



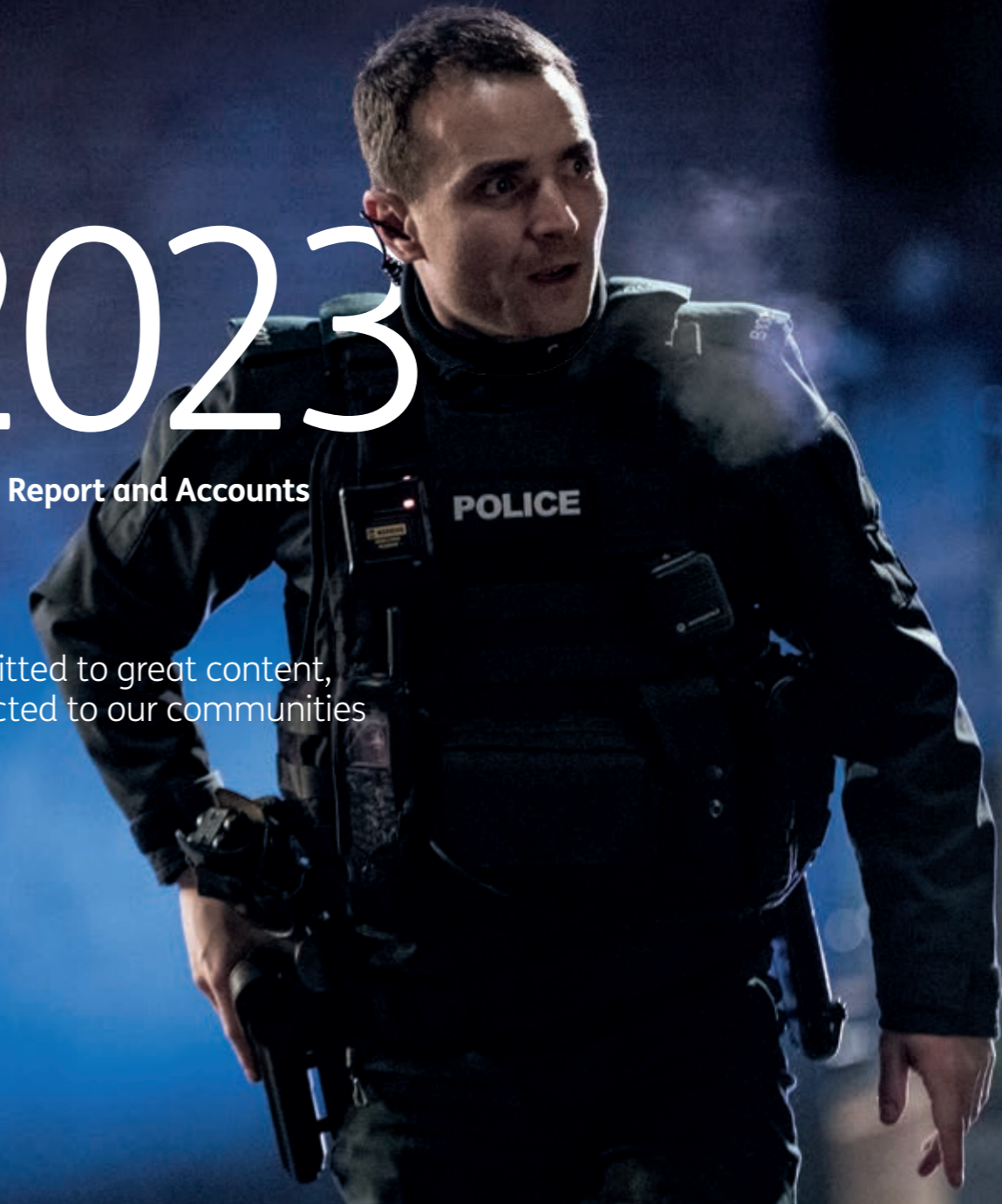
Annual Report and Accounts 2023

2023

Annual Report and Accounts

Committed to great content,
connected to our communities

STV Group plc



STV Zero is an ambitious and wide-reaching sustainability strategy to become net zero carbon by 2030; and to encourage viewers, colleagues and partners to help create a more sustainable society, as together we tackle humanity's greatest challenge.

Our programme of activities and related targets to reduce the carbon impact of the business covers five key areas:

- energy consumption
- waste reduction
- programme making
- promoting sustainability using STV's reach
- achieving a sustainable supply chain

Visit stvplc.tv/social-impact/sustainability

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Company Registration Number SC203873



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View our Annual Report and Accounts and other information about STV at stvplc.tv

2023 financial highlights

Financial performance resilient as macroeconomic effects are partly offset by growth in Studios and Digital

| Revenue | Total advertising revenue | Adjusted operating profit ¹ |
|--|-------------------------------------|--|
| £168.4m | £97.3m | £20.1m |
| 2022 £137.8m | 2022 £110.0m | 2022 £25.8m |
| Adjusted operating margin ¹ | Profit for the year | Adjusted EPS ¹ |
| 11.9% | £5.3m | 28.2p |
| 2022 18.7% | 2022 £17.3m | 2022 42.3p |
| Dividend per share | Non-broadcast profit ^{1,2} | |
| 11.3p | 75% | |
| 2022 11.3p | 2022 38% | |

¹ See note 7 to the financial statements.

² Proportion of Group adjusted operating profit derived from Digital and Studios.

Introducing STV



Scotland's home of news, entertainment and drama

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

The business is organised into three dynamic operating divisions – Studios, Digital and Broadcast – all supported by a central enabling function.



Studios

Scotland's largest, and one of the UK's leading, production groups

The Group's award-winning production business, STV Studios, is Scotland's largest production company, creating and producing world class content for a range of UK and international broadcasters and streamers, including BBC One and Two, ITV, Channel 4, Channel 5, AppleTV+, Discovery and Sky.

STV Studios is a family of over 20 leading production labels across every genre, from quiz to documentary, factual, entertainment and drama. It is an unrivalled network of senior creative leaders across the UK nations and regions, with a significantly expanded pipeline of new programme ideas, over 30 established returning series and a rich programme archive of c.5,000 hours. Shows include *Antiques Road Trip* (BBC), *Screw* (Channel 4), *Elizabeth is Missing* (BBC), *Criminal Record* (AppleTV+), *Bridge of Lies* (BBC), *Celebrity Catchphrase* (ITV), *LEGO Masters* (Channel 4), *Trucking Hell* (Channel 5), *Blue Lights* (BBC) and *Yorkshire Auction House* (Really). STV Studios was named Production Group of the Year at the Edinburgh TV Awards in August 2023.



Digital

Pan-UK streaming service

STV's rapidly growing free streaming service, STV Player, features an ever-growing library of premium content including UK original and international drama box-sets, sport and factual entertainment – much of which isn't available to stream on any other platform in the UK.

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

Show highlights include true crime thriller, *The Long Shadow*; Irvine Welsh's *Crime*; much-loved police drama, *Taggart*; and key acquisition, iconic soap *Brookside*.

Viewers can also watch STV Player content ad-free and download shows by subscribing to STV Player+.



Broadcast

Scotland's number 1 peak time TV station

Broadcasting since 1957, STV operates the Channel 3 licences across central and north Scotland, is free-to-air on all the main TV platforms in Scotland, and is the best-watched peak time channel in Scotland. STV reaches 2.8 million adults each month, making it an unrivalled marketing platform in our home market for advertisers. A Public Service Broadcaster, STV brings viewers a strong schedule of network programming alongside locally produced news, current affairs and factual entertainment shows.

STV is home to some of the most popular shows on television, including iconic soaps *Coronation Street* and *Emmerdale*; entertainment hits like *The Masked Singer* and *I'm A Celebrity... Get Me Out Of Here!*; gripping dramas including *Trigger Point* and *Mr Bates vs The Post Office*; top class free-to air sport like the *Rugby Six Nations* and the *FIFA World Cup*; and a range of home-grown productions including flagship news programme *STV News at Six*, the most watched news programme in Scotland.



Tuned-in to our viewers

Day in and day out, we entertain audiences with a wide range of original and returning series on our own digital and linear channels and for other UK and international networks and streamers too.

[Read on to share in our 2023 screen highlights >>](#)

The Firm
STV Studios Factual
for BBC Scotland



Bridge of Lies
STV Studios Entertainment
for BBC One



What's on Scotland
STV and STV Player



Screw
STV Studios Drama
for Channel 4

Mary Kills People
STV Player











STV strategy and targets dashboard

Our strategic priorities are focused on the diversification of our business towards digital streaming and IP ownership.

| Group | | | |
|---|--|---|--------------|
|  | <p>Strategy Enhanced diversification</p> <p>2023 target More than 50% operating profit from outside traditional broadcasting</p> | <p>2023 result 75%</p> | Achieved |
| Studios | | | |
|  | <p>Strategy Build world-class studios</p> <p>2023 target Quadruple revenue to £40m</p> | <p>2023 result £66.8m</p> | Achieved |
| Digital | | | |
|  | <p>Strategy Drive digital</p> <p>2023 targets Double revenue to £20m Double registered users to 5m</p> | <p>2023 result £20.2m 5.7m</p> | Achieved |
| Broadcast | | | |
|  | <p>Strategy Maximise broadcast</p> <p>2023 target Grow STV controlled revenue to £20m</p> | <p>2023 result £17.2m</p> | Not achieved |

Overview

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Chairman's statement



Paul Reynolds
Chairman

Despite the macro economic uncertainty in 2023, our strong focus on executing our diversification strategy has enabled STV to build growth businesses in digital and television production that have set the company up for long-term success in a rapidly changing media market.

2023 was very challenging for the media sector, with high inflation and interest rates and widespread macro uncertainty contributing to the most difficult advertising market for many years, with many advertisers reining-in their spend. The uncertainty also impacted programme commissioners who reduced spend and increasingly relied on tried and tested returning series with established audiences, which reduced the number of new commissions. Despite this backdrop, strong execution of our diversification strategy combined with good cost control and the hard work, commitment and creativity of our colleagues ensured that we delivered a resilient financial performance in 2023, creating firm foundations for future success.

Performance

Revenue for the year was £168.4m with adjusted operating profit of £20.1m. Within this result, our new acquisition of Greenbird Media group recorded revenue of £15m and operating profit of £3.2m, in line with the business case underpinning the investment. More details are included in the Finance Review on pages 34 to 36.

Dividend

Recognising the vital importance of shareholder returns, in light of the Group's financial performance for the year and considering all relevant factors including the ongoing macroeconomic uncertainty the Board proposes a final ordinary dividend of 7.4p per share, which, when added to the interim dividend, provides a total dividend for the year of 11.3p per share in line with 2022. This will be paid, subject to shareholder approval at our AGM on 1 May 2024, to shareholders on the register at close of business on 19 April 2024.

Strategy

Terrestrial television continues to have enduring strength and relevance, as the recent seismic impact of STV drama *Mr Bates vs The Post Office* has proved beyond doubt. Nevertheless, our long-term strategy is designed to ensure that we have a business model that is resilient in the face of fast-changing consumer habits and challenging economic periods such as we are seeing. The pace of change in our sector continues to quicken, and in response we accelerated our own transition in 2023, from a company reliant on linear broadcast advertising to one led by content creation and digital streaming that can access not just local but international markets. During the year, we delivered 75% of our earnings from outside traditional broadcasting, comfortably exceeding the 50% target we set ourselves for the end of 2023.

It has been a transformative year for STV Studios with the acquisition of Greenbird Media in July 2023 which was materially earnings-enhancing from day one and was funded from the Group's existing financial resources. The deal boosts the number of labels within STV Studios from nine to over 20, our portfolio of all-important returning series to over 30, and establishes a strong network of senior creative leaders across STV, representing a major step towards our goal of becoming the UK's #1 nations and regions production company. It was a notable accolade for STV Studios to be named Production Group of the Year at the prestigious Edinburgh TV Awards in August 2023.

Our streaming service STV Player continues to grow strongly and profitably with streams up 28% last year, boosted by the availability of new original and premiere content, including through our long-term digital deal with ITV which makes new ITVX content exclusively available in Scotland. Scottish advertisers also benefit from a 'one stop shop' for access to mass audiences across linear, VOD and programmatic, and the best in data-driven targeting.

As Scotland's commercial Public Service Broadcaster, we continue to have unrivalled reach in Scotland with STV the most popular peak time TV channel for the fifth year in a row. Therefore by some margin we are the most effective medium for advertisers in Scotland. In March 2024, we accepted terms from Ofcom to renew our Channel 3 licences for a further ten-year period from January 2025, providing further long-term certainty to our core business. The importance of the draft Media Bill to ensure that Public Service Media is as prominent on digital platforms as they are today on traditional broadcast cannot be underestimated. We welcome the Government's recognition that the legislation is urgently required in this area.

Culture

STV's people are at the heart of everything we do. There is an open, cohesive culture throughout the organisation and our people take huge pride in what STV represents to viewers, advertisers, partners and communities alike. Our role as a Board is to make sure this positive workplace culture is nurtured and maintained as we continue to grow and change the balance of the Group to meet the demands of the evolving strategy and an ever-changing market.

Governance and Board operations

Effective corporate governance and integrity remain paramount and are never more necessary than in times of challenge and change. As your Chair, one of my key responsibilities is to ensure good governance, and I continue to be well supported by my fellow Board members.

