. In order to fix the sterling cash outflows associated with the commitments and interest payments – which are mainly denominated in US dollars or euros – the Group has taken out forward foreign exchange contracts and cross-currency interest rate swaps for the same foreign currency amount and maturity date as the expected foreign currency outflow.

There is an economic relationship between the hedged items (being between 60% to 100% of the total exposure) and the hedging instruments as the terms of the foreign exchange forward contracts and cross-currency interest rate swaps match the terms of the expected highly probable forecast transactions or firm commitments (i.e. % notional amount and expected receipt or payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange forward contracts are identical to the hedged risk components.

Sources of ineffectiveness include:

- different interest rate curve applied to discounting the hedged items and hedging instruments
- differences in the timing of the cash flows of the hedged items and the hedging instruments
- the counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items and
- changes to the forecasted amount of cash flows of hedged items and hedging instruments

The Group uses the hedge relationship, credit risk and hedge ratio to measure the hedge effectiveness.

The amount recognised in other comprehensive income during the period all relates to the effective portion of the revaluation loss associated with these contracts. There was less than £1 million (2020: less than £1 million) of ineffectiveness taken to the Consolidated Income Statement and £2 million of cumulative gain (2020: less than £1 million of cumulative gain) was recycled to the Consolidated Income Statement in the year.

Under IFRS 9, the Group has adopted the 'cost of hedging' approach which allows the recognition of the value of the currency basis at inception of the hedge to be recorded on the Consolidated Statement of Financial Position and amortised through net financing costs in the Consolidated Income Statement over the life of the bond. Any mark-to-market change in fair value of the currency basis is recognised in 'cost of hedging' in the Consolidated Statement of Comprehensive Income.

Notes to the Financial Statements
Section 4: Capital Structure and Financing Costs continued

Net investment hedges

The Group uses euro denominated debt to hedge against the change in the sterling value of its euro denominated net assets due to movements in foreign exchange rates. A foreign exchange gain of £13 million (2020: loss of £11 million) relating to the net investment hedges has been netted off within exchange differences on translation of foreign operations as presented on the Consolidated Statement of Comprehensive Income.

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the euro denominated borrowing. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. The hedge ineffectiveness will arise when the amount of the investment in the foreign subsidiary becomes lower than the amount of the fixed rate borrowing.

Undiscounted financial liabilities

Keeping it simple →

The Group is required to disclose the expected timings of cash outflows for each of its financial liabilities (including derivatives). The amounts disclosed in the table are the contractual undiscounted cash flows (including interest), so will not always reconcile with the amounts disclosed on the Statement of Financial Position.

At 31 December 2021	Carrying value £m	Total contractual cash flows £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Non-derivative financial liabilities						
Borrowings	(1,022)	(1,071)	(308)	(229)	(528)	(6)
Lease liabilities	(92)	(103)	(21)	(19)	(33)	(30)
Trade and other payables	(841)	(841)	(824)	(17)	–	–
Contract liabilities	(359)	(359)	(359)	–	–	–
Other payables – non-current	(28)	(28)	–	(23)	(5)	–
Other payables – commitments on acquisitions	(64)	(79)*	(26)	(1)	(52)	–
Derivative financial instruments						
Foreign exchange forward contracts and swaps – cash flow hedges						
Inflow	1	193	147	46	–	–
Outflow	(3)	(196)	(149)	(47)	–	–
Cross-currency swaps – cash flow hedges						
Inflow	–	539	7	7	525	–
Outflow	(36)	(612)	(16)	(16)	(580)	–
Foreign exchange forward contracts and swaps – fair value through profit or loss						
Inflow	2	312	308	4	–	–
Outflow	(3)	(311)	(307)	(4)	–	–
	(2,445)	(2,556)	(1,548)	(299)	(673)	(36)

At 31 December 2020	Carrying value £m	Total contractual cash flows £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Non-derivative financial liabilities						
Borrowings	(1,085)	(1,155)	(26)	(318)	(261)	(550)
Lease liabilities	(105)	(118)	(27)	(29)	(31)	(31)
Trade and other payables	(850)	(850)	(796)	(43)	(11)	–
Contract liabilities	(271)	(271)	(271)	–	–	–
Other payables – non-current	(15)	(15)	–	(8)	(7)	–
Other payables – commitments on acquisitions	(209)	(227)*	(166)	(22)	(17)	(22)
Derivative financial instruments						
Foreign exchange forward contracts and swaps – cash flow hedges						
Inflow	6	170	113	50	7	–
Outflow	(3)	(169)	(113)	(49)	(7)	–
Cross-currency swaps – cash flow hedges						
Inflow	–	580	7	7	22	544
Outflow	(23)	(627)	(16)	(16)	(47)	(548)
Foreign exchange forward contracts and swaps – fair value through profit or loss						
Inflow	2	370	367	3	–	–
Outflow	(5)	(388)	(385)	(3)	–	–
	(2,558)	(2,700)	(1,313)	(428)	(352)	(607)

* Undiscounted expected future payments depending on performance of acquisitions; the total maximum consideration is discussed in the Finance Review.

Notes to the Financial Statements
Section 4: Capital Structure and Financing Costs continued

Timing profile of hedging instrument

Keeping it simple

The Group is required to provide a breakdown that discloses a profile of the timing of the nominal amount of the hedging instrument and if applicable, the average price or rate (for example strike or forward prices etc.) of the hedging instrument.

The Group is holding the following foreign exchange and cross-currency interest rate swap contracts:

At 31 December 2021	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Greater than 5 years	Total
Foreign exchange forward contracts and swaps					
Notional amount (£m)	(11)	5	–	–	(6)
Average forward rate (AUD/GBP)	2.0825	1.8311	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	2	–	–	–	2
Average forward rate (CAD/GBP)	1.7302	–	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	(35)	(1)	–	–	(36)
Average forward rate (CAD/USD)	1.2375	1.2400	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	1	–	–	–	1
Average forward rate (DKK/GBP)	8.6956	–	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	(187)	(19)	–	–	(206)
Average forward rate (EUR/GBP)	1.1658	1.1152	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	6	–	–	–	6
Average forward rate (NOK/GBP)	11.9988	–	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	1	–	–	–	1
Average forward rate (SEK/GBP)	12.0070	–	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	103	10	–	–	113
Average forward rate (USD/GBP)	1.3370	1.3387	–	–	
Cross-currency interest rate swaps					
Notional amount (£m)	–	–	511	–	511
Average hedge rate (EUR/GBP)	–	–	1.1253	–	

At 31 December 2020	Less than 1 year	Between 1 to 2 years	Between 2 to 5 years	Greater than 5 years	Total
Foreign exchange forward contracts and swaps					
Notional amount (£m)	(17)	(10)	–	–	(27)
Average forward rate (AUD/GBP)	1.8780	2.0684	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	5	1	–	–	6
Average forward rate (CAD/GBP)	1.7596	1.7274	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	(35)	–	–	–	(35)
Average forward rate (CAD/USD)	1.3037	–	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	(181)	(19)	–	–	(200)
Average forward rate (EUR/GBP)	1.0897	1.0539	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	4	–	–	–	4
Average forward rate (NOK/GBP)	11.6336	–	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	3	–	–	–	3
Average forward rate (SEK/GBP)	11.2335	–	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	1	–	–	–	1
Average forward rate (THB/GBP)	40.9211	–	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	2	–	–	–	2
Average forward rate (USD/EUR)	1.2562	–	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	113	10	–	–	123
Average forward rate (USD/GBP)	1.3472	1.3218	–	–	
Foreign exchange forward contracts and swaps					
Notional amount (£m)	1	–	–	–	1
Average forward rate (ZAR/AUD)	11.2282	–	–	–	
Cross-currency interest rate Swaps					
Notional amount (£m)	–	–	–	544	544
Average hedge rate (EUR/GBP)	–	–	–	1.1253	

Notes to the Financial Statements

Section 4: Capital Structure and Financing Costs continued

Impact of hedged items on Consolidated Statement of Financial Position, Consolidated Statement of Other Comprehensive Income and Consolidated Statement of Changes in Equity

Keeping it simple

This table provides the following details in relation to cash flow hedge and net investment hedge:

- the change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period
- the balances in the cash flow hedge reserve and the foreign currency translation reserve for continuing hedges and
- the balances remaining in the cash flow hedge reserve and the foreign currency translation reserve from any hedging relationships for which hedge accounting is no longer applied

The impact of hedged items on the Consolidated Statement of Financial Position is as follows:

Cash flow hedge

	2021			2020		
At 31 December	**Change in fair value used for measuring ineffectiveness £m**	**Closing cash flow hedge reserve £m**	**Closing cost of hedging reserve £m**	Change in fair value used for measuring ineffectiveness £m	Closing cash flow hedge reserve £m	Closing cost of hedging reserve £m
Highly probable/firm commitment forecast transactions	**(2)**	**(1)**	**(1)**	2	4	(2)
Borrowings	**(8)**	**1**	**(8)**	(26)	(18)	(8)

Net investment hedge

At 31 December 2021	**Change in fair value used for measuring ineffectiveness**	**Foreign currency translation reserve**
Net investment in foreign subsidiaries	**13**	**13**

The hedging gain recognised in the Consolidated Statement of Changes in Equity before tax is equal to the change in fair value used for measuring effectiveness. There is no ineffectiveness recognised in the Consolidated Income Statement.

Keeping it simple

This table details the effect of the cash flow hedge in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income.

The effect of the cash flow hedge in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income is as follows:

At 31 December 2021	**Total hedging gain/(loss) recognised in OCI**	**Ineffectiveness recognised in Income Statement**	**Line item in the Income Statement**	**Cost of hedging recognised in OCI**	**Amounts reclassified from OCI to Income Statement**	**Line item in the Income Statement**
Highly probable/firm commitment forecast transactions	**(2)**	**–**		**1**	**(2)**	**Overheads/ Cost of Sales**
Borrowing	**(8)**	**(1)**	**Net Finance Cost**	**(1)**	**–**	

At 31 December 2020	Total hedging gain/(loss) recognised in OCI	Ineffectiveness recognised in Income Statement	Line item in the Income Statement	Cost of hedging recognised in OCI	Amounts reclassified from OCI to Income Statement	Line item in the Income Statement
Highly probable/firm commitment forecast transactions	2	–		–	(1)	Overheads/ Cost of Sales
Borrowing	(26)	(1)	Net Finance Cost	(6)	–	

Keeping it simple

This table provides a reconciliation of each component of the translation reserve reported within equity and an analysis of other comprehensive income in accordance with IAS 1.

Set out below is the reconciliation of each component of the translation reserve reported in the Consolidated Statement of Changes in Equity and the analysis of other comprehensive income:

	Cash flow hedge reserve £	Cost of hedge reserve £	Foreign currency reserve £	Translation reserve £
As at 1 January 2020	(15)	(3)	50	32
Effective portion of changes in fair value arising from:				
Foreign exchange forward contracts	7	–	–	7
Cross-currency interest rate swaps – borrowings:				
• Change in fair value from the effective hedge instrument	23	(6)	–	17
Amount reclassified to Income Statement				
• FX forward reclassified to cost of sales/overheads	(1)	–	–	(1)
• CCIRS reclassified to finance costs	(29)	–	–	(29)
Net gain on cash flow hedges and cost of hedging	–	**(6)**	–	**(6)**
Foreign currency revaluation of the EUR borrowing	–	–	(11)	(11)
Foreign currency revaluation of the net foreign operations	–	–	(8)	(8)
Exchange differences on translation of foreign operations (net of hedging)	–	–	**(19)**	**(19)**
Income tax (charge)/credit on other comprehensive income/(expense)	–	–	–	–
As at 31 December 2020	(15)	(9)	31	7
Effective portion of changes in fair value arising from:				
Foreign exchange forward contracts	(2)	1	–	**(1)**
Cross-currency interest rate swaps – borrowings:				
• Change in fair value from the effective hedge instrument	(13)	(1)	–	(14)
Amount reclassified to Income Statement				
• FX forward reclassified to cost of sales/overheads	**(2)**	–	–	**(2)**
• CCIRS reclassified to finance costs	32	–	–	**32**
Net gain on cash flow hedges and cost of hedging	**15**	–	–	**15**
Foreign currency revaluation of the EUR borrowing	–	–	13	**13**
Foreign currency revaluation of the net foreign operations	–	–	4	**4**
Exchange differences on translation of foreign operations (net of hedging)	–	–	17	**17**
Income tax (charge)/credit reclass*	7	–	–	**7**
Income tax (charge)/credit on other comprehensive income/(expense)	(4)	2	(3)	**(5)**
As at 31 December 2021	**3**	**(7)**	**45**	**41**

* Income tax on other comprehensive income has been reallocated to the relevant reserves from Retained Earnings in the current year.