During the year, we welcomed Naomi Climer CBE as an independent Non-Executive Director and Chair of the Remuneration Committee, and member of the newly constituted Environmental, Social and Governance (ESG) Committee. As well as a successful career in broadcast media, engineering and technology, Naomi brings significant plc experience as an Independent Non-Executive Director and Chair of Remuneration Committee for both music and audio products group, Focusrite plc, and smart sensing software and hardware developers, Oxford Metrics plc.

Ian Steele, Independent Non-Executive Director and Chair of the Audit & Risk Committee, will be stepping down from the Board at the conclusion of our AGM on 1 May 2024 after more than eight years' service. On behalf of the Board, I would like to extend my thanks to Ian for his financial expertise, constructive challenge and unstinting support, all of which have been invaluable to STV, and he leaves with our very best wishes for the future. A formal search is in progress to recruit Ian's successor and we hope to announce the appointment in due course. However, ever mindful of costs and effectiveness, we aim to run with a somewhat smaller Board going forward.

Environmental, Social and Governance

Recognising the importance to all stakeholders of the Company's approach to ESG (environmental, social and governance), we established a dedicated Board ESG Committee during the year to ensure appropriate leadership of these issues. The ESG Committee supports the Board in ensuring the Group delivers a positive social impact to promote long-term shareholder and stakeholder value. The new Committee, chaired by Independent Non-Executive Director David Bergg, held its inaugural meeting in October 2023 and reports to shareholders for the first time in this report on pages 86 and 87.

This is the first year the Company is required to disclose in the Annual Report its compliance with the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 (SI 2022/31). The disclosures are included in the Climate-related Financial Disclosures report on pages 58 to 63.

As a Board and Management Team, it is critical we engage frequently with all of our stakeholder groups. We want to ensure that the Company's strategy and the way we operate is clearly understood, and to identify if there are any gaps in our approach that need to be addressed. Pages 12 and 13 say more about this, showing how we are working with and delivering for Customers, Colleagues, Suppliers, Investors, Communities and Environment, as well as for Government and Regulators.

Looking to the future

The Board is very proud that STV has evolved so purposefully and quickly to reflect the media opportunities of a new and more volatile time. We are now a far more resilient business and with a track record of meeting our promises. We have successfully transitioned to new exciting growth areas and, having laid strong foundations, I remain confident that we have the platform to deliver profitable growth for shareholders in the years ahead. I'd like to thank CEO Simon Pitts, CFO Lindsay Dixon, the Management Board and everyone who works at STV for their talents in making this happen.

Finally, I'd like to thank my colleagues around the Board table for their commitment, insight and support.

Paul Reynolds
Chairman



Simon Pitts
Chief Executive

Throughout 2023, we have been focused on accelerating our diversification strategy by expanding our Studios and Digital businesses so that together they make up more than 50% of our operating profit¹, and I'm delighted to say that we have now exceeded this vital target that we set ourselves for 2023, thereby significantly strengthening our business and our growth prospects for the long term in a rapidly changing media market.

Like all businesses, 2023 saw us operating against a very challenging macro-economic backdrop with high inflation and interest rates resulting in low levels of consumer and business confidence. Our Broadcast division, fuelled by advertising, has clearly felt the impact at both the national and regional level, although local Scottish advertising has proved more resilient than national due to the ongoing success of our advertising Growth Fund with SMEs. In a difficult market we have also continued to bear down on costs and this will remain a key focus moving forward.

With viewing habits constantly changing we have moved quickly to embrace digital streaming and build a world class production business, and this strategic change must continue apace over the coming years. Linear broadcast advertising faces structural pressures, but we do expect it to improve as the UK economy strengthens – as it has consistently done following previous economic shocks – and when that happens we are well-placed to capitalise as the market leader in Scotland, offering a compelling combination of brand-building and highly targeted, data-driven advertising solutions.

We remain excited about the future of STV. With the first phase of our digital transformation now behind us, we're focused on accelerating the profitable growth of our streaming and Studios businesses while continuing to modernise and maximise the impact of our Broadcast business. At the heart of this will be ongoing Studios growth both locally and internationally, expansion of our streaming offering in the UK and further

abroad, and a focus on expanding and growing revenues from our core Scottish market. We'll confirm full details of the next phase of our growth plan later in 2024.

2023: A transformational year

STV Studios has had an exceptional year even in a challenging commissioning market. The division was already on a strong growth trajectory, with multiple series in production for broadcasters and streamers such as BBC, Apple TV+, Discovery and Channel 4, and the acquisition of Greenbird Media in July 2023 has been transformational for the business. The STV Studios family now comprises over 20 production labels, giving us scale and considerable creative firepower in a competitive commissioning space.

STV Player has had another record-breaking year, delivering significant audience growth across a mix of shows including high-end drama, great entertainment and live sport, and not to forget iconic soap, *Brookside*, which proved a very canny acquisition for our streaming service. We've also now seen one full year of our new digital deal with ITV, which enables us to premiere new, original drama box sets exclusively in Scotland, and these are driving considerable viewing numbers. The deal also saw ITV become our digital sales agent, which has more than doubled the level of targeted advertising on STV Player and has allowed us to take advantage of ITV's unrivalled scale and advertising capability in the UK.

In terms of divisional performances against our KPIs: STV Studios was already on track to exceed its targets for 2023 but due to the strategic acquisition of Greenbird Media, the division significantly outperformed its goal to quadruple revenue to £40m, delivering £67m revenue by year end. The digital division achieved its targets of doubling revenues to £20m (£20.2m) and more than doubled the number of registered users to 5m (5.7m). As expected due to the difficult economic backdrop, the broadcast division did not achieve its target to grow STV controlled revenues to £20m, with final revenues for 2023 at £17.2m.

As anticipated, our overall Group operating profit was down for the year, significantly impacted by the weak commissioning and advertising markets. However, the growth in our Studios and Digital businesses helped off-set the challenging economic conditions and, against this backdrop, STV Group over-achieved on its overall diversification target by some 25%, delivering 75% of our operating profit from outside of traditional advertising by the end of 2023.

Close audience connection

One of the things I'm most proud of at STV is the close connection we enjoy with our audiences and communities across Scotland. As Scotland's commercial Public Service Broadcaster, with unrivalled reach, we're in a privileged position and can make a strong social impact, and we continue to work hard to use television to make a positive difference.

Our charity, the STV Children's Appeal, has raised over £30m since launch in 2011 for children impacted by poverty in Scotland, thanks to the support of viewers, businesses and the Scottish Government. Our special Appeal programming shines a light on the work of charities and those they help, and this year's shows inspired incredible generosity. We work with charities in every part of the country, where help is needed more than ever during the cost-of-living crisis, and this year's activities helped to raise more than £2.2m.

We're ever mindful of our impact on the environment and the potential we have to inform our audience in accessible ways about how to minimise their carbon footprint. To this end, we launched *Sustainable Scotland Week* in the summer, featuring special programming with our weather presenter, Sean Batty, dedicated stories on our news and current affairs shows, a 'green hub' on STV Player, and promos throughout the week, all encouraging little changes to make a big difference. We also walk the walk in the workplace, ensuring our productions are albert certified, that energy-efficient practices are encouraged and that TV studio sets are sustainable.

Our commitment to Diversity and Inclusion, both on and off-screen, is unwavering. We work closely with industry partners such as the TV Access Project and PACT and we are making good progress in our efforts to ensure the STV team reflects the audience we serve. We also continued our successful bursary scheme with RTS, providing a further 10 bursaries to students in Scotland from lower income backgrounds for the duration of their university or college career, alongside invaluable networking and mentoring opportunities. We have now sponsored 47 students across Scotland since launching the scheme.

We welcomed the news from the Secretary of State in March 2023 that the Channel 3 licences for north and central Scotland could be renewed for a further ten-year period from January 2025. This confirmation secures the provision of public service obligations for our viewers, including the country's highest performing news and current affairs programmes.

How the Greenbird acquisition contributes to the STV strategy

This acquisition brings Greenbird's network of 15 independent production companies into the STV Studios family, creating a network of over 20 production labels and an unrivalled network of senior creative leaders, an increased presence across the nations and regions and a significantly expanded forward pipeline of new programme ideas, several of which have already been greenlit for 2024.

Greenbird has built an archive of 2,000+ hours of content. This year, companies within the Greenbird network produced almost 300 hours of new programming across returning series including *LEGO Masters* (Tuesday's Child for Channel 4/FOX) and *The Hit List* (Tuesday's Child for BBC One); *A&E After Dark* (Crackit Productions for Channel 5); *Trucking Hell* (Crackit Productions for Channel 5); BAFTA-winning *The Misadventures of Romesh Ranganathan* (Rumpus Media for BBC Two) and *Late Night Lycett* (Rumpus Media for Channel 4); NTA-winning *Kate Garraway: Caring for Derek* (Flicker Productions for ITV1); and Mortimer and Whitehouse: *Gone Fishing* (Owl Power for BBC Two).

For more on this see pages 14 to 21.

We were pleased to see the publication of the UK draft Media Bill in 2023. The inclusion of the requirement for digital prominence for public service broadcasters is critical to ensure that streaming services such as STV Player – with all its UK and Scottish programming – are accessible and prominently positioned on the new digital platforms often operated by global players. We continue to press for swift passage of the Bill through parliament before the next General Election.

A resilient business continuing to deliver

In 2023 we made some exceptional television, achieved strong viewing performances and commercial revenues in challenging circumstances, and delivered a transformative acquisition for our Studios business in Greenbird, all while continuing to make a positive social impact with our audiences and communities. I'm incredibly proud of my STV colleagues, the beating heart of our business, and I'd like to thank them all for their hard work, passion, creativity and resilience this past year.

I'd also like to thank our Chairman and Board, whose counsel continues to be invaluable to the business, with particular thanks going to Ian Steele who is stepping down this year after nearly nine years on the Board, and whose commitment, leadership and support has been greatly valued.

Through focused and consistent delivery of our growth strategy we have built a strong foundation for the future and all of us at STV are excited about what comes next for audiences, partners and investors alike.

Simon Pitts
Chief Executive, STV Group plc

The STV investor proposition

STV has a clear strategy to transform the company into a digital streaming and IP-led media business. We are successfully growing our Digital and Studios divisions to take advantage of the accelerating market in global video, while maximising the value of our linear Broadcast channel and the market-leading platform for advertisers it represents. We have developed a leading digital platform and growing library of programme IP that can be monetised, both of which will endure through the changing habits of viewers and increased digitisation.

This clearly focused diversification strategy – which is understood and embedded across the organisation – will drive a higher quality of earnings and is key to generating sustainable value for our shareholders.

Over the last six years we have successfully rebalanced our business, investing in content and selling non-core assets, and now generate more than 50% of our operating profit¹ from Digital and Studios. Looking forward to the next three years, we will continue to focus on these core areas as the engine rooms of growth and value generation, with particular focus on profitable revenue growth and margin enhancement, particularly internationally, and cost control in our core Broadcast business and central functions.

STV's market position – strongly positioned for long-term sustainable growth

We have a strong market position:

- Our Broadcast USP is the consistent delivery of mass audiences to a high-quality TV schedule of network and Scottish content. The largest marketing platform in Scotland, STV is the most popular peak time TV channel, reaching more than two in three Scottish adults every month (2.8m) and attracting nearly four times the audience of its nearest commercial competitor. This makes us – by some margin – the most effective medium for advertisers in Scotland.
- Fast-growing, free streaming service, STV Player, is complementary to our linear channel and offers an extensive catalogue of high-quality content, including exclusive Scottish rights for ITVX premiere programmes. Our streamer offering widens the demographics of our viewership and further enhances the reach for advertisers.

- The recently expanded STV Studios is the largest production company in Scotland and a significant UK player, with bases in Glasgow, Belfast, Manchester, Cardiff, London and Brighton. Our increased scale makes us uniquely placed to take advantage of the growing investment in nations and regions production across the UK and a 'go to' production company for commissioners of quality content for UK broadcasters and global streamers alike.

High margin digital business

Our streaming service, STV Player, is available on all major UK platforms, has grown ahead of the market and continues to scale rapidly. It is capturing the viewing shift from linear to digital, offering a rich mix of exclusive, original and acquired content. We are now one year into a strategic partnership for content sharing and advertising sales with ITV, which creates incremental digital value for our business. The long-term agreement sees STV Player take exclusive Scottish rights for an exciting range of ITVX original content over the coming years; and sees ITV's market-leading sales team sell our national VOD and simulcast advertising, allowing us to benefit from their scale and market leadership. VOD advertising revenues trade at a premium over their traditional linear equivalent. Our content acquisition is a careful blend of licence and revenue share, allowing us to minimise risk and upfront payments.

Studios business increasing in scale

Our Studios business is strongly positioned to take advantage of increasing demand for quality content in a UK production market worth more than £3.9bn², as well as growing international opportunities. In July 2023, we announced the acquisition of Greenbird Media boosting the number of labels within STV Studios from nine to over 20, making shows across all genres for a wide range of networks and streamers. STV Studios now has an expanded presence across the UK, strengthening our ability to take advantage of the continuing growth of production in the nations and regions. We have an ever-growing library of content, which we sell in secondary markets at a higher margin, and have an increased international presence achieved via global streaming commissions and format sales. STV Studios revenues and profits have trebled in 2023, demonstrating its growth and considerable potential.

Capacity to invest as a result of strong cash generation

We have a Revolving Credit Facility in place for £70m with an accordion facility of £10m attached, maturing in March 2026. At the end of the year our net debt was £32.3m demonstrating significant liquidity headroom, even after our acquisition of Greenbird Media, and scope to continue to invest in the business and make continued distributions to shareholders.

Over the last 3 years we have successfully executed a £30m investment programme to drive growth in Studios and Digital, in addition to the Greenbird acquisition, and have the scope to continue investment – both in terms of investment capital and working capital over the coming years. The pension deficit is well managed with core deficit recovery contributions remaining constant.

Operating cash conversion in 2023 was 169% (2022: 45%) with working capital associated with Studios dependent on activity levels and the proportion of work being cash-flowed by commissioners. Over a 3-year period, operating cash conversion was 107%. We believe this good cash generation will continue and will enable us to fully execute our investment programme.

Operational progress

We have a strong track record of delivering efficiencies across our operations. This can be seen in the recent modernisation of the STV newsroom; our approach to deals on digital content; our low-risk strategy of taking minority stakes in production companies which we consolidate in success in our Studios business; and astute cost control across the business. This approach has delivered cost savings/avoidance of c.£3m in 2022 and c.£2.5m in 2023. This focus on cost management will remain a key element of our management of the business going forward.

Our focus on sustainability continues to accelerate, with significant progress on our STV Zero strategy, setting down our commitment to reduce our environmental impact and promote climate action in an accessible way to our viewers. We have ensured all programmes produced at STV now meet industry standards for carbon neutrality and continue to set intermediate milestones on the road to becoming a net zero carbon business by the end of 2030. We are proud members of Project Albert and a co-signatory to their Climate Content Pledge.

We are making good progress on diversity across the organisation. We set ourselves specific targets for representation from minority groups and full details of how this is going and our plans for 2024 and beyond can be found in the ESG report.

Shareholder returns

We recognise the importance of a regular, progressive dividend. Our approach to setting dividends is to balance the needs of the business (for reinvestment), with those of our defined

The market for global video

The market for global video is growing rapidly, representing a huge opportunity which both our digital and production businesses are well placed to capitalise on, as they demonstrate continued momentum and growth. The global video streaming market size was valued at \$106bn in 2023 and is expected to expand significantly to 2030.³

Just as the transition of viewers from linear to digital will continue to increase, the offering and functionality on STV Player will constantly be strengthened via an ever-improving rich catalogue of original, premiere, high-quality PSB content alongside strategic acquisitions, from the UK and globally, and popular archive material. Our favourable new partnership with ITV also significantly strengthens our digital strategy in terms of both content and advertising revenue.

Additionally, international streamers are important customers for STV Studios, as we expand our customer base in the UK and internationally in a bid to become a world class producer for the biggest networks and streamers. We continue to cultivate relationships with the likes of Netflix, YouTube and Discovery+, and see real potential for future high value commissions, similar to our recent co-production, *Criminal Record* for Apple TV+.

benefit pension schemes and other stakeholders, and in setting the level of dividend proposed we consider the proportion of free cash flow post pensions that it represents. We are committed to maintaining a balance between shareholder return and investment in our business to continue to deliver the growth strategy. Since 2019, we have increased our dividend by 80%.

Core values

Our values are central to everything we do and define how we work to support our colleagues and deliver for our audiences, advertisers, partners, and communities. We're committed to business integrity and professionalism across all our activities.

Whether we're making, sharing, watching or celebrating it, we're passionate about content. Along with our people, compelling content is at the heart of STV. We're locally focused and proud of our Scottish roots, but our international ambition knows no bounds.

We're commercially driven, and we work hard to innovate, create and get deals done. But always with respect, and it's important that STV is a fun place to work.

We use the power of TV to make a difference. Whether that's via our STV Children's Appeal, our Advertising Inclusion Fund or our sustainability programming – we support and connect with our partners, audiences and communities, and we believe we can make a difference.

1 Adjusted operating profit (note 7).
2 PACT Census 2023.
3 Source: Grand View Research.

STV business model

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

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

Our strategic assets

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

Our people

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

Our brand

STV is a trusted brand continuing to play an important role in creating value for its stakeholders: as a trusted news and current affairs partner with a high quality source of affordable entertainment; supporting its communities through the STV Children's Appeal; and helping to grow Scotland's creative sector.

Our platforms

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

Our location

We run Scotland's largest production business, which is also a meaningful player in the UK production sector following the acquisition in July 2023 of Greenbird Media. With bases across Scotland, England, Wales and Northern Ireland, we are uniquely placed to take advantage of broadcasters' increased commitments to nations and regions production in the UK, as well as win commissions from international buyers.

Our intellectual property

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

Our relationships

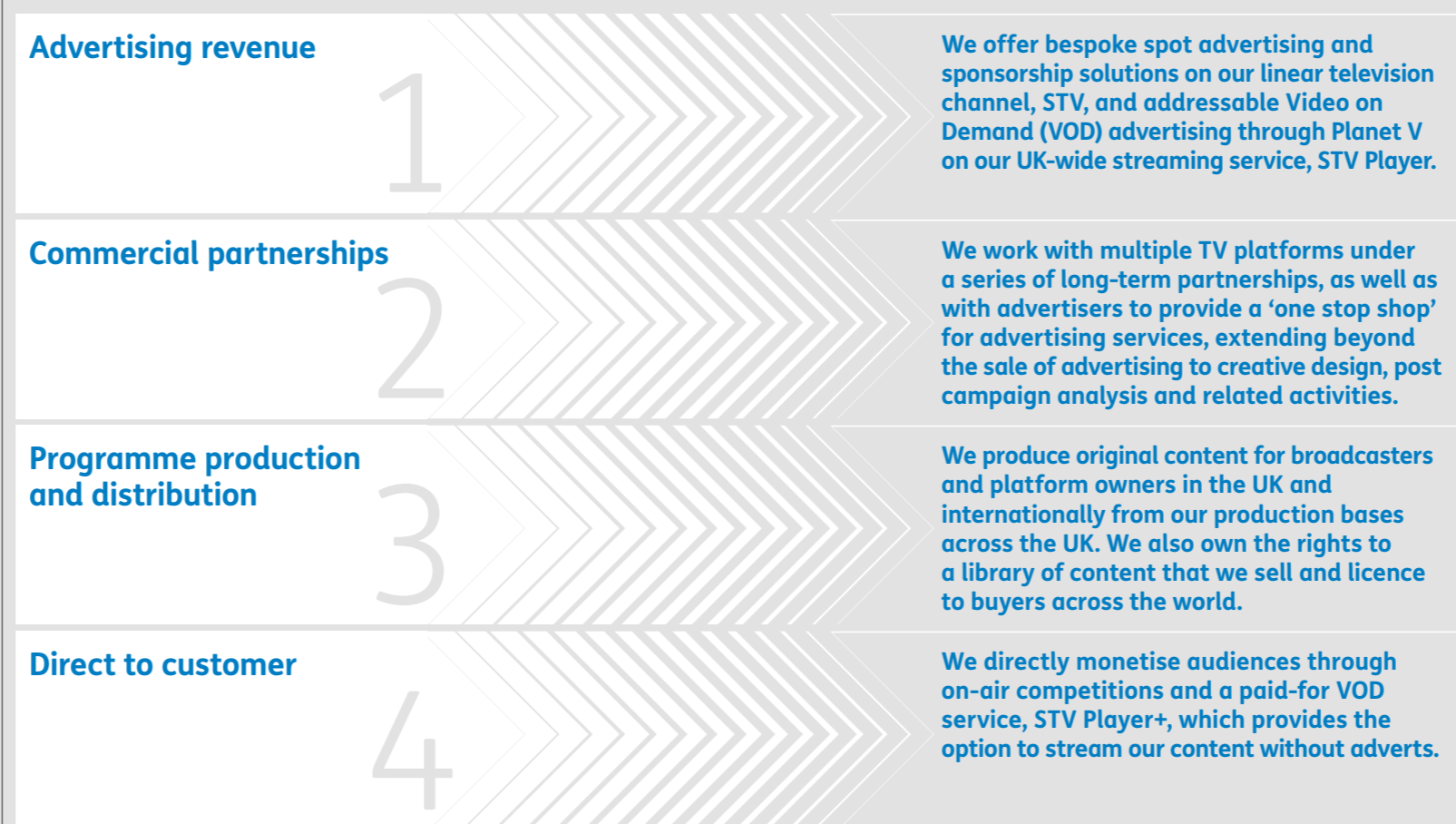
We have strong relationships with our viewers, advertisers, commissioners and communities to deliver value and boost the economy.

Financial capital

We have strong financial discipline and significant liquidity and covenant headroom that provide us with the capital to invest in medium to long-term growth initiatives as well as continue to meet our pension obligations and make distributions to shareholders.

What we do

We operate an increasingly diverse business, generating value from four principle revenue streams:



Supported by

- Creative and inclusive culture that values honesty, transparency and fairness
- Effective risk management and internal control frameworks
- Strong principles of corporate governance
- STV Zero, our sustainability strategy embedded into our business practices
- Organisation structure built to enable accountability and autonomy
- Vibrant internal communications programme to keep our people motivated and aligned on key strategic goals
- Frequent, transparent and meaningful engagement with external stakeholders

Delivering value for our stakeholders

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

Audiences

Through a high-quality TV schedule providing the largest peak time audiences in Scotland for the fifth year running, and with an increasing number of exclusive premieres and other content available to watch on demand via STV Player.

Advertisers

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

Our people

By developing a supportive, open, inclusive, creative and collaborative culture; prioritising the wellbeing (mind, body, lifestyle) of our people and providing training, development and mentoring for our people.

Communities

By providing trusted news, facts and information through a comprehensive local news and current affairs service across Scotland; improving on and off screen diversity to reflect the true face of modern Scotland; raising much needed funds for families and young people in poverty in Scotland through the STV Children's Appeal; driving the local economy through job creation; supporting Scottish business through the Growth Fund (making advertising affordable); and championing climate action through STV Zero, our sustainability strategy.

Investors

Accelerating the growth of Digital and Studios to rebalance the Group towards digital streaming and IP-ownership to deliver sustainable growth and maintain a progressive dividend.

Platforms and partners

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

Government and regulators

STV delivers on its public service obligations and is working with stakeholders to create a sustainable future model for public service media, including consultation responses on the Media Bill which would give prominence for PSBs in the digital age.

Engaging with our stakeholders

S.172 statement

In the decisions taken during 2023, the Directors consider they have acted in the way most likely to promote the success of STV for the benefit of its members as a whole, having regard to the stakeholders and matters set out in S.172 of the Companies Act 2006.

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

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

STV's success depends on building and nurturing positive relationships with its stakeholders that have an interest in the business and may be impacted by the decisions taken. STV wants to be a business that provides positive outcomes for its stakeholders, identified through its strategic planning process as being employees, customers, shareholders, suppliers, communities and the environment, Government, and regulatory bodies. These stakeholders are at the heart of STV's business model, strategic priorities, values, and culture.

Our extensive engagement efforts help to ensure that the Board can understand, consider and balance broad, and sometimes conflicting, stakeholder interests when making decisions and retain focus on delivering long-term sustainable value. Stakeholder engagement and analysis is also key to STV's approach to risk management.

While the Board will engage directly with stakeholders on certain issues, stakeholder engagement will often take place at an operational level with the Board receiving regular updates on stakeholder views from the Executive Directors and senior management.