Notes to the Financial Statements
Section 4: Capital Structure and Financing Costs continued

Netting arrangements of financial instruments

Keeping it simple

This section details Group's financial assets and financial liabilities that are subject to netting and set-off arrangements. Financial assets and liabilities that are subject to set-off arrangements and disclosed on a net basis in the Group's Statement of Financial Position relate to cash pooling arrangements. Amounts which do not meet the criteria for offsetting on the Consolidated Statement of Financial Position but could be settled net in certain circumstances principally relate to derivative transactions executed under ISDA agreements where each party has the option to settle amounts on a net basis in the event of default of the other party.

At 31 December 2021	Gross financial assets/ liabilities £m	Gross collateral assets/liabilities set-off £m	Net financial assets/liabilities per balance sheet £m	Related amounts not set-off in the balance sheet £m	Net £m
Assets					
Derivative financial instruments	3	–	3	(3)	–
Restricted cash	50	–	50	–	50
Cash and cash equivalents	686	–	686	–	686
Liabilities					
Derivative financial instruments	(42)	–	(42)	3	(39)
Loans and facilities	(1,022)	–	(1,022)	–	(1,022)

At 31 December 2020	Gross financial assets/liabilities £m	Gross collateral assets/liabilities set-off £m	Net financial assets/liabilities per balance sheet £m	Related amounts not set-off in the balance sheet £m	Net £m
Assets					
Derivative financial instruments	8	–	8	–	8
Restricted cash	50	–	50	–	50
Cash and cash equivalents	618	–	618	–	618
Liabilities					
Derivative financial instruments	(31)	–	(31)	–	(31)
Loans and facilities	(1,085)	–	(1,085)	–	(1,085)

4.4 Net financing costs

Keeping it simple

This section details the interest income generated on the Group's cash and other financial assets and the interest expense incurred on borrowings and other financial liabilities.

In reporting 'adjusted profit', the Group adjusts net financing costs to exclude unrealised mark-to-market movements on interest rate and foreign exchange derivatives, gains/losses on bond buybacks, net pension interest, interest and fair value movements in acquisition-related liabilities and other financing costs.

Our rationale for adjustments made to financing costs is set out in the Finance Review.

Accounting policies

Net financing costs comprise interest income on funds invested, gains/losses on the disposal of financial instruments, changes in the fair value of financial instruments, interest expense on borrowings, unwinding of the discount on provisions, unwinding of the discount on liabilities to non-controlling interest, foreign exchange gain/losses, and imputed interest on pension assets and liabilities. Interest income and expense is recognised as it accrues in profit or loss, using the effective interest method.

Net financing costs

Net financing costs can be analysed as follows:

	2021 £m	2020 £m
Financing income		
Interest income	**4**	2
Foreign exchange gain	**4**	–
	8	2
Financing costs		
Interest expense on financial liabilities measured at amortised cost	**(26)**	(27)
Net pension interest (see note 3.6)	**–**	(2)
Foreign exchange loss	**–**	(3)
Other finance expense	**(22)**	(14)
Financing exceptional item: acquisition-related	**(10)**	–
	(58)	(46)
Net financing costs	**(50)**	(44)

Interest on financial liabilities relates to the interest incurred on the Group's borrowings and the cross-currency interest rate swaps in the year.

Other finance expense includes lease interest payments, interest on acquisition-related contingent liabilities (not included within the exceptional financing item) and bank charges.

Exceptional finance costs of £10 million (2020: £nil) principally relates to interest accrued on exceptional acquisition-related expenses.

Notes to the Financial Statements
Section 4: Capital Structure and Financing Costs continued

4.5 Fair value hierarchy

Keeping it simple

The financial instruments included in the Consolidated Statement of Financial Position are measured at either fair value or amortised cost. The measurement of this fair value can in some cases be subjective, and can depend on the inputs used in the calculations. The Group generally uses external valuations using market inputs or market values (e.g. external share prices). The different valuation methods are called 'hierarchies' and are described below.

Level 1
Fair values are measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2
Fair values are measured using inputs, other than quoted prices included within Level 1, which are observable for the asset or liability either directly or indirectly.

Interest rate swaps and options are accounted for at their fair value based upon exit prices at the current reporting period. Forward foreign exchange contracts are accounted for at the difference between the contract exchange rate and the quoted forward exchange rate at the reporting date.

Level 3
Fair values are measured using inputs for the asset or liability that are not based on observable market data.

The tables below set out the financial instruments included on the Consolidated Statement of Financial Position at fair value:

	Fair value 31 December 2021 £m	Level 1 31 December 2021 £m	Level 2 31 December 2021 £m	Level 3 31 December 2021 £m
Assets measured at fair value				
Financial instruments				
Other pension assets – gilts (see note 3.6)	62	62	–	–
Equity investments (see note 3.4)	4	–	–	4
Financial assets at fair value through profit or loss				
Foreign exchange forward contracts and swaps	2	–	2	–
Convertible loan receivable	2	–	–	2
Financial assets at fair value through reserves				
Cash flow hedges	1	–	1	–
	71	62	3	6

	Fair value 31 December 2021 £m	Level 1 31 December 2021 £m	Level 2 31 December 2021 £m	Level 3 31 December 2021 £m
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts and swaps	(3)	–	(3)	–
Acquisition-related liabilities – payable to sellers under put options agreed on acquisition (see notes 3.1.4 and 3.1.5)	(55)	–	–	(55)
Financial liabilities at fair value through reserves				
Cash flow hedges	(39)	–	(39)	–
	(97)	–	(42)	(55)

There have been no changes in the classification of assets and liabilities and there have been no movements within levels. Information on the fair value measurements of level 3 assets and liabilities is detailed in the relevant notes referenced above.

	Fair value 31 December 2020 £m	Level 1 31 December 2020 £m	Level 2 31 December 2020 £m	Level 3 31 December 2020 £m
Assets measured at fair value				
Financial instruments				
Other pension assets – gilts (see note 3.6)	62	62	–	–
Equity investments (see note 3.4)	1	–	–	1
Financial assets at fair value through profit or loss				
Foreign exchange forward contracts and swaps	2	–	2	–
Financial assets at fair value through reserves				
Cash flow hedges	6	–	6	–
	71	62	8	1

	Fair value 31 December 2020 £m	Level 1 31 December 2020 £m	Level 2 31 December 2020 £m	Level 3 31 December 2020 £m
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss				
Foreign exchange forward contracts and swaps	(5)	–	(5)	–
Acquisition-related liabilities – payable to sellers under put options agreed on acquisition (see notes 3.1.4 and 3.1.5)	(45)	–	–	(45)
Financial liabilities at fair value through reserves				
Cash flow hedges	(26)	–	(26)	–
	(76)	–	(31)	(45)

Refer to note 4.3 for how we value interest rate swaps and forward foreign currency contracts.

Notes to the Financial Statements

Section 4: Capital Structure and Financing Costs continued

4.6 Lease liabilities

Keeping it simple

From 1 January 2019, the Group accounts for operating leases under IFRS 16 *'Leases'. Lease liabilities representing the discounted future lease payments and* right of use assets are recognised in the Consolidated Statement of Financial Position. Lease costs such as property rent are now recognised in the form of depreciation and interest in the Consolidated Income Statement.

Accounting policies

Lease liabilities represent the discounted future lease payments. Discount rates are calculated for similar assets, in similar economic environments, taking into account the length of the lease. The unwinding of the discounting is recognised in net financing costs in the Consolidated Income Statement. The following table outlines the maturity analysis of the lease liabilities:

	2021 £m	2020 £m
Contractual discounted cash flows		
Less than one year	**21**	22
Two to five years	**46**	42
More than five years	**25**	41
Lease liabilities at 31 December	**92**	105

	1 January 2021 £m	Net cash flow £m	Currency and non-cash movements £m	**31 December 2021 £m**
Lease liabilities	(105)	26	(13)	**(92)**
Total lease liabilities	(105)	26	(13)	**(92)**

The following amounts have been included in the Consolidated Income Statement:

	2021 £m	2020 £m
Interest expense on lease liabilities	**(3)**	(4)
Amounts recognised in the Consolidated Income Statement	**(3)**	(4)

The Group has elected not to recognise right of use assets and lease liabilities for short-term leases (i.e. lease term less than 12 months) or low-value assets (i.e. under £5,000). The Group will continue to expense the lease payments associated with these leases on a straight-line basis over the lease term. At 31 December 2021, this was less than £1 million (2020: less than £1 million).

Variable lease payments that depend on an index or a rate are also less than £1 million (2020: less than £1 million).

Some property leases contain extension options beyond the non-cancellable period. The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. The lease liability at 31 December 2021 does not include such extensions. At 31 December 2020, the Group estimated that the future lease payments should it exercise the extension option, would result in an increase in the lease liability of £2 million.

4.7 Equity

Keeping it simple

This section explains material movements recorded in shareholders' equity, presented in the Consolidated Statement of Changes in Equity, which are not explained elsewhere in the financial statements.

Accounting policies

Fair value reserve

Financial assets are stated at fair value, with any gain or loss recognised directly in the fair value reserve in equity, unless the loss is a permanent impairment, when it is then recorded in the Consolidated Income Statement.

Dividends

Dividends are recognised through equity on the earlier of their approval by the Company's shareholders or their payment. Dividends are distributed based on the realised distributable reserves (within retained earnings) of ITV plc (the Company) and not based on the Group's retained earnings.

4.7.1 Share capital and share premium

The Group's share capital at 31 December 2021 of £403 million (2020: £403 million) and share premium of £174 million (2020: £174 million) is the same as that of ITV plc. Details of this are given in the ITV plc Company financial statements section of this Annual Report.

4.7.2 Merger and other reserves

Merger and other reserves at 31 December include the following reserves:

	2021 £m	2020 £m
Merger reserves	**95**	98
Capital reserves	**112**	112
Capital redemption reserves	**36**	36
Revaluation reserves	**2**	2
Put option liabilities arising on acquisition of subsidiaries	**(30)**	(24)
Total	**215**	224

Merger reserves, Capital reserves and Capital redemption reserves relate primarily to balances arising on previous mergers and acquisitions, including the merger of Granada and Carlton in 2003. Put option liabilities arising on acquisition of subsidiaries relates to options and forwards contracts over shares relating to non-controlling interests. The movement in the merger reserve is in relation to the acquisition of the remaining non-controlling interest of Monumental Television Limited. The movement in the put option liability is in relation to a new business in Spain, Cattleya Producciones.

4.7.3 Translation reserve

The translation reserve comprises:

- All foreign exchange differences arising on the translation of the accounts of, and investments in, foreign operations
- The gains or losses on the portion of cash flow hedges that have been deemed effective and costs of hedging under IFRS 9 (see note 4.3)
- The net movement in the cash flow hedge reserve was a gain of £18 million (2020: £nil). The gain on cash flow hedges in the period was £15 million (2020: £nil) and had a related tax charge of £4 million (2020: £nil). A tax credit of £7 million related to prior years was reallocated from retained earnings during the year
- There was no net movement in the cost of hedging reserve (2020: £6 million loss)

4.7.4 Fair value reserve

The fair value reserve comprises all movements arising on the revaluation of gilts accounted for at fair value through OCI financial instruments. The movement in 2021 is a £5 million charge (2020: £4 million gain). £4 million of this charge is a reallocation of tax charged to retained earnings in prior years to the fair value reserve and £1 million is a tax charge in the current year related to changes in future tax rates. See notes 2.3 and 3.6.

4.7.5 Retained earnings

The retained earnings reserve comprises profit for the year attributable to owners of the Company of £378 million (2020: £285 million) and other items recognised directly through equity as presented in the Consolidated Statement of Changes in Equity. Other items include the credit for the Group's share-based compensation schemes, which are described in note 4.8.

The Directors recognise the importance of the dividends to our shareholders and propose a final dividend of 3.3 pence per share, based on two-thirds of a notional full year dividend of 5.0 pence. Due to the COVID-19 pandemic, no dividend payments were made in 2021 or 2020.

Notes to the Financial Statements
Section 4: Capital Structure and Financing Costs continued

4.7.6 Non-controlling interests

Non-controlling interest (NCI) represents the share of non-wholly owned subsidiaries' net assets that are not directly attributable to the shareholders of the ITV Group. The movement for 2021 comprises:

- The share of profit attributable to NCI of £10 million (2020: share of losses attributable to NCI of £4 million)
- Foreign exchange losses of £1 million (2020: £nil)
- The distributions made to NCI of £1 million (2020: £1 million)
- The share of net assets attributable to NCI relating to subsidiaries acquired, disposed or changes in ownership interest in 2021 of £1 million (2020: £6 million)

4.8 Share-based compensation

Keeping it simple

The Group utilises share award schemes as part of its employee remuneration packages, and *therefore operates a number of share-based compensation* schemes, namely the Deferred Share Award (DSA), Executive Share Plan (ESP), Performance Share Plan (PSP), Long Term Incentive Plan (LTIP) and Save As You Earn (SAYE) schemes. The share-based compensation is not pensionable.