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

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

| Stakeholder group | What matters to the stakeholder | How we engage with them | Key topics this year | How the Board responded |
|--|--|--|---|---|
| <p>Colleagues</p> <p>Our colleagues are integral to the success of STV and so nurturing them is essential</p> | <ul style="list-style-type: none"> • Knowing their voice is heard • Ensuring everyone is treated fairly • No compromises on safety and wellbeing, including mental health • Regular 'check in' opportunities for all colleagues • Development and career progression • Alignment between personal and Company values | <ul style="list-style-type: none"> • Participation of the designated Employee Director, the Senior Independent Director, in meetings of the Employee Forum • The 'Minute Live', a weekly all-Company informal discussion led by the CEO • Ongoing employee engagement and wellbeing surveys • 'Wellbeing from STV' programme of activities including active inclusion networks • Training and development programmes, and mentoring | <ul style="list-style-type: none"> • Integration of Greenbird Media into STV Group • Inclusion, diversity and equality • Wellbeing (mind, body and lifestyle) • Succession planning | <ul style="list-style-type: none"> • Continuous prioritisation of wellbeing (mind, body, lifestyle) with the 'Wellbeing from STV' programme being enhanced through the launch of a wellbeing app and other resources • Succession planning for key roles with roll-out of Women in Digital programme • Engagement with colleagues across all offices through rolling programme of visits and events • Flexible approach to salary reviews and other bonus and/or one-off payments • Board visit to Greenbird offices |
| <p>Customers</p> <p>Our viewers, subscribers, advertisers, and commissioners are the cornerstone of STV's continued success</p> | <ul style="list-style-type: none"> • Variety of programming both broadcast and produced • Availability, cost-effectiveness and reach of linear and digital channels • A trusted and impartial news service • Awareness of key social and topical issues | <ul style="list-style-type: none"> • Dedicated Viewer Enquiries team • Customer surveys via ScotPulse • STV Growth Fund, incorporating the Green Fund and Inclusion Fund, STV Self Service and the Growth Academy • Social media and STV News website • Market insight | <ul style="list-style-type: none"> • Data and insights • Sustainable supply chains • Pricing • Collaboration and partnerships | <ul style="list-style-type: none"> • Investment in Market Voices, STV Business Spot and Expert Voices • Continued support for STV Growth Fund • Agreement with ITV which brings original content exclusively to Scotland via extended preview windows, available on STV Player • Investment in new creative labels with the acquisition of Greenbird Media Group, expanding a forward pipeline of new programme ideas for commission and improving choice for viewers • Technology roadmap for STV Player reflecting customer feedback |
| <p>Suppliers</p> <p>Continuity and sustainability of our supply chain is critical for our long-term success</p> | <ul style="list-style-type: none"> • Timely payment practices • Open and transparent negotiations • Collaborative relationships • Compliance with laws and regulations | <ul style="list-style-type: none"> • ITV/STV Council • Face to face meetings with suppliers • Contract performance reviews | <ul style="list-style-type: none"> • Management and control of inflationary pressures • Sustainability of supply chain • Security of invoicing and payment arrangements | <ul style="list-style-type: none"> • Development of sustainable supply chain approach • Strategic oversight of relationship with ITV – introductory meeting of Chairs • Commitment to fair treatment for all suppliers • Ongoing training on information security to enhance key controls around payment processes |
| <p>Shareholders</p> <p>Shareholders play a vital role in the success and growth of STV through provision of funds</p> | <ul style="list-style-type: none"> • Strategy and execution • Prospects for future growth • Investment plans and expected returns • Returns via dividends and capital appreciation • Strong ESG practices • Transparency and openness | <ul style="list-style-type: none"> • Annual General Meeting • Capital Markets Days • Presentations to the retail investor community at Shares Conference and Investor Meet • Visits to Company operating premises • One to one meetings • Dedicated Investor section of the corporate website | <ul style="list-style-type: none"> • Strategic priorities and investment case • Market conditions, economic and geopolitical environment • Management of pension obligations • Cost strategy, margins and returns • Sustainability and ESG | <ul style="list-style-type: none"> • Accelerated growth in Studios through acquisition of Greenbird Media • Delivered £2.5m cost saving plan • In-person meetings with Executive and Non-Executive Directors • Regular communication of performance • Provision of guidance where appropriate • Achievement of 2023 STV Zero sustainability targets, including improved rating in CDP climate survey to B |
| <p>Community and environment</p> <p>In order to remain relevant to our viewers and advertisers, we must reflect the communities we serve both on-screen and off-screen and use our Public Service Broadcaster status to share important topical, social and environmental issues</p> | <ul style="list-style-type: none"> • Availability of trusted news, facts and insight • Supporting local causes and community projects • Driving the local economy through job creation and supporting local businesses through access to our marketing platforms in a cost-effective way • Reducing our environmental impact • Representation through programming, on screen and online | <ul style="list-style-type: none"> • News and current affairs programming aligned with key current social issues • Online portal, STV Self Service • STV Growth Fund incorporating an Inclusion Fund and Green Fund, and STV Growth Academy • STV Children's Appeal | <ul style="list-style-type: none"> • Sustainability and climate risks • Supporting the local creative sector • Cost of living crisis | <ul style="list-style-type: none"> • Launch of Sustainable Scotland Week (a cross platform campaign to raise awareness and inspire behaviour change) • RTS Bursary scheme • Distribution of £2.2m to local charities supporting children living in poverty across Scotland, via STV Children's Appeal |
| <p>Government and regulators</p> <p>Active engagement provides STV the opportunity to input on matters relating to our industry and our business, to ensure that our voice as Scotland's leading Public Service Broadcaster is heard</p> | <ul style="list-style-type: none"> • Compliance with laws and regulations • Ethical operations and practices • Creating and sustaining employment • Investing in the creative industry, providing training and development opportunities • Environmental, Social and Governance practices | <ul style="list-style-type: none"> • Participation in a range of consultations affecting our industry and business • Direct engagement with policy makers, e.g. The Department for Culture, Media and Sport, Scottish Government, Ofcom • Holyrood reception hosted by Fiona Hyslop • Westminster lunch hosted by Brendan O'Hara | <ul style="list-style-type: none"> • Channel 3 licence renewal • Draft Media Bill, specifically prominence for PSBs in a digital streaming environment | <ul style="list-style-type: none"> • RTS Bursary scheme • Consultation responses to industry matters including the Media Bill • Investment in independent production companies • Providing direct employment for c.600 people, and supporting Scotland and the UK's freelancer community • Joint training initiative between STV News and Women In Journalism Scotland |

Overview

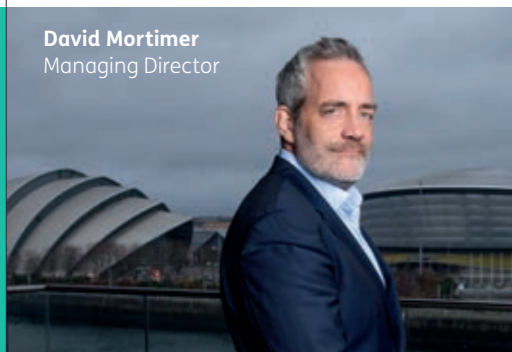
Strategic Report

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Additional Information

David Mortimer
Managing Director



Celebrity Catchphrase
STV Studios Entertainment
for ITV



2023 has been a standout year for STV Studios. Our production business continues its strong growth trajectory, with revenues almost trebling year on year and profit growing nearly fourfold. We are scaling rapidly and profitably, strengthening our position as the biggest production company in Scotland and moving ever closer towards our core strategic objective of becoming the UK's number 1 nations and regions producer.

Over the past four years a key part of our expansion plan, alongside organic growth, has been to invest in new production partners. In July 2023, we executed this strategy through the acquisition of Greenbird Media, significantly increasing the number of production labels under the STV Studios umbrella, more than trebling our portfolio of returning series and significantly expanding our forward pipeline of new programme ideas. Our Studios business was already on track to exceed our 2023 target of £40m of revenue, but this transformative acquisition has added significant scale and creative firepower to the group and accelerated STV's overall diversification strategy in terms of both revenue and profit.

Studios

58 new series commissioned or recommissioned

68 series produced

34 returning series

Seven antique show formats

£5.2m operating profit¹

¹ Adjusted operating profit (note 7).

Strong performance

For 2023, STV Studios revenue has almost trebled to £67m, comfortably ahead of target, with adjusted operating profit of £3.2m. Within this, Greenbird contributed £15.0m of revenue and £3.2m of operating profit since acquisition at the start of H2.

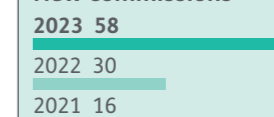
STV Studios – including the Greenbird labels – has produced a record 68 shows this year while securing over 50 new commissions and recommissions. This is a very strong performance set against a difficult global commissioning backdrop, with many UK broadcasters slowing their rate of new programme commissions, and actions by global streaming services to cut costs impacting the rate and number of new commissions awarded.

We move into 2024 mindful of the ongoing uncertainty in the market. However, not only do we have a strong stable of returning series – the holy grail for any production company – we have a compelling pipeline of new programme ideas across the expanded STV Studios, and we're excited about the year ahead for our newly enlarged creative powerhouse.

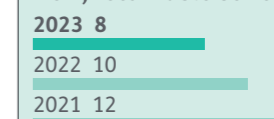
Testament to the tenacity, talent and creativity of our people, STV Studios was also named Production Group of the Year at the prestigious Edinburgh TV Awards in August 2023.

Key performance indicators

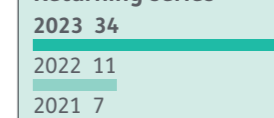
New commissions



New, returnable series



Returning series



Criminal Record
Tod Productions and
STV Studios for Apple TV+

We're proud to be a nations and regions producer, with an HQ in Glasgow and bases right across the UK.



Blue Lights
Two Cities Television
for BBC One



Compelling commissions

As a multi-genre production business, we produce a wide range of unscripted and scripted shows for a variety of channels and streamers – and 2023 has seen a plethora of STV Studios shows air across the UK and beyond. We're proud to be a nations and regions producer, with an HQ in Glasgow and bases across the country including Belfast, Manchester, Brighton, Cardiff and London, and a significant amount of production coming out of Scotland.

BBC One commissioned two new series of hit gameshow *Bridge of Lies* with Ross Kemp: a further eight episodes of the celebrity version for primetime and a third series of the regular version (25 episodes) for BBC Daytime. The wider appeal of this format was demonstrated by its first major international format sale to Spanish public broadcaster Televisión Espanola's free to air channel, La1; and we will shortly announce a 100 episode deal with a US network.

Following the success of the first series, BBC One confirmed a second six-part series of Belfast-based police drama, *Blue Lights*. Co-produced by STV Studios production label, Two Cities, series 1 aired in March to five-star reviews. One of the BBC's biggest new dramas of the year, it delivered an average audience of 5.7m (consolidated), reaching 12.5m across all episodes, and series 2 is due to air this year. Excitingly, the BBC confirmed commissioning of a further two series in February 2024.

Another major drama for us this year was the second series of prison drama, *Screw*, which aired on Channel 4 in the autumn, reaching over 4 million adults across the UK. We also delivered thriller *Criminal Record*, a co-production with our exclusive partner, Tod Productions, which launched globally in January 2024 on Apple TV+ to a raft of rave reviews.

The Guardian called it 'classy and engrossing from the start', whilst the Daily Mail praised the 'towering cast, superb script and shimmering cinematography'.

Production was ongoing throughout the year on reliable returning series favourites such as *Antiques Road Trip* and its celebrity sister series, and a new series of *The Travelling Auctioneers* for the BBC, enabling us to provide consistent opportunities for freelancers and income for the business. We also filmed brand new observational documentary, *The Firm*, for the BBC Scotland channel. An access-all-areas delve into the running of one of Scotland's most high-profile law firms, the series has attracted a high level of press attention and is being repeated on BBC One Scotland and across the UK on iPlayer.

Primal Media completed production of innovative new reality format *The Underdog: Josh Must Win* for Channel 4, due to transmit in Q1 2024. The format sees a cast of conventionally popular contestants with big existing online followings compete in a popularity contest but, in an unexpected flip to the usual format, a group of celebrities must figure out how to make the underdog, an ordinary guy with zero followers, win. In November, we announced a series development deal with US media group, NBCUniversal, to potentially create a US version of this format.

Our antiques content continues to be a ratings winner for Discovery-owned channel, Really, in particular *The Yorkshire Auction House*, which is their most-watched programme of the year. STV Studios programmes (*Antiques Road Trip*, *The Yorkshire Auction House*, *Celebrity Yorkshire Auction House* and *The Edinburgh Auction House*) accounted for 84% of Really's top 100 transmissions in 2023.

Following our acquisition of Greenbird Media in July, the new labels continue to win commissions across unscripted, with a strong pipeline into 2024. Key series include brand new entertainment format *The Fortune Hotel* (Tuesday's Child) for ITV/STV. Also coming is hit Korean format *Battle in the Box* (Interstellar) for comedy entertainment channel Dave. The series will see pairs of comics and celebrities battle it out for pride, prizes and floorspace in a comedy entertainment and reality hybrid. Alongside these new shows, we've seen recommissions for numerous long-running shows and formats including BBC Saturday night triumph *The Hit List* (Tuesday's Child) for BBC, now in its 7th season, and a third series of A&E *After Dark* (Crackit Productions for Channel 5).

Celebrity Yorkshire
Auction House
STV Studios Factual
for Really



The Hit List
Tuesday's Child for BBC One



Behind the scenes with STV
Unlocking potential:
Drama training initiative

Following a successful training initiative for *Screw* series 1, our Channel 4 prison drama, the series 2 team were committed to building on this important work. They hired a training manager and identified skills gaps in our industry, and then launched an ambitious and inclusive training programme.

The result was a deliberately diverse and comprehensive programme completed by 23 trainees, including some people with lived experience of the criminal justice system, across various departments including sound, camera, make up and graphics.

Many trainees have since secured their next roles or gone on to other training programmes. After some of our trainees were supported to step up to more senior roles, a number of new HODs have been added to the pool of Scottish crew.

Our production was all the richer for working with this diverse, ambitious and talented group of trainees, and is a strong example of STV Studios' commitment to expanding and diversifying Scotland's creative community.

The scheme was funded by STV Studios, Channel 4 Skills Fund, Screen Scotland and ScreenSkills High-End TV Skills Fund ('HETV Skills Fund').

Greenbird Media acquisition

This acquisition of Greenbird Media is a game-changer for STV Studios, significantly expanding our family of production labels, creative talent and financial potential.

Announced in July 2023, this major deal brought Greenbird's network of independent production companies into the STV Studios family for an initial cash consideration of £21.4m.

The deal boosted the number of creative labels within STV Studios from nine to over 20, creating an unrivalled network of senior creative leaders and a significantly expanded forward pipeline of new programme ideas – several of which were already greenlit for 2024.

As a result of the acquisition, STV Studios now has expanded bases in Glasgow and London, as well as offices in Cardiff, Belfast, Brighton and Manchester, strengthening our ability to take advantage of the continuing growth of production in the nations and regions.

Since its formation in 2012, Greenbird has built the largest independently owned network of high-quality producers in the UK, with an archive of 2,000+ hours of content. In 2023, companies within the Greenbird network produced almost 300 hours of new programming.

The newly combined business is now pursuing an international growth strategy, working with producers to generate maximum value from their shows outside the UK, for example building on Tuesday's Child's continued international success with *LEGO Masters* (20 territories including UK and US) and STV Studios' success with *Bridge of Lies* (including UK, Spain and US).

Greenbird founders, Jamie Munro and Stuart Mullin, are now part of the STV Studios Board in the roles of Chief Commercial Officer and Finance and Integration Director respectively, working alongside Chief Operating Officer, Paul Sheehan, and under the leadership of MD, David Mortimer.