A transaction will be classed as share-based compensation where the Group receives services from employees and pays for these in shares or similar equity instruments. If the Group incurs a liability linked to the price or value of the Group's shares, this will also fall under a share-based transaction.

Accounting policies

For each of the Group's share-based compensation schemes, the fair value of the equity instrument granted is measured at grant date and spread over the vesting period via a charge to the Consolidated Income Statement with a corresponding increase in equity.

The fair value of the share options and awards is measured using either market price at grant date or, for the SAYE scheme, a Black–Scholes model, taking into account the terms and conditions of the individual scheme. Expected volatility is based on the historic volatility of ITV plc shares over a three or five year period, based on the life of the options.

Vesting conditions are limited to service conditions and performance conditions. For performance-based schemes, the relevant Group performance measures are projected to the end of the performance period in order to determine the number of options expected to vest. This estimate of the performance measures is used to determine the option fair value, discounted to present value. The Group revises the number of options that are expected to vest, including an estimate of forfeitures at each reporting date based on forecast performance measures. The impact of the revision to original estimates, if any, is recognised in the Consolidated Income Statement, with a corresponding adjustment to equity.

Exercises of share options granted to employees can be satisfied by market purchase or issue of new shares. No new shares may be issued to satisfy exercises under the terms of the DSA. During the year, all exercises were satisfied by using shares purchased in the market and held in the ITV Employees' Benefit Trust.

Share-based compensation charges totalled £12 million in 2021 (2020: £6 million).

Share options outstanding

The table below summarises the movements in the number of share options outstanding for the Group and their weighted average exercise price:

	Number of options ('000)	**2021 Weighted average exercise price (pence)**	Number of options ('000)	2020 Weighted average exercise price (pence)
Outstanding at 1 January	**106,303**	**24.25**	60,073	36.88
Granted during the year – nil priced	**9,075**	**–**	34,192	–
Granted during the year – other	**3,665**	**96.37**	48,347	56.10
Forfeited during the year	**(2,158)**	**48.56**	(3,354)	83.27
Exercised during the year – nil priced	**(4,905)**	**–**	(6,017)	–
Exercised during the year – other	**(457)**	**72.34**	(3)	87.47
Expired during the year	**(12,589)**	**25.51**	(26,935)	76.87
Outstanding at 31 December	**98,934**	**24.98**	106,303	24.25
Exercisable at 31 December	**877**	**69.35**	2,247	34.42

The average share price during 2021 was 116.48 pence (2020: 86.44 pence).

Of the options still outstanding, the range of exercise prices and weighted average remaining contractual life of these options can be analysed as follows:

Range of exercise prices (pence)	**Weighted average exercise price (pence)**	**Number of options ('000)**	**2021 Weighted average remaining contractual life (years)**	Weighted average exercise price (pence)	Number of options ('000)	2020 Weighted average remaining contractual life (years)
Nil	**–**	**57,336**	**1.12**	–	62,666	1.26
20.00 – 49.99	**49.17**	**31,601**	**2.80**	49.17	34,413	3.70
50.00 – 69.99	**–**	**–**	**–**	–	–	–
70.00 – 99.99	**86.31**	**8,420**	**1.17**	80.00	6,019	2.91
100.00 – 109.99	**105.98**	**846**	**1.13**	105.98	1,043	2.22
110.00 – 119.99	**–**	**–**	**–**	–	–	–
120.00 – 149.99	**133.44**	**596**	**0.78**	131.50	1,939	1.10
150.00 – 199.99	**162.55**	**135**	**0.77**	167.99	200	1.53
200.00 – 249.99	**–**	**–**	**–**	206.83	23	0.33

Assumptions

DSA, LTIP and PSP options are valued directly by reference to the share price at date of grant.

The options granted in the current and prior years for the HMRC approved SAYE scheme, are valued using the Black–Scholes model, using the assumptions below:

Scheme name	Date of grant	Share price at grant (pence)	Exercise price (pence)	Expected volatility %	Expected life (years)	Gross dividend yield %	Risk-free rate %	Fair value (pence)
3 Year	7 April 2020	65.60	73.69	34.52	3.25	–	0.16	13.37
5 Year	7 April 2020	65.60	73.69	33.54	5.25	–	0.19	17.24
3 Year	7 September 2020	63.80	49.17	39.08	3.25	–	(0.10)	23.79
5 Year	7 September 2020	63.80	49.17	36.29	5.25	–	(0.04)	26.31
3 Year	13 April 2021	122.90	97.95	41.73	3.25	–	0.16	46.48
5 Year	13 April 2021	122.90	97.95	38.12	5.25	–	0.39	51.80
3 Year	6 September 2021	117.10	93.86	42.04	3.25	–	0.23	44.30
5 Year	6 September 2021	117.10	93.86	36.09	5.25	–	0.36	47.33

Notes to the Financial Statements
Section 5: Other Notes

Employees' Benefit Trust

The Group has investments in its own shares as a result of shares purchased by the ITV Employees' Benefit Trust ('EBT'). Transactions with the Group-sponsored EBT are included in these financial statements and primarily consist of the EBT's purchases of shares in ITV plc, which is accounted for as a reduction to retained earnings.

The table below shows the number of ITV plc shares held in the EBT at 31 December 2021 and the releases from the EBT made in the year to satisfy awards under the Group's share schemes:

Scheme	Shares held at	Number of shares (released)/purchased	Nominal value £
	1 January 2021	21,999,372	2,199,937
LTIP releases		(605,191)	
DSA releases		(1,297,842)	
ESP releases		–	
PSP releases		(1,136,748)	
SAYE releases		(481,343)	
Shares purchased		–	
	31 December 2021	**18,478,248**	**1,847,825**

The total number of shares held by the EBT at 31 December 2021 represents 0.46% (2020: 0.55%) of ITV's issued share capital. The market value of own shares held at 31 December 2021 is £20 million (2020: £23 million).

The shares will be held in the EBT until such time as they may be transferred to participants of the various Group share schemes. Rights to dividends have been waived by the EBT in respect of shares held that do not relate to restricted shares under the DSA. In accordance with the Trust Deed, the Trustees of the EBT have the power to exercise all voting rights in relation to any investment (including shares) held within that trust. The Trust is accounted for as a separate entity and therefore is only accounted for in the consolidated financial statements and not included in the ITV plc Company financial statements.

5.1 Related party transactions

Keeping it simple

The related parties identified by the Directors include joint ventures, associated undertakings, fixed asset investments and key management personnel.

To enable users of our financial statements to form a view about the effects of related party relationships on the Group, we disclose the Group's transactions with those related parties during the year and any associated year end trading balances.

Transactions with joint ventures and associated undertakings

Transactions with joint ventures and associated undertakings during the year were:

	2021 £m	2020 £m
Sales to joint ventures	**24**	17
Sales to associated undertakings	**11**	9
Purchases from joint ventures	**32**	29
Purchases from associated undertakings	**65**	63

The transactions with joint ventures primarily relate to sales and purchases of digital multiplex services with Digital 3&4 Limited and distribution revenue from BritBox LLC. Sales to associated undertakings include airtime sales to DTV Services Limited. Purchases from associated undertakings primarily relate to the purchase of news services from ITN Limited.

All transactions with associated undertakings and joint ventures arise in the normal course of business on an arm's length basis. The amounts owed by and to these related parties at 31 December were:

	2021 £m	2020 £m
Amounts owed by joint ventures	**11**	9
Amounts owed by associated undertakings	**10**	5
Amounts owed to joint ventures	**1**	–
Amounts owed to associated undertakings	**9**	6

None of the balances are secured.

Amounts owed by joint ventures primarily relate to trading with BritBox LLC and loan to Noho Film and Television Limited. Balances owed by associated undertakings largely relate to loan notes with Route 24 Limited. Balances owed to associated undertakings primarily relate to trading with ITN Limited.

Amounts paid to the Group's retirement benefit plans are set out in note 3.6.

Transactions with key management personnel

Key management consists of ITV plc Executive and Non-executive Directors and the other members of the ITV Management Board. Key management personnel compensation is as follows:

	2021 £m	2020 £m
Short-term employee benefits	**13**	6
Share-based compensation	**4**	–
	17	6

5.2 Contingent assets and liabilities

Keeping it simple

A contingent asset or liability is a liability that is not sufficiently certain to qualify for recognition as an asset or provision where uncertainty may exist regarding the outcome of future events.

Contingent assets

In 2017 Talpa Media took back the licence for The Voice of China due to a breach of the agreement by the customer, Talent, by not fulfilling their payment obligations. During 2018 and 2019 £27 million has been received in relation to the amounts due. However, those receipts are currently the subject of an ongoing review. As a result the provision for bad debt, originally recognised as an exceptional cost in 2017, was reinstated at 31 December 2019.

Whilst the Directors remain confident of recovering the amounts due, accounting standards set very specific requirements for the recognition of an asset. As the review of the receipts remains in progress, as well as discussions with the credit insurers, the Group is not able to demonstrate sufficient certainty to be able to recognise a receivable at 31 December 2021.

Contingent liabilities

There are contingent liabilities in respect of certain litigation and guarantees, broadcasting issues, and in respect of warranties given in connection with certain disposals of businesses. None of these items are expected to have a material effect on the Group's results or financial position.

Notes to the Financial Statements
Section 5: Other Notes continued

5.3 Subsequent events

Keeping it simple

Where the Group receives information in the period between 31 December 2021 and the date of this report about conditions related to certain events that existed at 31 December 2021, we update our disclosures that relate to those conditions in light of the new information. Such events can be categorised as adjusting or non-adjusting depending on whether the condition existed at 31 December 2021. If non-adjusting events are material, non-disclosure could influence the economic decisions that users make on the basis of the financial statements. Accordingly, for each material category of non-adjusting event after the reporting period we disclose in this section the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made.

New sustainability-linked Revolving Credit Facility

On 14 January 2022, we agreed a new syndicated £500 million Revolving Credit Facility (RCF) with Barclays Bank PLC, BNP Paribas, Credit Suisse International, Mizuho Bank, Ltd., National Westminster Bank PLC and Wells Fargo Bank N.A. The terms of the new RCF run until January 2027 replacing the existing facility, which was due to mature in 2023. The RCF documentation continues to define a leverage covenant (which has to be maintained at less than 3.5x) and an interest cover covenant (which has to be maintained at greater than 3.0x). The new RCF is linked to the delivery of ITV's science-based carbon emissions targets. Under the terms, ITV will benefit from a lower interest rate if it delivers emissions reductions in line with its net zero roadmap, which will be assessed on an annual basis and verified by independent external review. The metrics include scope 1, 2 and 3 emissions and will therefore impact right across the ITV supply chain.

The Voice of Holland

In early 2022, allegations of inappropriate behaviour on the set of The Voice of Holland were made public, resulting in a mid-season suspension of series 12. A provision has been made to cover the committed costs relating to the series in production, impairment of the carrying value of work in progress and other costs. An external investigation of the allegations is currently ongoing. While unquantifiable at present, there may be further financial impact on the Group.

BritBox UK

To give ITV greater control over BritBox UK and enable its integration into ITVX, on 2 March 2022, the BBC ceased to be a shareholder in BritBox SVOD Limited (BritBox UK). The BBC continues as a strong partner for BritBox UK and BritBox International and we have agreed a new long term content supply deal with the BBC. All PSB partners are committed to BritBox UK which offers consumers a large library of the majority of PSB British content in one place from the past and recent past. As envisaged by the original shareholder agreement BBC has transferred its 10% shareholding to ITV for nominal consideration. There is no change in control of Britbox UK and the Group now has a 99% shareholding in the company.

5.4 Subsidiaries exempt from audit

Keeping it simple

Certain subsidiaries of the Group can take an exemption from having an audit. Strict criteria must be met for this exemption to be taken, and it must be agreed by the Directors of that subsidiary entity.

Listed below are subsidiaries controlled and consolidated by the Group, where the Directors have taken the exemption from having an audit of its financial statements. This exemption is taken in accordance with the Companies Act 2006 s479A.

Company number	Company name	Company number	Company name
04195187	12 Yard Productions (Investments) Limited	00608490	ITC Entertainment Group Limited
04145307	12 Yard Productions Limited	06914987	ITV (HC) Limited
10058419	Back Productions Limited	SC375274	ITV (Scotland) Limited
13813181	Big Talk (NEWCO 1) Limited	11516620	ITV 112 Limited
13087812	Big Talk Alone Limited	12956892	ITV Adventures Limited
10496857	Big Talk Cold Feet Limited	13087805	ITV Alder Limited
12092620	Big Talk Friday Limited	11667230	ITV Barking Limited
11109596	Big Talk Goes Wrong Limited	02578005	ITV Breakfast Limited
13087733	Big Talk Horseface Limited	13087759	ITV Duneen Limited
13087735	Big Talk I Hate You Limited	10494684	ITV Enterprises Limited
07037447	Big Talk Investments Limited	04159210	ITV Holdings Limited
10528952	Big Talk Living the Dream Limited	04159213	ITV International Channels Limited
11723899	Big Talk Offenders Limited	04206925	ITV Investments Limited
11109572	Big Talk Peacock Limited	SC473179	ITV LTVC (Scotland) Limited
02897434	Big Talk Pictures Limited	04033106	ITV Mr Selfridge Limited
06567813	Big Talk Productions Limited	00603893	ITV Network Limited
02936337	Boom Cymru TV Ltd	03916436	ITV News Channel Limited
07922831	Boom Pictures Limited	11723842	ITV Nightingale Limited
03866274	Box Clever Technology Limited	00603471	ITV Pension Scheme Limited
01891539	Broad Street Films Limited	01153537	ITV Productions Limited
02285229	Campania Limited	01565625	ITV Properties (Developments) Limited
05078683	Carbon Media Limited	13087782	ITV Ralph and Katie Limited
04159249	Carlton Content Holdings Limited	08554937	ITV Shetland Limited
00301188	Carlton Film Distributors Limited	11723826	ITV Spy Limited
01692483	Carlton Finance Limited	08516153	ITV Text Santa Limited
03984490	Carlton Food Network Limited	09498877	ITV TFG Holdings Limited
03053908	Carlton Programmes Development Limited	11107934	ITV The Bay Limited
03210452	Carlton Screen Advertising (Holdings) Limited	13087693	ITV The Reckoning Limited
03307790	Carltonco 103 Limited	12368504	ITV TLC Limited
02625225	Carltonco Forty Investments Limited	09498177	ITV Top Class Limited
03210363	Carltonco Ninety-Six Limited	03089273	ITV Ventures Limited
02280048	Castlefield Properties Limited	11107431	ITV Vera Limited
06409013	Cat's on the Roof Media Limited	13087699	ITV Y&M Limited
04257248	Channel Television Holdings Limited	05518785	Juice Music UK Limited
08195508	Cirkus Limited	11108285	Mammoth Screen (ABC) Limited
10240192	Cloth Cat LBB Limited	12368661	Mammoth Screen (BHR) Limited
02852812	Cosgrove Hall Films Limited	09355455	Mammoth Screen (End) Limited
09366309	Crook Productions Limited	08546227	Mammoth Screen (End2) Limited
05421502	Cynhyrchiadau Boomerang Cyfyngedig	11109917	Mammoth Screen (End6) Limited
08479545	Double Double Limited	11908267	Mammoth Screen (END7) Limited
07821062	EQ Pictures Limited	12368766	Mammoth Screen (End8) Limited
09366308	Gameface Productions Limited	10528827	Mammoth Screen (End9) Limited
05946785	Gorilla TV Group Limited	13087685	Mammoth Screen (Evans) Limited
03776018	Gorilla TV Limited	11995990	Mammoth Screen (MD) Limited
00290076	Granada Group Limited	12735978	Mammoth Screen (MD2) Limited
03962410	Granada Limited	11062257	Mammoth Screen (NC) Limited
03106798	Granada Media Limited	11908285	Mammoth Screen (PH) Limited
05344772	Granada Screen (2005) Limited	09660486	Mammoth Screen (Pol2) Limited
00733063	Granada Television Overseas Limited	10031005	Mammoth Screen (Pol3) Limited
00250311	Granada UK Rental and Retail Limited	10528763	Mammoth Screen (Pol4) Limited
04842712	Interactive Telephony Limited	11108289	Mammoth Screen (Pol5) Limited

Notes to the Financial Statements

Section 5: Other Notes continued

Company number	Company name	Company number	Company name
08799982	Mammoth Screen (Poldark) Limited	03991026	So Television Limited
09646520	Mammoth Screen (QV) Limited	07155077	The Garden Productions Limited
11108327	Mammoth Screen (Serpent) Limited	02351132	TwoFour Broadcast Limited
11204836	Mammoth Screen (SG) Limited	08602993	Twofour Group Holdings Limited
NI678277	Mammoth Screen (TJ) Limited	05493388	TwoFour Group Limited
13087656	Mammoth Screen (Tower) Limited	06469484	VOD Member (ITVA) Limited
10528702	Mammoth Screen (VF) Limited	06469482	VOD Member (ITVB) Limited
11108322	Mammoth Screen (Vic3) Limited	11109744	WP Anne Limited
11108320	Mammoth Screen (WOF) Limited	10796122	WP Bodyguard Limited
10973979	Mammoth Screen (WOTW) Limited	12368643	WP Diplomat Limited
05976248	Mammoth Screen Ltd	11109437	WP Faslane Limited
13412337	Metavision Limited	12116627	WP Karen Pirie Limited
04201477	Morning TV Limited	11109287	WP LOD5 Limited
13813329	MT Mrs Sidhu Limited	12116457	WP LOD6 Limited
13087117	MT MURDER IN PROVENCE Limited	13087865	WP Malpractice Limited
13506403	Planet Woo Limited	12116461	WP Pembrokeshire Limited
13714204	QSP Nolly Limited	13087860	WP RM Limited
12350991	Second Act (Grace) Limited	11109929	WP Save Me 2 Limited
09366311	Second Act Productions Limited	12368475	WP Showtrial Limited
07714999	Sightseers Film Limited	12368477	WP The Suspect Limited

ITV Properties (Jersey) Limited is exempt from audit under article 113 of the Companies Act (Jersey) Law 1991

ITV plc Company Financial Statements

Statement of Financial Position

As at 31 December	Note	2021 £m	2020 £m
Non-current assets			
Investments in subsidiary undertakings	iii	**3,080**	2,733
Derivative financial instruments	vi	**1**	3
Deferred tax asset		**3**	1
		3,084	2,737
Current assets			
Amounts owed by subsidiary undertakings due within one year	iv	**4,277**	3,782
Amounts owed by subsidiary undertakings due after more than one year	iv	**527**	509
Amounts owed by subsidiary undertakings	iv	**4,804**	4,291
Derivative financial instruments	vi	**7**	9
Other receivables		**8**	4
Cash and cash equivalents		**549**	449
		5,368	4,753
Borrowings		**(281)**	–
Amounts owed to subsidiary undertakings	iv	**(5,026)**	(4,197)
Accruals		**(10)**	(7)
Derivative financial instruments	vi	**(8)**	(11)
Current liabilities		**(5,325)**	(4,215)
Net current assets		**43**	538
Borrowings	v	**(722)**	(1,067)
Derivative financial instruments	vi	**(37)**	(25)
Non-current liabilities		**(759)**	(1,092)
Net assets		**2,368**	2,183
Share capital	vii	**403**	403
Share premium	viii	**174**	174
Other reserves	viii	**31**	10
Retained earnings	viii	**1,760**	1,596
Total shareholders' equity		**2,368**	2,183

The Company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the parent company Income Statement. The Company's profit for the year was £150 million (2020: loss of £65 million).

The financial statements on pages 245 to 260 were approved by the Board of Directors on 3 March 2022 and signed on its behalf by

Chris Kennedy
Director

ITV plc Company Financial Statements continued

Company Statement of Changes in Equity

	Note	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
Balance at 1 January 2021		403	174	10	1,596	2,183
Total comprehensive income for the year						
Profit for the year		–	–	–	150	150
Net gain on cash flow hedges and cost of hedging		–	–	19	–	19
Income tax charge on other comprehensive income*				2	1	3
Total comprehensive income for the year		**–**	**–**	**21**	**151**	172
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners						
Equity dividends		–	–	–	–	–
Movements due to share-based compensation		–	–	–	12	12
Tax on items taken directly to equity		–	–	–	1	1
Total transactions with owners		–	–	–	13	13
Balance at 31 December 2021	vii/viii	**403**	**174**	**31**	**1,760**	**2,368**

	Note	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
Balance at 1 January 2020		403	174	22	1,655	2,254
Total comprehensive loss for the year						
Loss for the year		–	–	–	(65)	(65)
Net loss on cash flow hedges and cost of hedging		–	–	(12)	–	(12)
Total comprehensive loss for the year		–	–	(12)	(65)	(77)
Transactions with owners recorded directly in equity						
Contributions by and distributions to owners						
Equity dividends		–	–	–	–	–
Movements due to share-based compensation		–	–	–	6	6
Tax on items taken directly to equity		–	–	–	–	–
Total transactions with owners		–	–	–	6	6
Balance at 31 December 2020	vii/viii	403	174	10	1,596	2,183

* Income tax on other comprehensive income has been reallocated to the relevant reserves from Retained Earnings in the current year.

Notes to the ITV plc Company Financial Statements

Note i Accounting policies

In this section

This section sets out the notes to the ITV plc Company only financial statements. Those statements form the basis of the dividend decisions made by the Directors, as explained in detail in note viii below. The notes form part of the financial statements.

Basis of preparation

The Company is a qualifying entity as it is a member of the ITV plc Group where ITV plc, the ultimate parent prepares publicly available consolidated financial statements. These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ('FRS 101'). The Company is registered in England and Wales.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of international accounting standards in conformity with the requirements of the Companies Act 2006 ('Adopted IFRSs'), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Exemptions applied

- Presentation of a Statement of Cash Flows and related notes
- Disclosure in respect of capital management
- Disclosure of related party transactions between wholly-owned subsidiaries and parents within a group
- Disclosures required under IFRS 2 'Share Based Payments' in respect of group settled share based payments
- Disclosures required by IFRS 7 'Financial Instruments: Disclosure'
- Certain disclosures required under IFRS 13 'Fair Value Measurement'
- Disclosure of information in relation to new standards not yet applied

The Company proposes to continue to apply the reduced disclosure framework of FRS 101 in its next financial statements.

The financial statements have been prepared on a going concern basis.

Changes in accounting policy

New accounting standards, interpretations and amendments that are effective from 1 January 2021 have not had significant impact on the Company's results or Statement of Financial Position.

Accounting judgements and estimates

The preparation of financial statements requires management to exercise judgement in applying the Company's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The area involving material judgement is the recoverability of investments in subsidiary undertaking. Further details are provided in note iii.

Subsidiaries

Subsidiaries are entities that are directly or indirectly controlled by the Company. Control exists where the Company has the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The investment in the Company's subsidiaries is recorded at cost.

Foreign currency transactions

Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Foreign currency monetary assets and liabilities at the balance sheet date are translated into sterling at the rate of exchange ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account. Non-monetary assets and liabilities measured at historical cost are translated into sterling at the rate of exchange on the date of the transaction.

Borrowings

Borrowings are recognised initially at fair value including directly attributable transaction costs, with subsequent measurement at amortised cost using the effective interest rate method. The difference between initial fair value and the redemption value is recorded in the profit and loss account over the period of the liability on an effective interest basis.

Notes to the ITV plc Company Financial Statements continued

Derivatives and other financial instruments

The Company uses a limited number of derivative financial instruments to hedge its exposure to fluctuations in interest and other foreign exchange rates. The Company does not hold or issue derivative instruments for speculative purposes.

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured at fair value with the movement recorded in the profit and loss account within net financing costs, except where derivatives qualify for cash flow hedge accounting. In this case, the effective portion of cash flow hedge is recognised in other reserves within equity. The cumulative gain or loss is later reclassified to the profit and loss account in the same period as the relevant hedged transaction is realised. Derivatives with positive fair values are recorded as assets and negative fair values as liabilities.

The fair value of foreign currency forward contracts is determined by using the difference between the contract exchange rate and the quoted forward exchange rate at the balance sheet date.

The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of swap counterparties.

Third-party valuations are used to fair value the Company's derivatives. The valuation techniques use inputs such as interest rate yield curves and currency prices/yields, volatilities of underlying instruments and correlations between inputs. For financial assets and liabilities classified at fair value through profit or loss, the fair value change and interest income/expense are not separated.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment in respect of previous years.

The Company recognises liabilities for anticipated tax issues based on estimates of the additional taxes that are likely to become due, which require judgement. Amounts are accrued based on management's interpretation of specific tax law and the likelihood of settlement. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made.

Deferred tax

The tax charge for the period is recognised in the Income Statement or directly in equity according to the accounting treatment of the related transaction.

Deferred tax arises due to certain temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and those for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities. A deferred tax asset is recognised only to the extent that it is probable that sufficient taxable profit will be available to utilise the temporary difference. Recognition of deferred tax assets therefore involves judgement regarding timing and level of future taxable income.