The acquisition was materially earnings-enhancing from day one and was funded from STV Group's existing financial resources.

We're delighted to partner with Greenbird and welcome their incredibly talented network of creative leaders to the STV family as we jointly aim to grow our production base in the UK and internationally.

Some of the hit shows made by our new labels include:

- *LEGO Masters* (Tuesday's Child for Channel 4/FOX)
- *The Hit List* (Tuesday's Child for BBC One)
- BAFTA-winning *The Misadventures of Romesh Ranganathan* (Rumpus Media for BBC Two)
- *Late Night Lycett* (Rumpus Media for Channel 4)
- NTA-winning *Kate Garraway: Caring for Derek* (Flicker Productions for ITV1)
- *Mortimer and Whitehouse: Gone Fishing* (Owl Power for BBC Two)
- *Question Team* (Interstellar for Dave)
- *Emergency Nurses: A+E Stories* (Crackit Productions for ITVBe)
- *Trucking Hell* (Crackit Productions for Channel 5)



Late Night Lycett
Rumpus Media for Channel 4



Emergency Nurses: A+E Stories
Crackit Productions for ITVBe



Question Team
Interstellar for Dave



The Fortune Hotel
Tuesday's Child for ITV



Out of Order
Rumpus Media for Channel 4



Celebrity Antiques Road Trip
STV Studios Factual
for BBC Two

International Sales

As in 2022, tape sales of our extensive programme catalogue remain very strong, proving to be a reliable and valuable income stream for the business. Following the acquisition of Greenbird Media, we now have thousands of episodes in our distribution portfolio. We remain distributor neutral, inviting competitive tenders for newly commissioned programmes, enabling us to select the best sales partner for each new title.

Key programme sales for 2023 include *Antiques Road Trip* and *Celebrity Antiques Road Trip*, which continue to sell well worldwide as a combined franchise, with over 1,000 hours of the STV Studios hit series in global distribution. The UK version continues to delight viewers across the world, notably in the US, Australia and the Nordic territories.

The Travelling Auctioneers has sold internationally to territories such as New Zealand and the US. *Bridge of Lies* has been successfully sold in 17 territories as a combination of tape and format sales, including to La 1 in Spain. A US version of Primal Media's *The Underdog: Josh Must Win*, entitled *The Underdog*, is currently in development with NBCUniversal.

Post our Greenbird acquisition, the business also benefits from international sales across our new labels. These include shows such as *LEGO Masters* from Tuesday's Child, which is now in 20 territories worldwide and 2024 sees Fox Network move into its 5th primetime season for US audiences. Tuesday's Child's BBC1 juggernaut *The Hit List* continues its growth across Europe with a Spanish version for TV Canarias hot on the heels of last year's French adaptation.

Crackit's catalogue now sits at well over 1,000 hours – largely comprised of popular factual and factual entertainment programming across multiple returning series. Top selling titles internationally continue to be *Social Media Murders* (ITV), *A&E After Dark*, *Police After Dark*, *Trucking Hell* and *Casualty 24/7* (all for Channel 5).

Our rich archive material continues to be a source of international income, including *Celebrity Catchphrase*; our more recent prison drama, *Screw*; crime titles, *Taggart* and *Rebus*; and classic medical drama, *Dr Finlay's Casebook*.

Celebrity Antiques Road Trip
STV Studios Factual
for BBC Two



The Underdog
Primal Media format
for NBCUniversal



The Travelling Auctioneers
STV Studios Factual
for BBC One



Bridge of Lies
STV Studios Entertainment
format sold to La1



Antiques Road Trip
STV Studios Factual
for BBC One

Post our Greenbird acquisition, the business benefits from international sales across our new labels.

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Richard Williams
Managing Director



I'm A Celebrity...
Get Me Out Of Here!
STV and STV Player



STV Player continued on its strong growth trajectory in 2023. A winning combination of appealing and exclusive content, multiplatform availability and a continuously improving user experience ensured that our streamer is increasingly becoming a digital destination for viewers both in Scotland and across the UK.

We marked our biggest ever month and quarter in terms of viewing hours, all contributing to a record-breaking year for STV Player. An incredibly strong content line-up, including STV Player exclusives like dramas *Crime*, *Six Four* and STV premieres such as *The Long Shadow*, alongside appealing acquired shows, such as *Brookside* and *Suspects*, helped make this our biggest year ever for Video on Demand (VOD).

Delivering growth

The migration of audiences from linear to VOD continues and we're ensuring that our platform has a rich mix of high-quality content to attract viewers and keep them on the Player. Viewing hours were up 25% at 71m compared with 2022, and streams increased by 28% at 149m. We've seen growth across both viewing hours and streams in every quarter of the year.

Total active registered users – individuals who have signed up to the service, provided their details and viewed content – were up 300,000 to 1.8m across full year 2023, with 1m MAUs (monthly active users) across all STV Player platforms.

STV Player VIP sees users opting to receive email marketing and benefit from fewer ads, winning prizes, and getting personalised recommendations for our best shows. VIP users continued to grow, with new VIPs up by two thirds year on year – that's 570,000 opted-in users by the end of 2023.

Mass availability

Our addressable audience is significant, with STV Player available on all major platforms across the UK, including Freeview, YouView, Virgin Media, Samsung, Freesat and Sky.

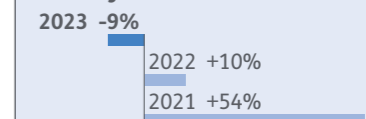
In April, the STV Player app launched on Sky Q. This was an important step in our long-term partnership with Sky, making our service easy to find verbally via remote control or on the Sky Q apps rail. Although STV Player content

Digital

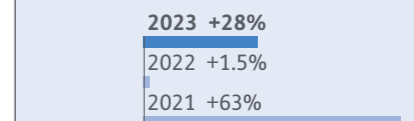
Record breaking year for STV Player
Viewing hours up 25% year on year
Streams up 28% at 149m
Revenue up 6% year on year

Key performance indicators

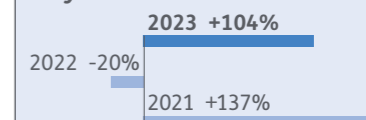
Monthly active users



Online streams



Player-exclusive streams



Nolly
STV and STV Player

Operating review



The Twelve
STV Player

We're ensuring our platform has a rich mix of high quality content to attract viewers and keep them on STV Player.

Planet V

An important contributor to the growth of our digital business in 2023 has been our new commercial deal with ITV, which has now seen a full active year of operation.

In addition to access to exclusive Network content in Scotland, this important deal sees ITV's market leading sales team take on exclusive responsibility for selling all national VOD and simulcast advertising inventory on STV Player from 2023, allowing STV to benefit from ITV's unrivalled scale in the UK market. We joined ITV's addressable advertising platform, Planet V, allowing advertisers to access STV's inventory alongside ITV's combination of mass simultaneous reach and data-driven, targeted advertising. Planet V is already used by all the major advertising agencies.

This has seen the level of targeted, programmatic advertising on our streaming service increase from 40% to 90% across the year, with our digital brand count increasing by 25% across the year, and the STV average price (cost per thousand) also increasing. This partnership has also created a genuine one-stop-shop for Scottish advertising across linear, VOD and programmatic, with the aim of attracting new, digital-only advertisers who haven't advertised on TV before. Commercial VOD delivery grew across the year with total inventory up 9% year on year.

90%
increase in targeted,
programmatic advertising

has featured throughout Sky Q's user interface across the UK since January 2021, this is the first time the dedicated app has been available, enabling customers to enjoy a direct relationship with STV, easily browsing our extensive catalogue of content, accessing our ad-free tier and becoming STV Player VIP members.

We've also integrated with Amazon Search on Fire TV and with the Apple TV app, Siri, allowing audiences to discover STV Player's programmes straight from their service. In November 2023, we launched on the Google TV platform, offering users access to VOD and live linear viewing.

As we look ahead to 2024, we aim to introduce more live viewing capability on more platforms including Sky Q, Sky Glass and Virgin, in time for the Euro 2024 kick off. Not only does this offer IP-only homes a new way to watch STV, it will also allow broadcast viewers to access live restart functionality.

A rich mix of content

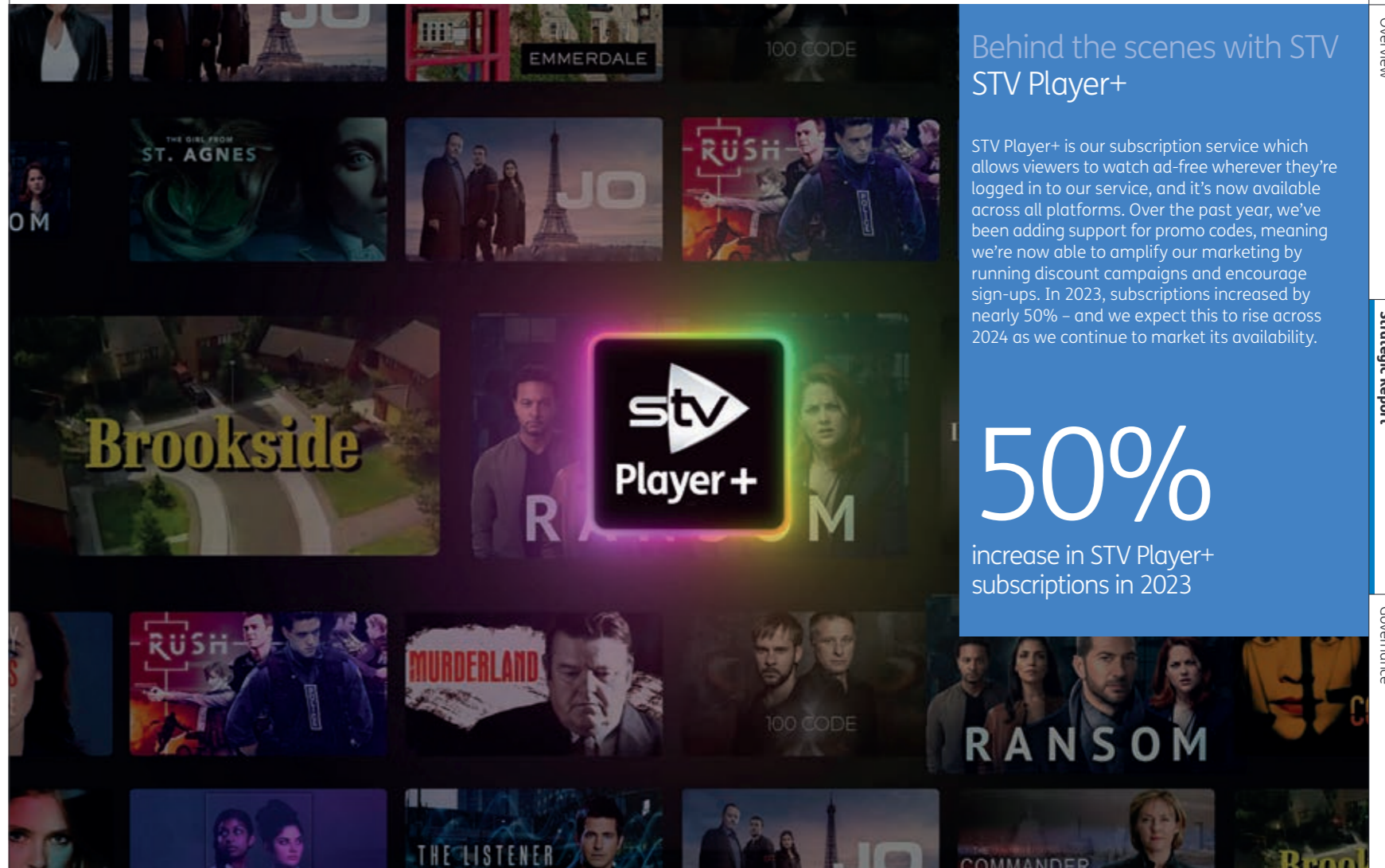
Top performing shows on STV Player are a mix of new STV exclusive network content, acquired series from across the world, and archive material, demonstrating that our strategy of offering a rich mix of programmes is delivering for our viewers and the business.

Following an agreement with ITV in December 2022, STV Player has secured exclusive rights to a range of original and premiere content in Scotland, encompassing at least 100 hours of brand new and exclusive box sets per year. 58 new series have premiered in 2023 under this new deal, driving 28% of VOD viewing. Four of these titles are in the top 15 best-watched VOD shows, including Irvine Welsh drama *Crime* starring Dougray Scott; crime thriller, *Payback*, along with *Six Four* and *Malpractice*.

With new exclusive titles launching regularly, this is an important deal for us and one that ensures we will continue to deliver exclusive, high quality, in-demand and first-run content for our audience.

In terms of network programming, soap favourites *Emmerdale* and *Coronation Street* are our strongest performing Player shows, each attracting over 4.4m of viewing hours across the year and winning the top two network spots once again. Entertainment juggernaut, *I'm A Celebrity... Get Me Out Of Here!* remained popular at position number 5. Drama remains a big driver of digital viewing, with almost four in ten STV drama hours viewed via STV Player across 2023.

Across all VOD programming, STV third-party acquired material features strongly in our top 20, with *Brookside* at number two, *Suspects* at nine and *Wild at Heart* at twelve. Our archive also continues to deliver for us, with iconic police series *Taggart* at the number 11 slot and *Take The High Road* driving enough views to win the number 14 spot.