Share-based compensation

The Company utilises share award schemes as part of its employee remuneration packages, and therefore operates a number of share-based compensation schemes, namely the Deferred Share Award (DSA), Performance Share Plan (PSP), Long Term Incentive Plan (LTIP) and Save As You Earn (SAYE) schemes.

A transaction will be classed as share-based compensation where the Company receives services from employees and pays for these in shares or similar equity instruments. If the Company incurs a liability based on the price or value of the shares, this will also fall under a share-based transaction. The Company recognises the retained earnings impact of the share-based compensation for the Group as awards are settled in ITV plc shares. The cost of providing those awards is recognised as a cost of investment to the subsidiaries that receive the service from employees.

The fair value of the equity instrument granted is measured at grant date and spread over the vesting period via a charge to the Income Statement with a corresponding increase in equity. The fair value of the share options and awards is measured using either market price at grant date or, for the SAYE scheme, a Black–Scholes model, taking into account the terms and conditions of the individual scheme.

Vesting conditions are limited to service conditions and performance conditions. For performance-based schemes, the relevant performance measures are projected to the end of the performance period in order to determine the number of options expected to vest. The estimate is then used to determine the option fair value, discounted to present value. The Company revises its estimates of the number of options that are expected to vest, including an estimate of forfeitures at each reporting date. The impact of the revision to original estimates, if any, is recognised in the Income Statement, with a corresponding adjustment to equity.

Exercises of share options granted to employees can be satisfied by market purchase or issue of new shares. No new shares may be issued to satisfy exercises under the terms of the DSA. During the year, all exercises were satisfied by using shares purchased in the market and held in the ITV Employees' Benefit Trust. The Trust is accounted for as a separate entity and therefore is only accounted for in the consolidated financial statements.

Dividends to shareholders

Dividends payable to shareholders are recognised through equity on the earlier of their approval by the Company's shareholders or their payment. Dividends are distributed based on the realised distributable reserves (within retained earnings) of ITV plc (Company) and not based on the Group's retained earnings.

Note ii Employees and share-based payments

Two (2020: two) Directors of ITV plc (i.e. the Executive Directors) were employees of the Company during the year, both of whom remain employed at the year end. The costs relating to these Directors are disclosed in the Remuneration Report.

Share-based payments

The weighted average share price of share options exercised during the year was 72.3 pence (2020: 87.47 pence) (excluding nil priced share options). The options outstanding at the year end have an exercise price in the range of nil to 162.55 pence (2020: nil to 206.83 pence) and a weighted average contractual life of two years (2020: two years) for all the schemes in place for the Group.

Note iii Investments in subsidiary undertakings

The carrying value at 31 December 2021 was £3,080 million (2020: £2,733 million). The Company subscribed to one ordinary share in Carlton Communications Limited for £511 million, which was passed down to the relevant Group companies as part of the restructure of our Dutch and German Studios businesses. During the year a wholly owned subsidiary, ITV (Europe) Holdings BV was sold at book value of £511 million to another Group company.

The carrying value of the Company's investments in subsidiary undertakings is assessed for impairment on an annual basis. Determining whether the carrying amount has any indication of impairment requires judgement. In testing for impairment, estimates are used in deriving cash flows and the discount rates. The estimation process is complex due to the inherent risks and uncertainties associated with long-term forecasting. The outcome of the value in use calculation supports the carrying value of the investment in subsidiary undertakings with headroom of £6,533 million (2020: £5,009 million).

Due to the significant headroom, there is no reasonably possible scenario that would result in a material adjustment to the amounts reported in the financial statements.

The Company's review resulted in no impairment for 2021 (2020: no impairment).

The principal subsidiary undertakings are listed on page 256.

Note iv Amounts owed (to)/from subsidiary undertakings

The Company operates an intra-group cash pool policy with certain 100% owned UK subsidiaries. The pool applies to bank accounts where there is an unconditional right of set off and involves the daily closing cash position for participating subsidiaries whether positive or negative, being cleared to £nil via daily bank transfers to/from ITV plc. These daily transactions create a corresponding intercompany creditor or debtor, which can result in significant movements in amounts owed to and from subsidiary undertakings in the Company balance sheet. The classification of balances as due after more than one year is based on the intention of when the balances are expected to be settled rather than the contractual terms.

The credit risk management practices of the Company include internal review and reporting of the historic credit losses and forward-looking data. The Company applies the IFRS 9 simplified approach in measuring expected credit losses, which use a lifetime expected credit loss allowance for amounts due from subsidiary undertakings, and other receivables.

To measure expected credit losses, amounts due from subsidiary undertakings, and other receivables have been grouped by shared credit risk characteristics. In addition to the expected credit losses, the Company may make additional provisions for the particular receivables if the deterioration of financial position is observed.

Notes to the ITV plc Company Financial Statements continued

Note v Net debt

Keeping it simple

The Directors manage the Group's capital structure as disclosed in section 4 to the consolidated financial statements. Borrowings, cash and derivative financial instruments are mainly held by ITV plc and disclosed in these Company financial statements.

Cash and cash equivalents

At 31 December 2021, the Company has a cash position of £549 million (2020: £449 million).

Loans and facilities due within one year

Throughout the year, the Company had a £630 million Revolving Credit Facility ('RCF') to meet short-term funding requirements. At 31 December 2021, the Company had drawings of £nil under the RCF (2020: £nil), leaving £630 million available to draw down. The maximum draw down of the RCF during the year was £nil (2020: £210 million). Subsequent to the year end, the Company has agreed a new syndicated £500 million RCF. The terms of the new RCF run until January 2027 (with the opportunity to renew for one or two years from the expiry date, potentially providing funding out to 2029). This facility replaces the previous £630 million facility, which was due to mature in 2023. The financial covenants in the new RCF remain unchanged. There are ESG targets linked to the delivery of ITV's science-based carbon emissions targets.

The €335 million Eurobond, which has a coupon of 2.125%, matures in September 2022.

Loans and loan notes due after one year

The Company has issued the following Eurobonds:

- €259 million at a fixed coupon of 2.0%, which will mature in December 2023
- €600 million at a fixed coupon of 1.375%, which matures in September 2026

The €600 million bond issued in September 2019 has been swapped back to sterling using a number of cross-currency interest rate swaps. The resulting fixed rate payable in sterling is c. 2.9%.

See section 4.1 of the Group Notes for further details of borrowings and available facilities.

Note vi Managing market risks: derivative financial instruments

What is the value of our derivative financial instruments?

	Assets 2021 £m	Liabilities 2021 £m
Current		
Foreign exchange forward contracts and swaps – cash flow hedges	5	(5)
Foreign exchange forward contracts and swaps – fair value through profit or loss	2	(3)
Non-current		
Cross-currency interest swaps – cash flow hedges	–	(36)
Foreign exchange forward contracts and swaps – fair value through profit or loss	1	(1)
	8	(45)

	Assets 2020 £m	Liabilities 2020 £m
Current		
Foreign exchange forward contracts and swaps – cash flow hedges	6	(5)
Foreign exchange forward contracts and swaps – fair value through profit or loss	3	(6)
Non-current		
Cross-currency interest swaps – cash flow hedges	–	(22)
Foreign exchange forward contracts and swaps – fair value through profit or loss	3	(3)
	12	(36)

The Company employs cross-currency interest rate swaps to exchange the principal and interest coupons in a debt instrument from one currency to another.

Currency risk
The Company's foreign exchange policy is to use cross-currency interest rate swaps both to manage foreign currency cash flow timing differences and to hedge foreign currency denominated monetary items.

Cash flow hedges
In order to fix the sterling cash outflows associated with the commitments and interest payments – which are mainly denominated in euros – the Company has taken out cross-currency interest rate swaps for the same foreign currency amount and maturity date as the expected foreign currency outflow.

The amount recognised in other comprehensive income during the period all relates to the effective portion of the revaluation loss associated with these contracts. There was less than £1 million (2020: less than £1 million) ineffectiveness taken to the Income Statement and £3 million cumulative gain (2020: £4 million cumulative gain) recycled to the Income Statement in the year.

On issuing the 2026 Eurobond in September 2019, the Company subsequently entered into a new portfolio of cross-currency interest rate swaps, which swapped the euro principal and fixed euro interest rate coupons into fixed sterling interest rate. As a result, the Group makes sterling interest payments at a fixed rate.

Under IFRS 9, the Company has adopted the 'cost of hedging' approach which allows the recognition of the value of the currency basis at inception of the hedge to be recorded on the Statement of Financial Position and amortised through net financing costs in the Income Statement over the life of the bond. Any mark-to-market change in fair value of the currency basis is recognised in 'cost of hedging' in the Statement of Comprehensive Income.

Notes to the ITV plc Company Financial Statements continued

Undiscounted financial liabilities

The Company is required to disclose the expected timings of cash outflows for each of its derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest), so will not always reconcile with the amounts disclosed on the Statement of Financial Position.

At 31 December 2021*	Carrying value £m	Total contractual cash flows £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Non-current and current						
Foreign exchange forward contracts and swaps – cash flow hedges						
Inflow	**5**	**321**	**229**	**92**	**–**	**–**
Outflow	**(5)**	**(318)**	**(227)**	**(91)**	**–**	**–**
Cross-currency swaps – cash flow hedges						
Inflow	**–**	**539**	**7**	**7**	**525**	**–**
Outflow	**(36)**	**(612)**	**(16)**	**(16)**	**(580)**	**–**
Foreign exchange forward contracts and swaps – fair value through profit or loss						
Inflow	**3**	**350**	**342**	**8**	**–**	**–**
Outflow	**(4)**	**(349)**	**(341)**	**(8)**	**–**	**–**
	(37)	**(72)**	**(8)**	**(9)**	**(55)**	**–**

At 31 December 2020	Carrying value £m	Total contractual cash flows £m	Less than 1 year £m	Between 1 and 2 years £m	Between 2 and 5 years £m	Over 5 years £m
Non-current and current						
Foreign exchange forward contracts and swaps – cash flow hedges						
Inflow	9	341	227	100	14	–
Outflow	(8)	(341)	(227)	(100)	(14)	–
Cross-currency swaps – cash flow hedges						
Inflow	–	580	7	7	22	544
Outflow	(22)	(627)	(16)	(16)	(47)	(548)
Foreign exchange forward contracts and swaps – fair value through profit or loss						
Inflow	3	465	458	7	–	–
Outflow	(6)	(468)	(461)	(7)	–	–
	(24)	(50)	(12)	(9)	(25)	(4)

* The Company is jointly and severally liable for VAT at 31 December 2021 of £53 million (31 December 2020: £124 million).

Note vii Share capital

	Allotted, issued and fully paid 2021 & 2020 £m
Allotted, issued and fully paid ordinary shares of 10 pence each	403
Total	**403**

The Company's ordinary shares give shareholders equal rights to vote, receive dividends and to the repayment of capital.

Note viii Equity and dividends

Keeping it simple

ITV plc is a non-trading investment holding company and derives its profits from dividends paid by subsidiary companies.

The Directors consider the Company's capital structure and dividend policy at least twice a year ahead of announcing results and do so in the context of its ability to continue as a going concern, to execute the strategy and to invest in opportunities to grow the business and enhance shareholder value.

The dividend policy is influenced by a number of the principal risks as identified on pages 74 to 87 that could have a negative impact on the performance of the Company.

In determining the level of dividend in any year, the Directors follow the dividend policy and also consider a number of other factors that influence the proposed dividend and dividend policy, including:

- The level of retained distributable reserves in ITV plc the Company
- Availability of cash resources (as disclosed in note 4.1 to the consolidated financial statements) and
- Future cash commitments and investment plans, to deliver the Company's long-term strategic plan
- Consideration of the factors underlying the Directors' viability assessment and
- The future availability of funds required to meet longer-term obligations including pension commitments.

Equity

The retained earnings reserve includes profit after tax for the year of £150 million (2020: loss after tax £65 million), which includes dividends of £200 million from subsidiaries in 2021 (2020: £nil).

Other reserves of £31 million (2020: £10 million) comprises Merger reserves of £36 million (2020: £36 million) which relate to share buybacks in prior periods and Translation reserves of a net loss of £5 million (net loss of £26 million) which relate to cash flow hedges and cost of hedging.

Dividends

The Directors recognise the importance of the dividends to our shareholders and propose a final dividend of 3.3 pence per share, based on two-thirds of a notional full year dividend of 5.0 pence. Due to the COVID-19 pandemic, no dividend payments were made in 2021 or 2020.

Note ix Contingent liabilities

Keeping it simple

A contingent liability is a liability that is not sufficiently certain to qualify for recognition as a provision where uncertainty may exist regarding the outcome of future events.

Under a Group registration, the Company is jointly and severally liable for VAT at 31 December 2021 of £53 million (31 December 2020: £124 million). The Company has guaranteed certain performance and financial obligations of subsidiary undertakings.