Behind the scenes with STV STV Player+

STV Player+ is our subscription service which allows viewers to watch ad-free wherever they're logged in to our service, and it's now available across all platforms. Over the past year, we've been adding support for promo codes, meaning we're now able to amplify our marketing by running discount campaigns and encourage sign-ups. In 2023, subscriptions increased by nearly 50% – and we expect this to rise across 2024 as we continue to market its availability.

50%
increase in STV Player+
subscriptions in 2023

Top 10 VOD programmes by volume and episode

| Position | Programme name | Time spent (hours) | Total streams |
|----------|---|--------------------|---------------|
| 1 | <i>Coronation Street</i> | 4.8m | 9.2m |
| 2 | <i>Brookside</i> | 4.6m | 13.3m |
| 3 | <i>Emmerdale</i> | 4.4m | 11.9m |
| 4 | <i>Crime</i> | 2.4m | 3.9m |
| 5 | <i>I'm A Celebrity... Get Me Out Of Here!</i> | 1.5m | 2.6m |
| 6 | <i>The Long Shadow</i> | 1.4m | 2.3m |
| 7 | <i>Payback</i> | 1.2m | 1.9m |
| 8 | <i>The Bay</i> | 1.0m | 1.8m |
| 9 | <i>Suspects</i> | 1.0m | 1.6m |
| 10 | <i>Unforgotten</i> | 1.0m | 1.7m |



Unforgotten
STV and STV Player

Our content acquisition strategy helps us build our audience in Scotland and across the UK.



Crime
STV and STV Player



Redemption
STV and STV Player

Acquisition strategy

In addition to high quality network content, we continue with our digital content acquisition strategy – a proven approach which helps us build our audience base both in Scotland and across the UK, providing access to a wide range of high-quality content from around the world.

Acquired titles include shows such as Irish crime thriller *Redemption*; *The Escape Artist* starring David Tennant and Ashley Jensen; reality paranormal series, *Most Haunted*; US medical thriller, *Mary Kills People*; and Australian police procedural, *Rush*.

A key acquisition for 2023 was iconic soap, *Brookside*, achieving 1m streams in its first week and becoming the fastest show ever on STV Player to hit this milestone. The drama has also helped significantly raise the profile of STV Player across the UK. *Brookside* is our highest streaming VOD programme in 2023, with c.13m streams, of which 69% came from outside Scotland.

Deals this year were completed with international players including All3Media International, Fremantle Media, Lionsgate, Abacus Media Rights, ReelOne Entertainment and DCD Rights among many others, and boosting our already significant library by a further 850 hours.

We're proud to be working with a wide range of Scottish talent and in 2023 signed a number of deals to celebrate local films and programmes. These included comedy series, *Dirty Water*; Glasgow-set drama, *The Difference Between Us*; environmental film, *Scotland Ocean Nation*; paralympic sports documentary, *No Easy Path*; and period drama movie, *Stella*. STV Player also sponsors the RTS Scotland Student TV Awards, with all winning shorts debuting on our service.

STV Player technical improvements

Our focused team is constantly monitoring and improving our service, to ensure the best possible user journey for our growing audience.

This year, we've invested in our content delivery pipeline, which reduces the time it takes for our VOD content to appear on Sky from a few hours to a few minutes.

We've also introduced an Experian integration, which enables us to gather enriched customer data and in turn, better profile our audience. This is a vital first step in enabling us to recommend more relevant programming to our users, as well as allowing adverts to be more targeted and useful.



Brookside

In February, STV Player brought legendary soap Brookside back to screens from the very start, 20 years after it finished on Channel 4, reacquainting us with those famous, sometimes controversial and often trail-blazing storylines.

Via a major deal with distributor, All3Media International, this canny acquisition saw some of TV's most memorable faces – such as Anna Friel, Ricky Tomlinson, Amanda Burton and Claire Sweeney – appear on our streamer in a move that was celebrated by fans and media alike.

Using the very latest technology to restore the 40-year-old episodes, we dropped the first 10 episodes to launch the show, followed by five new episodes per week. The iconic drama has proved to be a hit, becoming the fastest show to reach 1m viewers on STV Player. By the end of 2023, the series had amassed over 13m streams; and it's also helped expand our viewership further afield, with 69% of all *Brookside* streams to date coming from outside of Scotland.

With some exciting, prolific storylines coming up in 2024 we have high hopes for the ongoing popularity of this long-running series on STV Player.

Digital Spy

“What’s striking, though, is how picking up a classic soap quickly helped STV Player to achieve one of its main aims. Since early 2020, the player has been trying to rebrand itself as a standalone, UK-wide streaming service, rather than something only available in Scotland.... In early February, 65% of all Brookside streams had come from outside the Scotland broadcast region – so job done. New fans will have also seen the other shows that the service has to offer when logging on to watch Brookside – a bit like the 2023 version of soaps boosting the rest of a TV schedule.”



“With the news that Merseyside soap, Brookside, is returning to TV, fans have been buzzing with excitement.”



“The nation is hooked on Brookside once again!”



Bobby Hain
Managing Director



The Masked Singer
STV and STV Player

STV is Scotland's commercial Public Service Broadcaster (PSB) and we're proud to hold the licences for the north and central regions of the country, where we deliver a top-quality schedule of network and regional programmes.

For the fifth consecutive year, STV is the most watched peak time channel in Scotland, with our viewing share considerably ahead of BBC One. We're also the only PSB in Scotland to outperform its UK Network equivalent, tracking ahead of ITV1 in terms of viewing share across all time (1.4 percentage points) and peak time (2.3 percentage points) in 2023.

STV viewers watch the channel on average for 1 hour 47 minutes per day (1 hour 48 in 2022), longer than any other PSB in Scotland.

This strong performance is due to the content on offer, which is popular and performs well against our competitors. STV delivered 97% of the top 500 commercial programme audiences last year and was the most watched commercial channel on 361 days in 2023.

Ratings winners

Soap giants *Coronation Street* and *Emmerdale* continue to be schedule favourites with loyal viewers. Other programme highlights for 2023 included new dramas *The Long Shadow*, *Nolly*, *A Spy Among Friends* and *The Hunt for Raoul Moat*; returning dramas, *Unforgotten* and *Vera*; and entertainment shows *The Masked Singer*, *Deal or No Deal*, *My Mum Your Dad* and *The Chase*.

Harry: The Interview, which saw Prince Harry and Meghan Markle speak with Oprah Winfrey, was exclusive to STV in Scotland, and attracted a linear audience of over 500k. Entertainment juggernaut, *I'm A Celebrity... Get Me Out Of Here!* again proved our most popular show, with the top rating episode attracting over 800k viewers, and was the most-watched programme of the year for 16-34 year olds on any channel.

Broadcast



STV reaches 2.8m adults each month

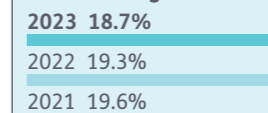
Scotland's most popular peak time TV channel

STV's all time audience higher than next seven commercial channels combined

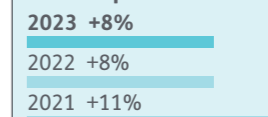
Coronation Street
STV and STV Player

Key performance indicators

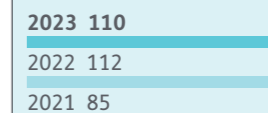
STV viewing share



STV outperformance versus ITV



New advertisers



Operating review

Our audience was boosted significantly by large scale sporting events in 2023 such as the Women's Football World Cup and the Rugby Six Nations Championship. In the autumn STV's Rugby World Cup coverage reached 2.5m Scots (53%) and attracted some of the highest audiences of the year. Viewing of the England vs Scotland Calcutta Cup match during the Six Nations peaked at 900k – our biggest audience of 2023. 1.3m Scots tuned in to watch the FIFA Women's World Cup, two thirds of whom were men.

A unique commercial proposition

STV reaches 2.8m adults each month, more than any other commercial channel, making STV a unique commercial proposition for advertisers. STV also has a higher daily, weekly and monthly reach than any of the subscription streaming services.

Like all businesses, 2023 saw us operating against a very challenging macro-economic backdrop as a result of high inflation and rising interest rates. This inevitably impacted both the Scotland regional and national linear advertising performance, albeit regional outperformed National by seven percentage points.

STV's Growth Fund, a £30m investment fund that makes advertising more affordable and accessible for SMEs in Scotland, continues to go from strength to strength. Since the launch in 2018, we have allocated almost £28m across more than 1,220 deals with Scottish businesses. 245 deals were secured in 2023 and importantly, over 65% of advertisers have returned from 2022, with businesses seeing the positive impact that TV advertising can have on their brand awareness.

Within the fund we have ring-fenced £1m for businesses who support diverse and inclusive practices. In 2023, we launched our second Inclusion Awards, inviting businesses to apply for gifted membership of the Inclusion Fund. This Spring saw four SMEs awarded £25k of commercial airtime from the fund, including Scotland's first friendship and dating agency run by and for adults with learning disabilities; a manufacturer of powered wheelchairs; a manufacturer and retailer of ethical and sustainable underwear and swimwear; and a provider of innovative financial programmes offering tailored programmes that help migrants and ethnic minorities to improve their financial wellbeing. £1m is also ring-fenced for our Green Fund for businesses with a strong commitment to sustainability, such as Edinburgh based furniture store, Richard F Mackay, who joined in 2023.



Vera
STV and STV Player



Harry: The Interview
STV and STV Player

STV reaches 2.8m adults per month, making it a unique commercial proposition.

ScotPulse

Our Broadcast division is home to Scotland's biggest research panel, ScotPulse.

With a panel of over 45,000 individuals, ScotPulse is commissioned to conduct research by a wide range of companies and agencies across Scotland and is a positive source of income for the business.

Key Scottish and UK-wide clients for 2023 include the Scottish Government, Bank of Scotland, TUI, Irn Bru, Macsween, Belhaven, Specsavers, Trading Standards Scotland, Edinburgh Airport and Oxo.

45,000
ScotPulse panel members

Top 10 performing linear programmes

| Programme name | 7 days | | |
|--|------------------|-------|-------|
| | Average audience | Share | Reach |
| <i>I'm A Celebrity... Get Me Out Of Here!</i> | 664k | 43% | 1.8m |
| <i>Six Nations: England vs Scotland</i> ¹ | 585k | 50% | 1.1m |
| <i>Harry: The Interview</i> | 520k | 35% | 708k |
| <i>The Masked Singer</i> | 498k | 35% | 1.5m |
| <i>Vera</i> | 467k | 27% | 1.2m |
| <i>Coronation Street</i> | 436k | 31% | 2.0m |
| <i>Unforgotten</i> | 434k | 19% | 817k |
| <i>Rugby World Cup: Ireland vs Scotland</i> ¹ | 432k | 30% | 900k |
| <i>Emmerdale</i> | 420k | 32% | 2.2m |
| <i>Ant & Dec's Saturday Night Takeaway</i> | 418k | 32% | 1.4m |

Our audience was boosted significantly by large scale sporting events in 2023.

Source: Barb Jan-Dec 2023 (09:30-24:00), individuals, 3+ mins continuous reach, excluding repeats and party political broadcasts. Pre-TX viewing is included where applicable.

¹ Full broadcast. Table includes top Six Nations and Rugby World Cup matches only.



Behind the scenes with STV Expert Voices

In 2023, we celebrated two years since the launch of STV Expert Voices, our media workshop initiative designed to increase diversity of contributors in our news and current affairs programmes. Created to expand our network of expert contributors, our news team has now trained more than 1000 individuals from under-represented groups, with around 10% already appearing on air using their skills. We have worked in partnership to expand our networks and enjoy relationships with organisations such as Women In Journalism, Pass the Mic and SportScotland. 2023 also saw the launch of a dedicated database for our news and current affairs teams, ensuring that spokespeople who are comfortable participating in our programmes can be found quickly and easily.

As part of a company-wide approach to improving the diversity of our business, Expert Voices is positively impacting our on-air representation, for which we have clear targets in news and current affairs. In 2023, 10% of our news contributors were from ethnically diverse backgrounds (target 8%); and 52% were female (target 50%). *Scotland Tonight* hit both its diversity targets in 2023: women made up 50% of contributors (on target) and 13% of contributors came from an ethnically diverse background (12% target).

STV Zero

STV is committed to improving sustainability across all areas of our business and increasing awareness of climate change amongst our audiences. This company wide campaign is called STV Zero.

In summer 2023, a key part of this campaign was the launch of our first ever Sustainable Scotland Week, which saw us using our privileged position to convey accurate climate-related information to our viewers in an accessible way. This seven-day, cross-platform mission – including specially commissioned research, programming and promos – saw STV raising awareness of how climate change is impacting Scotland’s communities and inspiring viewers to live more sustainably.

Here’s how we did this:

- STV News at Six covered stories on climate change from across Scotland each evening;
- Scotland Tonight aired a special on sustainability issues facing the country in peak time;
- Sean Batty presented a special one-hour documentary Sean’s Scotland SOS on how the climate crisis is impacting the country and what people are doing to help;
- STV Player ran a dedicated Green Hub of sustainability themed programming;
- Special eye-catching promos ran across the schedule highlighting Sustainable Scotland Week with little tips for viewers to help make a difference.

Our dedicated TV content reached 1.5m viewers. ScotPulse research was commissioned to measure the impact of our activity and this revealed that 3 in 5 Scots think TV broadcasters should make more programmes on climate change and sustainability; and 72% of those who saw Sustainable Scotland Week programming said it made them more likely to make more environmentally conscious choices.

All STV productions are albert certified and we have adopted compulsory measures – such as no single use plastics on sets and clear sustainable travel policies – all of which have quickly become the norm. This commitment to sustainability, both on and off-air, will strengthen and intensify throughout 2024.



STV News and current affairs

STV News at Six has retained its position as the most-watched news programme in Scotland, tracking seven share points ahead of Reporting Scotland (its highest ever share lead). We produce two programmes which air at 6pm each weeknight and their success is down to the inclusive and engaging story-telling of our journalism, the friendly professionalism and familiarity of our presenters and the talent of our wider production and reporting teams, as well as the unique regional split of stories making each show highly relevant to our viewers. The programme for the central region contains a section with a split of stories for the east and west of the country; whilst the programme in the north region provides a split for the north and south of that region. The consistently high ratings reflect the trust our viewers have in our content and the 2023 Ofcom News Consumption Survey confirmed that STV remains the most-used source for accessing news about Scotland by people in Scotland.¹

Our current affairs programme, Scotland Tonight, continues to provide debate and analysis four times a week, including one evening in peak to reach the largest possible audience. The programme attracts high calibre contributors and commentators as well as top politicians from across the country to debate the hot topics of the day. The team also produces Scotland Tonight ‘specials’, featuring in-depth investigations into subjects such as cosmetic surgery, deafness in children and heart transplants in Scotland, alongside lighter subjects such as the 40th anniversary of iconic drama Taggart.

2023 saw a change of First Minister with the SNP appointing a new leader. STV was the first channel to broadcast a live leadership debate with Political Editor Colin Mackay putting candidates through their paces. The one hour special attracted the highest audience of all the leadership debates to air that month, which is testament to the skill and professionalism of our highly experienced team.

The STV News website has also had a strong year, with 3.1m unique visitors to the site on average per month. Page and video views totalled an average 29.6m each month, 10% ahead of target. 2023 saw the site’s most-read story ever, with 1.1m page views about former First Minister Nicola Sturgeon’s arrest in June. News is now also delivered via multiple social sites including TikTok, Instagram and YouTube, as we seek to expand and diversify our audience. The STV News TikTok has shown particularly strong growth, from 45k video views in January to 3.8m by the end of the year.

¹ News Consumption Survey 2023: Scotland (ofcom.org.uk).

Sean’s Scotland SOS
STV and STV Player

Regional production

In addition to news, we produce a range of regional programming which is distinct and relevant for our Scottish audience. 2023 highlights include dedicated shows for the STV Children’s Appeal to raise awareness of the issue of poverty impacting young people and families across Scotland. These included a fundraising show with Lorraine Kelly and Sean Batty, which was filmed at one of the charities we support (Refuweegee) and shined a light on the range of work being carried out by many of our partners; and a documentary hosted by Jean Johansson, exploring the importance of sport in supporting young people affected by poverty and featuring the work of four charities.

Our Friday night peak time programme, What’s on Scotland, brings viewers news of events, theatre, cinema and concerts across the country. With access to the biggest celebrities and productions, the team interviewed stars such as Lewis Capaldi, Harrison Ford, Deacon Blue and Phoebe Waller-Bridge.

We also produced a special look back at 2023 for Hogmanay called Bringing in the Bells and delivered dedicated programming around sustainability, which you can read more about in the spotlight on STV Zero.

More than 3m Scots tuned into STV’s regional programmes across the year.

Regulatory update

In March, we welcomed the announcement from the Secretary of State that Channel 3 licences can be renewed for a further ten-year period from January 2025, securing the future provision of commercial public service broadcasting in Scotland, including the country’s highest performing news and current affairs programmes.

STV also welcomed the introduction of a Media Bill at Westminster and its subsequent parliamentary progress. This new legislation is urgently required to make Public Service Media as prominent on digital platforms as they are today on broadcast platforms, and ensuring STV remains easily available and discoverable for viewers. It’s vital that the Bill now makes its way swiftly through Parliament into law.

More than 3m Scots tuned into STV’s regional programmes across the year.



STV News at Six
STV and STV Player

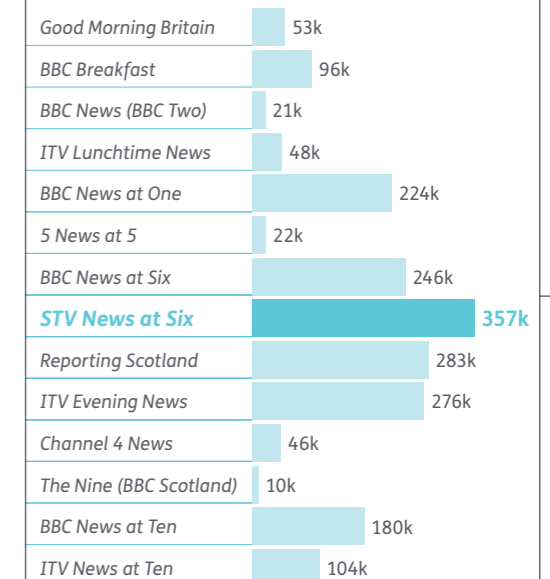


Scotland’s Next First Minister: The STV Debate
STV and STV Player



Bringing in the Bells
STV and STV Player

All major news programmes



Source: Barb Jan-Dec 2023 (Mon-Fri), full length programmes, individuals

Finance review

For the year ended 31 December 2023



Lindsay Dixon
Chief Financial Officer

The Group has delivered a resilient financial performance in 2023 with growth in Studios and Digital, combined with cost savings, mitigating the impact of the decline in linear advertising brought on by the macroeconomic backdrop.

Trading overview

Total revenue grew by 22% to £168.4m (2022: £137.8m). This was primarily related to growth in Studios revenue, which reached £66.8m in the year, up from £23.7m in 2022, with a contribution of £15.0m from Greenbird Media Limited ('Greenbird') in the period since acquisition. Digital revenues also continued to grow and were up 6% on the prior year.

Total advertising revenue (TAR) for the year was £97.3m (2022: £110.0m), a decrease of 12% on the 2022 performance, with linear advertising revenues being heavily impacted by the challenging macro-economic environment. Within this, national advertising revenue was down 16% with regional continuing to out-perform at -9% year on year. Across the year, after a first half performance of TAR down 14%, the second half was down 9% showing a slight improvement.

On a statutory basis, operating profit was £6.4m (2022: £25.3m), the decline a result of (i) the profit impact of lower, high margin linear advertising revenue, and (ii) higher one-off costs in the year relating to finalisation of the new agreement with ITV and the acquisition and subsequent integration work on Greenbird. Adjusted operating profit of £20.1m was down 22% on the record set in 2022 of £25.8m, equivalent to an adjusted operating margin of 11.9% (2022: 18.7%). The proportion of Group adjusted operating profit derived from non-broadcast earnings was 75%, compared to 38% achieved in 2022. This marked increase is in part due to the absolute quantum of Digital and Studios adjusted operating profit increasing year on year (by £5.2m or 53%) but it is also impacted by the declines in high margin linear advertising revenues that have resulted in a 53% reduction in Broadcast operating profit year on year.

A key contributor to the Studios performance is the acquisition of Greenbird on 6 July 2023, which contributed £3.2m operating profit in the period post acquisition. The margin achieved by Greenbird over this period is higher than anticipated because of additional secondary sales revenue receivable. On a proforma basis, the FY23 results of the Greenbird group were revenue of £27.4m and operating profit of £3.2m giving an operating margin of 11%. The Studios division also realised organic growth across the year driven by a number of programme deliveries. These included *Criminal Record* (AppleTV+), a co-production with Tod Productions Limited, *Screw series 2* (Channel 4), and *The Underdog: Josh Must Win* (Channel 4) from Primal Media. The overall divisional margin improved from 5.9% to 7.7% in FY23 which we expect to improve again in FY24 as the synergy benefits associated with the Greenbird integration are realised.

The Digital division generated operating profit of £9.9m (2022: £8.5m), an increase of 16% on 2022, driven by VOD revenue growth of 7% and tight control of costs. We continued investment in our third party content strategy, following the agreement reached with ITV in December 2022 to secure exclusive access to original, premiere content in Scotland for the STV Player. Our increasingly strong relationships with platform partners, combined with a growing library of quality content, has delivered an increase in consumption (71m hours, up 25% year on year) and active registered users up 20% year on year.

The Broadcast division generated an operating profit of £9.8m (2022: £20.7m). This result was driven by the decline observed nationally in the linear advertising market and to a lesser extent in regional linear advertising. Our arrangement with ITV meant that our contribution to the national programme budget decreased by the same percentage as national advertising revenue, protecting the level of decline in the division's operating profit margin, and representing a cost saving of c.£6m in the year.

The Group set a cost saving target of £2.5m for the year, which was achieved through a combination of permanent and temporary savings and was a mix of year-on-year savings and cost avoidance. Savings were made across pension admin costs, ad serving and central costs amongst other areas. As expected, the year-on-year savings offset broadly half of the cost inflation seen in the business, coming through salary inflation and energy costs in the main. As we look forward to the next three years, an important part of driving profitable growth will be simplifying the business for a digital-first world and continuing to focus on operating efficiency. We are therefore setting a cost saving target to reach a full year run rate of £5m by the end of FY26.

Interest costs on the Group's borrowing facilities totalled £2.4m for the year, compared to £1.1m in 2022. This increase reflects the higher SONIA rate applicable in 2023 combined with the higher average net debt of the business. A total tax credit of £5.3m has been recognised in the year (2022: charge of £4.9m), principally driven by HETV tax credits receivable of £7.7m (2022: £nil). Profit for the year was £5.3m (2022: £17.3m), of which £0.8m was attributable to minority shareholders in certain subsidiary companies (2022: loss of £0.2m).

Adjusted earnings per share (EPS) at 28.2p was down 33% on the prior year driven by lower operating profit and higher interest costs. On a statutory basis EPS was 9.7p (2022: 38.3p).

Cash flow and net debt

The Group has in place a £70m revolving credit facility, with £10m accordion, maturing in March 2026. The key financial covenants under this facility are leverage (the ratio of net debt to Adjusted EBITDA) and interest cover, which must be less than 3 times and more than 4 times respectively.

The Group also has a £7.1m production financing facility relating to commissioned programme production, of which £3.3m was drawn at the end of the year. This facility will mature when the programme is delivered to the commissioner in H1 2024. The production financing facility of £3m made available to Two Cities Television at the prior year end and was fully drawn at that time, has been repaid in full in 2023.

At the balance sheet date, the Group had net debt of £32.3m compared to £15.1m at the start of the year. The increase is principally driven by the acquisition of Greenbird Media, which was a net cash outflow of £15m on acquisition. Initial cash consideration of £21.4m was paid on completion with a further £0.5m paid in December as surplus cash was dividended to Greenbird from one of its subsidiaries. Operating cash conversion in the year improved on 2022, as expected, and was 169% (2022: 45%).

Results summary

| | 2023 | 2022 |
|-------------------------------------|-------|-------|
| Adjusted results¹ | | |
| Advertising revenue (£m) | 97.3 | 110.0 |
| Total revenue (£m) | 168.4 | 137.8 |
| Operating profit (£m) | 20.1 | 25.8 |
| Operating margin | 11.9% | 18.7% |
| Profit for the year (£m) | 13.8 | 19.1 |
| Earnings per share (p) | 28.2 | 42.3 |
| Statutory results | | |
| Total revenue (£m) | 168.4 | 137.8 |
| Operating profit (£m) | 6.4 | 25.3 |
| Profit for the year (£m) | 5.3 | 17.3 |
| Earnings per share (p) | 9.7 | 38.3 |

¹ Refer to note 7 in the Notes to the financial statements.

At the end of the year, the Group's leverage (calculated on a covenant basis) was 1.2 times (2022: 0.5 times) and interest cover was 12.9 times (2022: 42.8 times), both metrics well within the covenant limits.

Non-statutory measures

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

In calculating the adjusted measures of operating profit, profit before tax and EPS, the Group adjusts for (i) items that are unusual by virtue of their nature, size and/or infrequency and are considered to be one-off and not necessarily directly related to the underlying trading of the Group; (ii) IAS 19 non-cash finance costs in relation to legacy defined benefit pension schemes; (iii) High-End Television (HETV) tax credits; (iv) amortisation of acquisition intangible assets; (v) the finance cost associated with the unwind of discount on the liability in relation to put options recognised over shares in subsidiary companies; and (vi) the tax charge or credit associated with each.

Overview

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For the year ended 31 December 2023

Adjustments in relation to HETV tax credits receivable recognise the income in a manner that reflects how the business is managed on a day-to-day basis, namely that these funding amounts are contributions to the cost of production rather than tax income. With effect from 1 January 2024, the HETV tax credit regime has been replaced by the introduction of Audio Visual Expenditure Credits (AVEC) with the presentation of AVEC aligned to the adjusted results currently presented by the Group. Therefore, from 1 January 2024 our statutory presentation will align to the current adjusted approach and the requirement to adjust will fall away.

Lastly, we have presented adjusted results to exclude two amounts that have arisen following the acquisition of Greenbird: the amortisation of acquisition intangibles, which are recognised under accounting for business combinations; and the unwind of discount on the liability associated with put options. The first is a product of the purchase price allocation work done to identify the provisional fair values of separately identifiable intangible assets and the second is a non-cash financing cost not related to underlying trade.

In the current year we have recognised one-off costs in relation to agreement of the new arrangements with ITV for digital sales and exclusive content (£3.1m, 2022: £0.5m) and acquisition and integration costs associated with the Greenbird investment (£2.4m, 2022: £nil). The amount in relation to Greenbird includes an accrual of £0.9m for the first earn-out payable to the founders based on FY23 financial performance.