Notes to the ITV plc Company Financial Statements continued

Note x Capital and other commitments

There are contingent liabilities in respect of certain litigation and guarantees, broadcasting issues, and in respect of warranties given in connection with certain disposals of businesses. None of these items is expected to have a material effect on the Company's results or financial position.

The Company enters into guarantee contract to guarantee the performance and/or financial obligations of other companies within the Group. In this respect, the Company treats these guarantee contracts as a contingent liability until it becomes probable that the Company will be required to make a payment under the relevant guarantee.

In March 2020, the Company extended the maturity of its existing £300 million bilateral loan facility by five years to 30 June 2026. Utilisation requests are subject to the lender's ability to source ITV Credit Default Swaps (CDS) in the market at the time the utilisation request is made. The facility remains free of financial covenants and at 31 December 2021, £152 million of the facility was utilised as a letter of credit to support the ITV Group's asset-backed pension scheme arrangement currently in place in respect of the defined benefit pension scheme. See section 3.6 of the Group Notes for further details.

There are no capital commitments at 31 December 2021 (2020: none).

Note xi Related party transactions

Keeping it simple →

The related parties identified by the Directors include amounts owed to and from subsidiary undertakings that are not wholly owned within the Group as well as transactions with key management. The company is a holding company with no commercial activity.

To enable the users of the financial statements to form a view about the effects of related party relationships on the Company, we disclose the Company's transactions with those during the year.

Transactions with subsidiary undertakings that are not wholly owned

The amounts owed by and to these related parties at the year end were:

	2021 £m	2020 £m
Amounts owed by subsidiary undertakings that are not wholly owned	**164**	81
Amounts owed to subsidiary undertakings that are not wholly owned	**3**	9

Amounts owed by subsidiary undertakings that are not wholly owned relate mainly to funding provided to BritBox SVOD Limited and Apple Tree Productions ApS. Amounts owed to subsidiary undertakings that are not wholly owned, relate mainly to amounts owed to 3sixtymedia Limited.

Transactions with key management personnel

Key management consists of ITV plc Executive Directors.

Key management personnel compensation, on an accounting basis, is as follows:

	2021 £m	2020 £m
Short-term employee benefits	**4**	2
Share-based compensation	**2**	–
	6	2

Total emoluments and gains on share options received by key management personnel in the year were:

	2021 £m	2020 £m
Emoluments	**2**	3
Gains on exercise of share options	**2**	–
	4	3

Note xii Subsequent events

Keeping it simple

Where the Group receives information in the period between 31 December 2021 and the date of this report about conditions related to certain events that existed at 31 December 2021, we update our disclosures that relate to those conditions in light of the new information. Such events can be categorised as adjusting or non-adjusting depending on whether the condition existed at 31 December 2021.

If non-adjusting events are material, non-disclosure could influence the economic decisions that users make based on the financial statements. Accordingly, for each material category of non-adjusting event after the reporting period, we disclose in this section the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made.

On 14 January 2022, we agreed a new syndicated £500 million Revolving Credit Facility ("RCF") with Barclays Bank PLC, BNP Paribas, Credit Suisse International, Mizuho Bank, Ltd., National Westminster Bank PLC and Wells Fargo Bank N.A. The terms of the new RCF run until January 2027 replacing the existing facility, which was due to mature in 2023. The RCF documentation continues to define a leverage covenant (which has to be maintained at less than 3.5x) and an interest cover covenant (which has to be maintained at greater than 3.0x). The new RCF is linked to the delivery of ITV's science-based carbon emissions targets. Under the terms, ITV will benefit from a lower interest rate if it delivers emissions reductions in line with its net zero roadmap, which will be assessed on an annual basis and verified by independent external review. The metrics include scope 1, 2 and 3 emissions and will therefore impact right across the ITV supply chain.

Subsidiary undertakings and investments

Principal subsidiary undertakings

The principal subsidiary undertakings of the Company at 31 December 2021, all of which are wholly owned (directly or indirectly) and incorporated and registered where stated.

Company Name	Country	Principal Business Activity	% Holding
Carlton Communications Limited* (1)(a)(d)	UK	Holding company	100
ITV Broadcasting Limited (1)(a)	UK	Broadcast of television programmes	100
ITV Consumer Limited (1)(a)	UK	Development of platforms, broadband, transactional and mobile services	100
ITV Digital Channels Limited (1)(a)	UK	Operation of digital television channels	100
ITV Studios Global Distribution Limited (1)(a)	UK	Rights ownership and distribution of television programmes and films	100
ITV Network Limited (1)(i)	UK	Scheduling and commissioning of television programmes	100
ITV Rights Limited (1)(a)	UK	Rights ownership	100
ITV Services Limited (1)(a)(e)	UK	Provision of services for other companies within the Group	100
ITV Studios Limited (1)(a)	UK	Production of television programmes	100
ITV2 Limited (1)(a)	UK	Operation of digital television channels	100
SDN Limited (1)(a)	UK	Operation of Freeview Multiplex A	100
ITV Studios Holding B.V.* (41)(a)	Netherlands	Production of television programmes	100
ITV America Inc. (30)(j)	USA	Production of television programmes	100
ITV Global Entertainment, Inc. (30)(j)	USA	Rights ownership and distribution of television programmes and films	100
Southbank Studios Inc. (30)(j)	USA	Production of television programmes	100

Wholly-owned subsidiary undertakings

Company Name	Country	% Holding
12 Yard (North) Productions Limited (1)(a)	UK	100
12 Yard Limited (1)(a)	UK	100
12 Yard Productions (Investments) Limited (1)(a)	UK	100
12 Yard Productions Limited (1)(a)	UK	100
A.C.E. (1988) Limited (1)(a)	UK	100
Back Productions Limited (7)(a)	UK	100
Big Talk Alone Limited (1)(a)	UK	100
Big Talk Cold Feet Limited (1)(a)	UK	100
Big Talk Friday Limited (1)(a)	UK	100
Big Talk Goes Wrong Limited (1)(a)	UK	100
Big Talk Horseface (1)(a)	UK	100
Big Talk I Hate You Limited (1)(a)	UK	100
Big Talk Investments Limited (1)(a)	UK	100
Big Talk Living the Dream Limited (1)(a)	UK	100
Big Talk Offenders Limited (1)(a)	UK	100
Big Talk Peacock Limited (1)(a)	UK	100
Big Talk Pictures Limited (1)(a)	UK	100
Big Talk Productions Limited (1)(a)	UK	100
Boom Cymru TV Ltd (5)(a)	UK	100
Boom Pictures Limited (1)(a)	UK	100
Box Clever Technology Limited (1)(a)	UK	100
Broad Street Films Limited (1)(a)	UK	100
Button Hall Productions (1)(a)	UK	100
Campania Limited (1)(a)(k)	UK	100
Carbon Media Limited (1)(a)	UK	100
Carlton Active Limited (1)(a)	UK	100
Carlton Cinema Limited (1)(a)	UK	100
Carlton Content Holdings Limited (1)(a)	UK	100
Carlton Film Distributors Limited (1)(a)	UK	100
Carlton Finance Limited (1)(a)	UK	100
Carlton Food Network Limited (1)(a)	UK	100
Carlton Programmes Development Limited (1)(a)	UK	100
Carlton Screen Advertising (Holdings) Limited (1)(a)	UK	100
Carltonco 103 (1)(a)	UK	100
Carltonco 99 Limited (1)(a)	UK	100
Carltonco Eighty-One Limited (1)(a)(b)	UK	100
Carltonco Fifty Limited (1)(a)(k)	UK	100
Carltonco Forty Investments (1)(a)	UK	100
Carltonco Forty-Five Limited (1)(a)	UK	100
Carltonco Ninety-Six (1)(a)(f)	UK	100
Carltonco Seventeen Limited (1)(a)	UK	100
Castlefield Properties Limited (1)(a)	UK	100
Cat's on the Roof Media Limited (1)(a)	UK	100
Central Television Limited (1)(a)	UK	100
Channel Television Holdings Limited (1)(a)	UK	100
Cirkus Limited (10)(a)	UK	100
Cloth Cat LBB Limited (5)(a)	UK	100
Cosgrove Hall Films Limited (1)(a)	UK	100

Company Name	Country	% Holding
Crook Productions Limited (1)(a)	UK	100
Cynhyrchiadau Boomerang Cyf (5)(a)	UK	100
Double Double Limited (1)(a)	UK	100
Electronic Rentals Group (1)(a)	UK	100
EQ Pictures Limited (1)(a)	UK	100
Gameface Productions Limited (1)(a)	UK	100
GIL Limited (1)(a)	UK	100
Gorilla TV Group Limited (5)(a)	UK	100
Gorilla TV Limited (5)(a)	UK	100
Granada AV Solutions Limited (1)(a)	UK	100
Granada Film (1)(a)	UK	100
Granada Film Productions Limited (1)(a)	UK	100
Granada Group Limited (1)(a)	UK	100
Granada Limited (1)(a)	UK	100
Granada Media Limited (1)(a)(l)	UK	100
Granada Screen (2005) Limited (1)(a)	UK	100
Granada Television Limited (1)(a)	UK	100
Granada Television Overseas Limited (1)(a)	UK	100
Granada UK Rental and Retail Limited (1)(a)(e)	UK	100
Harlots 2 Limited (1)(a)	UK	100
Harlots 3 Limited (1)(a)	UK	100
Harlots Limited (1)(a)	UK	100
Interactive Telephony Limited (1)(a)	UK	100
International Television Enterprises London Limited (1)(a)(d)	UK	100
ITC Distribution (1)(a)	UK	100
ITC Entertainment Group Limited (1)(a)	UK	100
ITC Entertainment Holdings Limited (1)(a)	UK	100
ITV (HC) Limited* (1)(a)	UK	100
ITV (Scotland) Limited (20)(a)	UK	100
ITV 112 Limited (9)(a)	UK	100
ITV AdVentures Limited (1)(a)	UK	100
ITV Alder 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 DC Trustee Limited (1)(a)	UK	100
ITV Digital Holdings Limited (1)(a)	UK	100
ITV Duneen Limited (1)(a)	UK	100
ITV Enterprises Limited (1)(a)	UK	100
ITV Global Content Limited (1)(a)	UK	100
ITV Holdings Limited (1)(a)	UK	100
ITV International Channels Limited (1)(a)	UK	100
ITV Investments Limited* (1)(a)	UK	100
ITV LTVC (Scotland) Limited (20)(a)	UK	100
ITV Meridian Limited (1)(a)	UK	100

Company Name	Country	% Holding
ITV Mr Selfridge Limited (1)(a)	UK	100
ITV News Channel Limited (1)(a)(k)	UK	100
ITV Nightingale Limited (1)(a)	UK	100
ITV Nolly Limited (1)(a)	UK	100
ITV Pension Scheme Limited (1)(a)(b)	UK	100
ITV Productions Limited (1)(a)	UK	100
ITV Properties (Developments) Limited (1)(a)	UK	100
ITV Ralph and Katie Limited (1)(a)	UK	100
ITV Shetland Limited (1)(a)	UK	100
ITV Sport Channel Limited (1)(a)	UK	100
ITV Spy Limited (1)(a)	UK	100
ITV Studios (Israel) Limited (1)(a)	UK	100
ITV Supplementary Pension Scheme Limited (1)(a)	UK	100
ITV Text Santa Limited (1)(a)	UK	100
ITV TFG Holdings Limited (1)(a)	UK	100
ITV The Bay Limited (1)(a)	UK	100
ITV The Reckoning Limited (1)(a)	UK	100
ITV TLC 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 Wales & West Group Limited (1)(a)	UK	100
ITV Wales & West Limited (1)(a)	UK	100
ITV Y&M 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
Mammoth Screen (ABC) Limited (1)(a)	UK	100
Mammoth Screen (ATTWN) Limited (1)(a)	UK	100
Mammoth Screen (BHR) 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 (End8) Limited (1)(a)	UK	100
Mammoth Screen (Evans) Limited (1)(a)	UK	100
Mammoth Screen (Invisible) Limited (1)(a)	UK	100
Mammoth Screen (MD2) Limited (1)(a)	UK	100
Mammoth Screen (Monroe) Limited (1)(a)	UK	100
Mammoth Screen (NC) Limited (1)(a)	UK	100
Mammoth Screen (OBI) 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 (Serpent) Limited (1)(a)	UK	100
Mammoth Screen (SG) Limited (1)(a)	UK	100
Mammoth Screen (TJ) Limited (25)(a)	UK	100
Mammoth Screen (Tower) 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 (WOF) Limited (1)(a)	UK	100
Mammoth Screen (WOTW) Limited (1)(a)	UK	100
Mammoth Screen Ltd (1)(a)	UK	100
Metavision Limited (1)(a)	UK	100
Millbank Studios (1)(a)	UK	100
Monumental Television Limited (1)(a)	UK	100
Morning TV Limited (1)(a)	UK	100
Moving Picture Company Films Limited (1)(a)	UK	100
MT Ghosts 2 Limited (1)(a)	UK	100
MT Ghosts Limited (1)(a)	UK	100
MT Mrs Sidhu Limited (1)(a)	UK	100
MT Murder in Provence Limited (1)(a)	UK	100
New Providence Productions Limited (1)(a)	UK	100
Pickwick Packaging Limited (1)(a)	UK	100
Planet Woo Limited	UK	100

Company Name	Country	% Holding
Second Act (Grace) Limited (1)(a)	UK	100
Second Act Productions Limited (1)(a)	UK	100
Sightseers Film Limited (1)(a)	UK	100
So Television Limited (1)(a)	UK	100
The Addressable Platform Limited	UK	100
The CITV Channel Limited (1)(a)	UK	100
The Garden Productions Limited (1)(a)	UK	100
TwoFour Broadcast Limited (3)(a)	UK	100
Twofour Group Holdings Limited (1)(a)	UK	100
TwoFour Group Limited (3)(a)	UK	100
UTV Limited (24)(a)	UK	100
UTV Pension Scheme Limited (24)(a)	UK	100
VOD Member (ITVA) Limited (1)(a)	UK	100
VOD Member (ITVB) Limited (1)(a)	UK	100
Westcountry Television Limited (1)(a)	UK	100
World of Sport Wrestling Limited (1)(a)	UK	100
WP Malpractice Limited (1)(a)	UK	100
WP RM Limited (1)(a)	UK	100
Yorkshire Television Limited (1)(a)	UK	100
Zebedee Productions Limited (1)(a)	UK	100
Artist Services Cable Pty Ltd (26)(a)	Australia	100
Artist Services Investments Pty Limited (26)(a)	Australia	100
Artist Services Productions Pty Ltd (26)(a)	Australia	100
Granada Media International (Australia) Pty Ltd (26)(a)	Australia	100
Granada Media Investments (Australia) Pty Ltd (26)(a)	Australia	100
Granada Productions Pty Ltd (26)(a)	Australia	100
ITV Services Pty Ltd (26)(a)	Australia	100
ITV Studios Australia Pty Limited (26)(a)	Australia	100
ITV Studios Global Distribution Pty Limited (26)(a)	Australia	100
ITV SVOD Australia Pty Limited (26)(a)	Australia	100
Totally Full Frontal Productions Pty Limited (26)(a)	Australia	100
ITV Holdings (Cayman) Limited (27)(a)	Cayman Islands	100
ITV Studios Denmark Holdings Aps (73)(a)	Denmark	100
United Productions ApS (74)(a)	Denmark	100
ITV Studios Finland Oy (40)(a)	Finland	100
Granada (Fiji) Pte Ltd. (48)(a)	Fiji	100
ITV Studios France Holdings SAS (64)(a)	France	100
ITV Studios TV France (64)(a)	France	100
ITV Studios Germany GmbH (28)(a)	Germany	100
Bildergarten Entertainment Verwaltungs GmbH (55)(a)	Germany	100
Bildergarten Infotainment GmbH (55)(a)	Germany	100
ITV Studios Germany Fiction GmbH (55)(a)	Germany	100
ITV Studios Germany Holdings GmbH (28)(a)	Germany	100
Windlight Pictures GmbH (44)(a)	Germany	100
Elecrent Insurance Limited (21)(a)	Guernsey	100
ITV Studios Global Distribution (Hong Kong) Limited (58)(a)	Hong Kong	100
Talpa China Limited (57)(a)	Hong Kong	100
Armoza International Media Ltd (56)(a)	Israel	100
Channel Television Limited (22)(a)	Jersey	100
ITV London Properties Limited (23)(a)	Jersey	100
ITV Properties (Jersey) Limited (23)(a)	Jersey	100
April, May en June BV (46)(a)	Netherlands	100
Global Music & Talent Agency B.V. (41)(a)	Netherlands	100
ITV (Europe) Holdings B.V.* (41)(a)	Netherlands	100
ITV Studios Global Entertainment B.V. (41)(a)	Netherlands	100
ITV Studios Netherlands B.V. (42)(a)	Netherlands	100
ITV Studios Netherlands Content B.V. (42)(a)	Netherlands	100
ITV Studios Netherlands Drama B.V. (43)(a)	Netherlands	100
ITV Studios Netherlands Holding B.V. (43)(a)	Netherlands	100
Stitchting 'Derdengelden' TV Producties (41)(a)	Netherlands	100
ITV Studios Norway AS (70)(a)	Norway	100
ITV Studios Norway Vest AS (70)(a)	Norway	100
ITV GE (Asia) Pte Limited (77)(a)	Singapore	100
ITV Studios Spain SL (78)(a)	Spain	100
ITV Studios Sweden AB (59)(a)	Sweden	100
ITV Studios Sweden Drama AB (59)(a)	Sweden	100
ITV Studios Scandinavia Holdings AB (59)(a)	Sweden	100
ITV Studios Germany GmbH, Köln, Zweigniederlassung Zürich (60)(m)	Switzerland	100
ALB1819 Productions Inc. (30)(j)	USA	100
Cardinal Productions of Ohio, Inc. (30)(j)	USA	100
Carlton Media Company, Inc. (30)(j)	USA	100
Cranktown Productions Inc. (30)(j)	USA	100

Company Name	Country	% Holding
Critical Productions Inc (30)(j)	USA	100
Electric Farm Entertainment Holdings Inc. (30)(j)	USA	100
Feeding Time Productions, LLC (34)(h	USA	100
Fourth State Productions Inc (35) (j)	USA	100
Gear Shop Inc. (30)(j)	USA	100
Grafting 101, Inc. (30)(h)	USA	100
Granada Cracker US Productions (32)(j)	USA	100
Granada Television International, Inc. (30)(j)	USA	100
Gurney Productions, LLC (32)(h)	USA	100
GWC Enterprises Inc. (30)(j)	USA	100
Hamdon Entertainment, Inc. (30)(j)	USA	100
High Noon Group, LLC (33)(h)	USA	100
High Noon Productions, LLC (33)(h)	USA	100
ITC Distribution, LLC (30)(h)	USA	100
ITC Entertainment Group, Inc (30)(j)	USA	100
ITC Films, LLC (30)(h)	USA	100
ITC Productions, LLC (30)(h)	USA	100
ITV Bedrock Holding, Inc. (30)(h)	USA	100
ITV Believe Holding, Inc. (30)(j)	USA	100
ITV Blumhouse Holding Inc (30)(j)	USA	100
ITV Diga Holding, Inc (30)(j)	USA	100
ITV Entertainment Services Inc.(30)(j)	USA	100
ITV Gurney Holding Inc. (30)(j)	USA	100
ITV HN Holding Inc. (30)(j)	USA	100
ITV International Corporation (30)(j)	USA	100
ITV Leftfield Holding Inc. (30)(j)	USA	100
ITV New Form Holding Inc. (30)(j)	USA	100
ITV NewTV Holding Inc. (30)(j)	USA	100
ITV Popco Holding Inc. (30)(j)	USA	100
ITV Southpoint Holding Inc (30)(j)	USA	100
ITV Studios America Inc. (30)(j)	USA	100
ITV Studios, Inc. (32)(j)	USA	100
ITV Studios The Voice USA, Inc. (32)(j)	USA	100
ITV SVOD Holding Inc. (30)(j)	USA	100
ITV Thinkfactory Holding Inc. (30)(j)	USA	100
ITV Tomorrow Holding, Inc. (30)(j)	USA	100
ITV US Holdings, Inc. (30)(j)	USA	100
JB Entertainment Holding Company, Inc. (30)(j)	USA	100
Kirkstall Road Enterprises, Inc. (30)(j)	USA	100
Krewed Inc (30)(j)	USA	100
Leftfield Entertainment, LLC (30)(h)	USA	100
Leftfield Pictures of NY Holdings, LLC (30)(h)	USA	100
Leftfield Pictures of NY, LLC (30)(h)	USA	100
Leftfield Ventures, LLC (30)(h)	USA	100
Loud Television, LLC (30)(h)	USA	100
LWT Enterprises Inc. (30)(j)	USA	100
Marriage Boot Camp Reality Stars, LLC (30)(h)	USA	100
Moving Pictures Services Inc. (30)(j)	USA	100
Outpost Entertainment LLC. (30)(h)	USA	100
Over the Pond Productions, Inc. (30)(j)	USA	100
Post 460 Inc (30)(j)	USA	100
Quay Street Enterprises, Inc. (30)(j)	USA	100
Sandia Pictures Inc (30)(j)	USA	100
Sirens Media, LLC (30)(h)	USA	100
Solowe Productions Inc (30)(j)	USA	100
Southsquare Productions Inc. (30)(j)	USA	100
Thinkfactory Group, LLC (30)(h)	USA	100
Thinkfactory Media, LLC (30)(h)	USA	100
Trailer Park Productions, Inc (30)(j)	USA	100
Upper Ground Enterprises, Inc. (30))(j)	USA	100

Other subsidiaires, joint ventures, associates and other significant holdings

Company Name	Country	% Holding
Absolutely Rights Limited (6)(f)	UK	20
That Mitchell and Webb Company Limited (7)(a)	UK	20
Live Tech Games Limited (78)(a)(e)	UK	20.6
Route 24 Limited (17)(a)	UK	24.9
Clearcast Limited (11)(a)	UK	25
DTV Services Limited (13)(a)	UK	25
Genial Productions Limited (39)(a)	UK	25
Koska Limited (53)(a)	UK	25
South Shore Productions Limited (54) (a)	UK	25
Cirkus International Limited (10)(a)	UK	28
Thinkbox TV Limited (16)(a)	UK	28.58
Digital UK Trading Limited (13)(a)	UK	33
Freesat (UK) Limited (14)(a)	UK	33
Independent Television News Limited (15)(a)	UK	40
Malacara Limited (5)(a)	UK	49
BritBox International Limited (81)(a)	UK	50
British Film-Makers Limited (1)(a)	UK	50
Denipurna Limited (1)(a)	UK	50
Digital 3 and 4 Limited (12)(a)	UK	50
Noho Film and Television Limited (18)(a)	UK	50
Standard Music Limited (19)(a)	UK	50
Tell Me Everything Limited (18)(a)	UK	50
Possessed Limited (1)(a)	UK	51
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	89
Age Before Beauty Limited (4)(a)	UK	90
Gold Digger Productions Limited (4)(a)	UK	90
Mainstreet Pictures Limited (4)(a)	UK	90
Unforgotten 2 Limited (4)(a)	UK	90
Unforgotten 3 Limited (4)(a)	UK	90
Unforgotten Productions Limited (4)(a)	UK	90
World Productions Limited (1)(a)	UK	93.5
World Productions (Northern Ireland) Limited (1)(a)	UK	93.5
WP Anne Limited (1)(a)	UK	93.5
WP Bodyguard Limited (1)(a)	UK	93.5
WP Diplomat Limited (1)(a)	UK	93.5
WP Faslane Limited (1)(a)	UK	93.5
WP Karen Pirie Limited (1)(a)	UK	93.5
WP LOD5 Limited (1)(a)	UK	93.5
WP LOD6 Limited (1)(a)	UK	93.5
WP Pembrokeshire Limited (1)(a	UK	93.5
WP Save Me 2 Limited (1)(a)	UK	93.5
WP Showtrial Limited (1)(a)	UK	93.5
WP The Suspect Limited (1)(a)	UK	93.5
GC Films Pty Limited (26)(a)	*Australia*	49
Britbox Australia Management Pty Limited (38)(a)	Australia	50
Apple Tree Productions ApS (75)(a)	Denmark	51
15.15 Productions (71)(a)	France	32.52
Beaubourg Fiction (72)(a)	France	32.52
Beaubourg Stories (72)(a)	France	32.52
SCI MD 60 (51)(a)	France	32.52
Gedesel (52)(a)	France	32.52
Funny Corp (51)(a)	France	33.17
Macondo Productions Audiovisueles (51)(a)	France	33.17
Tetra Media Fiction (51)(a)	France	50.7
Shoot Again Productions (51)(a)	*France*	61.79
Beaubourg Audiovisuel (72)(a)	France	65.04
Phara Prod International (51)(a)	France	65.04
Tangaro (51)(a)	France	65.04
Tetra Media Studios SAS (51)(a)	France	65.04
ITV Studios France SAS (64)(a)	France	96.875
Imago TV Film und Fernsehproduktion GmbH (29)(a)	Germany	90
Think Cattleya Srl (37)(a)	Italy	30.5
Radio Cattleya Srl (37)(a)	Italy	61
Cattleya Srl (37)(a)	Italy	61
Cattleya International Srl (37)(a)	Italy	51
Cattleya Producciones SL (37)(a)	Spain	51
Appletree Productions AB (59)(a)	Sweden	51
Maximum Media Production FZ-LLC (63)(a)	UAE	88.2

Company Name	Country	% Holding
ITV Studios Arabia Holding Ltd (63)(a)	UAE	90
ITV Studios Middle East FZ-LLC (63)(a)	UAE	90.2
ITV Studios Lebanon S.A.R.L (80)(a)	Lebanon	88.88
Tomorrow Friends LLC (30)(h)	USA	25
Bedrock Entertainment LLC (30)(h)	USA	40
Southrock Productions LLC (30)(h)	USA	40
Britbox, LLC (36)(h)	USA	40.5
Blumhouse TV Holdings LLC (30)(h)	USA	45
Circle of Confusion Television Studios LLC (30)(h)	USA	49
South Circle Productions LLC (30)(h)	USA	49
BB Rights, LLC (30)(h)	USA	50
Jaffe/Braunstein Entertainment, LLC (31)(h)	USA	51
Tomorrow Studios LLC (30)(h)	USA	58.32
Next Steps Productions, LLC (30)(h)	USA	75

Memberships, Partnerships and Companies Limited by Guarantee

Company Name	Country	% Holding
ITV LTVC Scottish Limited Partnership (68)(h)**	UK	100
ITV Scottish Limited Partnership (68)(h)**	UK	100
Digital Production Partnership Limited (1)(i)	UK	50
Producers Rights Agency Limited (66)(i)	UK	50
DTT Multiplex Operators Limited (67)(i)	UK	25
Digital UK Limited (13)(i)	UK	33
Broadcasters' Audience Research Board Limited(8)(i)	UK	20.6
Futureflip Entertainment India LLP (69)(h)	India	100
The Lab Television 2013 Limited Partnership (61)(a)	Israel	50
The Lab Television Limited (61)(a)	Israel	50

Address key

(1) 2 Waterhouse Square, 140 Holborn, London, EC1N 2AE, United Kingdom
(2) 218 Penarth Road, Cardiff, CF11 8NN, United Kingdom
(3) Twofour Studios, Estover, Plymouth, Devon, PL6 7RG, United Kingdom
(4) Kingsbourne House, 229-231 High Holborn, London, WC1V 7DA, United Kingdom
(5) Gloworks, Porth Teigr Way, Cardiff, Wales, CF10 4GA, United Kingdom
(6) 18 The Glasshouse Studios, Fryern Court Road, Fordingbridge, Hampshire, SP6 1NG, United Kingdom
(7) 26 Nassau Street, London, W1W 7AQ, United Kingdom
(8) 3rd Floor, 20 Orange Street, London WC2H 7EF
(9) Orange Tower, Media City UK, Salford M50 2HF
(10) The Met Building, 22 Percy Street, London, W1T 2BU, United Kingdom
(11) 4 Roger Street, 2nd Floor, London, WC1X 2JX, United Kingdom
(12) 124 Horseferry Road, London, SW1P 2TX, United Kingdom
(13) Fieldfisher Riverbank House, Swan Lane, London, England, EC4R 3TT
(14) 23-24 Newman Street, London, W1T 1PJ, United Kingdom
(15) 200 Gray's Inn Road, London, WC1X 8HF, United Kingdom
(16) Manning House, 22 Carlisle Place, London, SW1P 1JA, United Kingdom
(17) 325-327 Oldfield Lane North, Greenford, Middlesex, United Kingdom, UB6 0FX
(18) 3rd Floor 20-22 Berkeley Square, London, United Kingdom, W1J 6EQ
(19) Roundhouse, 212 Regent's Park Road, London, NW1 8AW, United Kingdom
(20) Quartermile One, 15 Lauriston Place, Edinburgh, Scotland, EH3 9EP, United Kingdom
(21) PO Box 230, Heritage Hall, Le Merchant Street, St Peter Port, Guernsey, GY1 4JH
(22) Le Capelain House, Castle Quay, St. Helier, JE2 3EH, Jersey
(23) *Ogier House, The Esplanade, St. Helier, JE4 9WG, Jersey*
(24) City Quays 2, 8th Floor, 2 Clarendon Road, Belfast, BT1 3YD, United Kingdom
(25) Office 306, Forsyth House, Cromac Square, Belfast, Northern Ireland, BT2 8LA, United Kingdom
(26) Level 5, Building 61, Fox Studios Australia, 38 Driver Avenue, Moore Park NSW 2021, *Australia*
(27) Ocorian Trust (Cayman) Limited, Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands
(28) Agrippastraße, 87-93, 50676, Köln, Germany
(29) Keplerstrasse 4-6, 10589, Berlin, Germany
(30) The Corporation Trust Company, Corporate Trust Center, 1209 Orange Street, Wilmington, Newcastle, DE 19801, USA
(31) 321 Southern Beverly Drive, Suite M, Beverly Hills, CA 90212, USA
(32) CT Corporation System, 818 West Seventh Street, Suite 930, Los Angeles, CA 90017, USA
(33) The Hodson Law Firm, 1129, East 17th Avenue, Denver, CO 80014, USA
(34) CT Corporation System, 3867 Plaza Tower Drive East Baton Rouge Parish, Baton Rouge, LA 70816, USA
(35) CT Corporation System, 289 S Culver Street, Lawrenceville, GA, 30046-4805, USA
(36) 1120 Avenue of Americas, 5th Floor, New York, NY10036, USA
(37) Piazzale Valerio Massimo, 7, 00162, Roma, Italy
(38) Level 1, 35-51 Mitchell Street, McMahons Point, NSW 2060, Australia
(39) 39 Long Acre, London, WC2E 9LG, United Kingdom
(40) Hämeentie 15A, 00500 Helsinki, Finland
(41) Familie de Mollaan 1, 1217 ZB, Hilversum, Netherlands
(42) Koos Postemalaan 8, 1217 ZC, Hilversum, Netherlands
(43) Haarlemmer Houttuinen, 21 1013 GL, Amsterdam, Netherlands
(44) Rumfordstrasse 21a, Munchen, 80469, Germany
(45) Noorderweg 8, 1221 AA, Hilversum, Netherlands
(46) Zevenend 45, 1251 RL, Laren, North Holland, Netherlands
(47) Hollandse Kade 34, 1391JM, Abcoude, Netherlands
(48) Level 3, Pacific House, Butt Street, Suva, Fiji
(49) Westersingel 108, 3015 LD Rotterdam, Netherlands
(50) Keizersgracht 149a, 1015CL, Amsterdam, Netherlands
(51) 60 rue Marcel Dassault, 92100, Boulogne-Billancourt, France
(52) 4 rue de Commaille, 75007, Paris, France
(53) Jessop House, Jessop Avenue, Cheltenham, Gloucestershire, United Kingdom, GL50 3WG
(54) *210 High Holborn, London, England, WC1V 7HD*
(55) Genthiner Strasse 5, 10785 Berlin, Germany
(56) 16 Haarbaa St, Tel Aviv 6473916, Israel
(57) 11/F, Unit B, Winbase Centre, 208 Queen's Road Central, Sheung Wan, Hong Kong
(58) Rooms 517-520, 5th Floor, Sun Hung Kai Centre, 30 Harbour Road, Wan Chai, Hong Kong
(59) Söder Malarstrand 65, 11825, Stockholm, Sweden
(60) Scharenmoosstrasse 105, 8052, Zurich, Switzerland
(61) 23 Habarzel Street, Tel Aviv, 69710, Israel
(63) Building 2, Dubai Media City, Dubai, UAE
(64) 12 boulevard des Iles, 92130 Issy-les-Moulineaux, Paris, France
(65) Avenida Cidade de Lisboa, Frente Sucupira, 2° andar, Cidade de Praia, Cape Verde
(66) Fitzrovia House, (3rd Floor), 153-157 Cleveland Street, London, W1T 6QW, United Kingdom
(67) 27 Mortimer Street, London, England, W1T 3JF
(68) C/O Dentons UK and Middle East LLP, Quartermile One 15 Lauriston Place, Edinburgh, EH3 9EP
(69) #1302, Tower-3, Indiabulls Finance Centre, Senapati Bapat Road, Elphinstone Road (West), Mumbai, Mumbai City, Maharashtra 40013, India
(70) Lars Hilles Gate 30, 5008, Bergan, Norway
(71) 10 rue Maître Jacques, 92100 Boulogne, Billancourt, France
(72) 5-7 rue Saint-Augustin, 75002, Paris, France
(73) DLA Piper Denmark, Radhuspladsen 4, 1550 Kobenhavn V, Denmark
(74) Finsensvej 6E, 2000, Frederiksberg, Denmark
(75) Aumento Advokatfirma, Ny Osteragde 3,4, 1101, Kobenhavn, Denmark
(76) 120 West 3rd Avenue #201, Vancouver BC V5Y 1E9, Canada
(77) 101c Telok Ayer Street, Singapore 068574
(78) Calle Velaquaz 18, 6-D, 28001 Madrid, Spain
(79) 3 Kings Brook Close, Rempstone, Loughborough, England, LE12 6RR
(80) 9th Floor, Azar Building, Sami Solh Avenue, Beirut, Lebanon
(81) 1 Television Centre, 101 Wood Lane, London, United Kingdom, W12 7FA

Interest key

(a) Ordinary
(b) Deferred
(c) Special deferred
(d) Redeemable preference
(e) *Cumulative preference*
(f) Cumulative redeemable preference
(g) Convertible preference
(h) Membership / Partnership
(i) Guarantee
(j) *Common*
(k) Preference
(l) Part Preference
(m) Branch

* *Direct subsidiary*
** Having met the criteria under Regulation 7 of the Partnership (Account) Regulations 2008 (SI 2008/569) these Limited Partnerships have taken the exemption to deliver accounts to the Registrar of Companies

Glossary

Active hours – monetisable hours of content in ITV's catalogue

Advertiser funded platform – platforms that include advertising as part of the user experience e.g. ITV Family of channels, ITVX

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 ITVX, 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 except for two of the regional licences which are owned by STV

FAST channels – Free Ad-supported Streaming TV services which are curated, data-driven channels that are always on with content that evolves and changes depending on viewer preferences

Free-to-Air (FTA) television – viewing of television through devices not requiring a subscription such as the Freeview or Freesat services

Intellectual Property (IP) – intangible property that is the result of creativity

Inventory – advertising inventory is the number of advertisements, or amount of advertising space, we have available to sell to advertisers

Impact or Commercial Impact – one Commercial Impact is defined as one viewer watching one 30-second television commercial

ITV Family – the ITV family of channels which includes ITV main channel, ITV2, ITV3, ITV4, ITVBe, CITV and all associated +1 and HD equivalents

Key demographics – ITV monitors viewing performance across a group of audiences that constitute the majority of our targeted advertising revenue. In addition to individuals and adults, we also consider 16–34-year-olds, ABC1s and house-persons with children

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

Monthly Active User (MAU) – the average number of monthly registered users across a defined period who accessed ITV owned and operated on-demand platforms (web, mobile, or connected TV). This includes ITV's AVOD and SVOD services

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

Non-consolidated licensees – the two regional channel 3 licences that 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

SDN – multiplex operator owned by ITV, which operates one of the eight national multiplex licences in the UK on Freeview

Share of Commercial Impacts (SOCI) – the term used to define the share of total UK television commercial impacts delivered by one channel or group of channels. This measure excludes viewing of BBC channels as they do not generate commercial impacts. Unless stated otherwise, SOCI figures cited throughout this report are based on BARB data and are based on the universe of Adults (16+)

Share of Viewing (SOV) – the share of the total viewing audience during a defined period gained by a programme or channel. This measure includes viewing of BBC channels. Unless stated otherwise, SOV figures cited throughout this report are based on BARB data and are based on the universe of individuals

Share of Commercial Viewing (SOCV) – the share of the total viewing audiences during a defined period gained by an ad-supported commercial broadcast programme or channel in the UK. This measure excludes the BBC

Simulcast – streaming live TV channels via a broadcaster's on-demand service, at the same time as broadcast on linear TV

Spot advertising – linear television advertising occupying a short break during or between programmes

Subscriptions – entitled users of ITV SVOD services, which includes those who pay ITV directly, those who are paid for by an operator, and free triallists

Subscription Video on Demand (SVOD) – a paid for service where subscribers have access to a wide range of content whenever they request it

Total Advertising Revenue (TAR) – this includes ITV Family NAR, online advertising via the ITV Hub, programme sponsorship revenue and other affiliated advertising revenue streams

Total Streaming Hours – the total number of hours viewers spent watching ITV across all streaming platforms. This figure includes both AVOD and SVOD viewing

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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