Pensions

The Group has two legacy defined benefit pension schemes, both of which are closed to new entrants and only one of which has a small number of active employees. From an accounting perspective, the IAS 19 accounting deficit across both schemes fell during the year to £54.8m at the balance sheet date (2022: £63.1m). The decrease in the liability is primarily driven by updated mortality assumptions that reduce life expectancies. The schemes' next triennial valuation is due at 31 December 2023 and work has started with the trustees. We expect to conclude on the outcome of the valuation in H2 2024.

Dividends

The Board is recommending a final dividend of 7.4p per share resulting in a total dividend of 11.3p for the year, in line with that paid in respect of 2022. If approved at the Annual General Meeting on 1 May 2024, the final cash dividend will be paid on 31 May 2024 to shareholders on the register as at 19 April 2024.



Lindsay Dixon
Chief Financial Officer

Risk management

Effective risk management is fundamental to STV's achievement of our strategic objectives, and we look to ensure our risk management framework is dynamic and flexible to match the evolving environment we operate in.

The Board determines its appetite for risk across several key risk areas and assesses the relative level of risk that the Group is prepared to accept in the pursuit of our strategic objectives. A risk management framework is in place which underpins our approach for the identification, assessment, and management of risks, and for their continual monitoring and review. This is formally documented in the form of a Group risk management policy, which also provides clarity for where the responsibility for risk management sits within our governance structures. This policy is shared with all colleagues at STV and is a key building block of the culture of risk management that has been embedded throughout the organisation.

Responsibility for risk

The key roles and responsibilities for risk management comprise three layers. Each role within the Group is well-defined with clear responsibilities and a transparent reporting structure. The first line of defence is comprised mainly of our divisional management teams and central function heads who are responsible for identifying and managing risk as part of their accountability for achieving strategic objectives. Taken together, they have the necessary knowledge, skills, information, and authority to operate the relevant policies and procedures of risk control and ensure compliance with Group policies and standards throughout their division/function. This is underpinned by an understanding of the Company, its objectives, the environment in which it operates, and the risks it faces.

Our second line of defence comprises the range of functions that oversee and/or specialise in compliance and management of risk, including Group Finance, IT, Compliance, Legal, and specialist teams in relation to information security (including GDPR) and regulatory compliance. These functions report directly to members of the Management Board which has overall responsibility for managing the Group to ensure it meets its strategic objectives. The second line of defence provides the policies, frameworks, tools, techniques, and support to enable risk and compliance to be managed in the first line, conducts monitoring to assess how effectively it is being carried out, and helps ensure consistency of definitions and measurement of risk.

The third line of defence comprises Internal Audit, the principal function providing independent assurance to the Group. Sitting outside the risk management processes of the first two lines of defence, its main roles are to ensure that the first two lines are operating effectively and advise on how they could be improved. The Internal Audit plan is set by the Audit & Risk Committee and provides an evaluation of the effectiveness of governance, risk management and internal control. A full description of the scope of Internal Audit in 2023 and engagement with the Audit & Risk Committee is given in the Report of the Audit & Risk Committee on pages 82 to 86. In addition to the work of Internal Audit, there are other independent third parties from which the Group seeks assurance in specialist areas, including carbon emissions reporting and energy contract negotiation.

The Audit & Risk Committee reviews the Company's internal control and risk management systems (including internal financial controls) annually, as delegated by the Board, and reports to the Board on how it has discharged its responsibilities. The Board undertakes an annual review of the Risk Appetite Statement, which is shared across the organisation and forms a key part of the risk management process.

Risk assessment process

STV's approach to risk assessment combines a top-down strategic view supported by a bottom-up operational risk assessment.

The strategic view, led by the Board, involves an assessment of the external environment in which the Group operates to evaluate both the current and emerging risks the Group faces in pursuit of its strategic objectives, and to reflect on any changes to those risks previously identified as principal risks. Through its annual agenda of activities, the Board undertakes a robust assessment of new and emerging risks, which includes the following: (i) detailed discussion with each of the divisional management teams as to the risks surrounding operational matters and achievement of longer-term goals and objectives; (ii) review and consideration of wider viewing, audience and technology trends beyond the Company's market sector, supported by insights from third parties; (iii) regular updates from the Company's pension advisers on evolving practice and regulation in relation to defined benefit pension schemes; (iv) regular legal and regulatory reports from in-house Legal and Compliance teams; and (v) engagement with brokers, the internal and external auditors, and other advisers as appropriate.

The bottom-up approach, led by the divisional and central function management teams, involves the identification, management, and monitoring of risks in their respective area of the business on a continual basis and is formally documented in a risk register. The Group operates individual risk registers for each of its operating divisions, the central functions/corporate matters, climate-related matters, information security (including data) and technology operations.

For each risk identified, standardised grading is used to support the measurement of impact and likelihood, which together provide a quantitative view of the gross risk. This scoring matrix, which considers risk by reference to both quantitative and qualitative attributes and the probability of occurrence, allows for comparability and consistency of risk measurement across the Group. Risks are then re-assessed based on the strength and effectiveness of existing mitigating controls and an appropriate net risk response is determined in line with the Group's risk appetite. Each risk is assigned to a risk owner who is responsible for ensuring associated mitigating controls are operating effectively and for monitoring that the net risk continues to be within the tolerance levels of the Board-agreed risk appetite.

Risk registers are live documents and are continuously reviewed and updated as appropriate. Divisional registers are formally tabled for discussion at divisional board meetings at least quarterly, usually aligned with the quarterly financial forecast process. Central function risk registers are reviewed by the Head of the associated central function at least quarterly. Risks deemed to be the most significant in the context of their potential to impact achievement of the Group's strategic goals are reflected in the Group risk register and reported to the Board.

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Risk management

The Group risk register is a combination of operational and emerging risks identified through the divisional and central function risk registers and new and emerging strategic risks identified by the Board through its ongoing evaluation of the external environment that the Group operates in (as described above).

The Audit & Risk Committee has delegated authority from the Board to review the effectiveness of the Group's risk management and internal control systems, which it does

at least annually. It performs an annual assessment of the effectiveness of the risk management and internal control frameworks through review of the Group risk management policy and how it has been implemented during the year, and evaluation of reports from the internal and external auditors and reports to the Board on the outcome of the work performed.

Risk governance structure

Board

- Sets strategic objectives
- Evaluates and monitors identified principal risks and uncertainties, including potential impact on achieving agreed strategic objectives
- Horizon scan for emerging principal risks
- Determines risk management policy, including risk appetite



Audit & Risk Committee

- Evaluates and monitors key risks (those on the Group risk register), including potential impact on achieving agreed strategic objectives
- Advises the Board on principal risks and mitigations
- Sets internal audit plan to gain independent assurance over the effectiveness of key risks and mitigations
- Reviews internal audit reports and management responses to identified action points
- Details of the reviews undertaken by the Audit & Risk Committee during the year are disclosed in the Governance section of this report on pages 82 to 86



Management Board

- Reviews divisional and central function risk registers quarterly and documents the most significant risks in the Group risk register
- Considers whether there are any other risks that need to be captured in the risk registers
- Challenges risk scoring and effectiveness of controls and monitors compliance with risk appetite thresholds
- Bi-annual reporting on principal risks and related mitigations to the Audit & Risk Committee
- Regular reporting on implementation of action points raised by internal audit



Divisional Board

- Identifies risks and associated controls specific to division
- Quantifies gross and net risk scoring and allocates a risk owner for continuous monitoring
- Reviews operating effectiveness of mitigating controls

Central and specialist functions

- Identifies risks and associated controls relating to central functions, information security and technology, and compliance
- Quantifies gross and net risk scoring and allocates a risk owner for continuous monitoring
- Reviews operating effectiveness of mitigating controls

Risk appetite

Appetite for risk is considered by the Board across several key risk areas that are business critical and could materially impact upon the Group's ability to achieve its strategic goals if a disproportionate level of risk to expected reward is taken. The Group uses four categories in determining risk appetite based on a quantitative measurement of likelihood and impact.

Key

Averse

Avoidance of risk and uncertainty is a key organisational objective.

Cautious

Preference for options that have a low degree of inherent risk and may only have limited potential for reward.

Open

Willing to consider all options and choose the one that is most likely to result in success while also proving an acceptable level of reward.

Actively seeking

Eager to pursue options that provide the greatest level of reward, despite the higher level of inherent risk.

These are applied across the following key categories:

Risk and opportunities

Reputation

Strength of brand is vitally important in the markets that STV operates in. The Group places great importance on upholding its reputation and therefore has a low appetite for risk in engaging in any activity that could lead to undue adverse publicity or could lead to a loss of confidence by the Scottish and UK political establishments, regulatory bodies or by its shareholders and other stakeholders.

Averse Cautious Open Actively seeking



Legal and Regulatory

The Group is a compliant organisation and will not tolerate breaches of regulations in pursuit of its objectives. Existing legal and compliance frameworks are rigorously respected and explicitly followed.



Information Security & Cyber

The Group has no tolerance for material cyber security incidents which impact our ability to operate as a business, damage our reputation or lead to financial penalties.



People & Culture

The inability to recruit, develop and retain talent with the appropriate skills, knowledge and experience would compromise our ability to deliver our strategic plans. The Group is committed to building a diverse and inclusive culture and through its Open Access Charter, has a strategy in place to ensure it represents the communities it serves. It considers equality, diversity, dignity and respect to be of paramount importance, together with employee development and the health and safety of employees. It has no appetite for any deviation from its standards in these areas.



Returns & profitability

The Group aims to deliver strong growth through the strategic options it identifies, ensuring that these are for appropriate returns, with a focus on market median margins (as a minimum target), clear return on investment and good working capital management together with cash generation. Returns from all potential investments are compared to the Group's WACC rate to ensure they are incremental to the Group's cost of capital within a reasonable timeframe. While opportunities may be taken that result in some dilution to the operating margin in the short term, these would be expected to generate margin enhancing results within the 3 year plan period.



Liquidity

The Group is prepared to use leverage in pursuit of achieving its strategic objectives and will utilise the funds available to the Group from its revolving credit facility, subject to maintenance of significant headroom in the associated financial covenants and sufficient capacity to meet defined benefit pension obligations.



Strategic partnerships

The Group will actively pursue merger & acquisition, joint venture or other collaboration opportunities that are aligned with its strategic direction towards creating sustainable value, subject to meeting its investment criteria.



Technology & innovation

The Group will actively pursue opportunities to invest in its broadcast technology and development of its digital platform with a view to enhancing reliability and the viewer experience and maintaining relevance compared to other market participants.



Operational

The Group has a low appetite for taking risks that may lead to significant disruption of our operations. We seek to minimise the risks from unforeseen operational failures in our business but acknowledge that some are outwith our control.



Corporate sustainability

The Group considers the impact its operations have on the environment and actively pursues opportunities to reduce its carbon footprint in order to become a net zero carbon business by 2030. The Group has a low appetite to engage in any activities that could impact progress towards this strategic goal.



Risk management

Principal risks and uncertainties

As in any business, there are risks and uncertainties that could have an impact on the Group's operating results, financial condition, and prospects. The Group's risk management and assurance framework is designed to make this less likely by clearly identifying and seeking to mitigate key risks. The Board takes seriously its responsibility to ensure the systems and processes in place are robust, effective and take account of such risks, but acknowledges that they cannot eliminate all risks.

The risk management framework and underlying processes in operation throughout the year have been described in the Risk Management report on pages 37 to 39. These processes underpin the identification and assessment of principal risks as set down on the following pages.

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

Regulatory environment

Risk category: Legal and regulatory
Risk trend: No change
Link to strategy: Maximise Broadcast

Risk description and potential impact

STV's linear broadcast business is operated under Channel 3 licences that are regulated by Ofcom and contain conditions around contribution to public service broadcasting, programme production and compliance with Ofcom's codes. In the event of any serious or repeated breaches, Ofcom has powers to impose sanctions including, in the most extreme circumstances, financial penalties or revocation of licences. Separate from compliance, changes to policy and regulation or a failure by the UK government to regulate may have a negative impact on the future of our public service broadcast (PSB) licences, our business model and/or the cost of operations.

PSB regulation is currently being updated with a Media Bill intended to modernise the regulatory landscape to reflect the importance of digital distribution. This Bill will modernise the regulatory landscape to reflect the importance of digital distribution alongside traditional broadcast. It includes the right for PSB services including STV to prominence for our VOD services on digital platforms and smart TVs. Commercial agreements for PSBs to secure carriage on these new services and devices will be subject to dispute resolution by Ofcom where terms cannot be agreed. PSBs will also be able to deliver some of their licence obligations by making programmes available online instead of/in addition to on TV, though this does not apply to news or regional programmes which will remain on linear broadcast.

Although the Bill has wide cross party support and as of February 2024 has moved to the House of Lords for scrutiny, there remains a risk that it will not achieve royal assent.

How we manage it

As licensee, it is STV's responsibility to ensure that the terms of our licences are adhered to, and internal measures are in place to ensure this happens. There is a dedicated compliance function with regular staff training undertaken, and frequent contact with the regulator to ensure awareness and understanding of any updates or changes to the codes/rules so we can adequately prepare.

STV makes formal submissions to the Regulator in response to all open consultations to ensure matters of the most significance to the Group are presented to policy makers. We also collaborate with other organisations in our industry, where appropriate and where individual objectives are aligned. Specifically, all PSBs have collaborated around engagement on the terms and parliamentary progress of the Media Bill.

Governance and oversight

The Broadcast board meets monthly and is chaired by Bobby Hain, MD of Broadcast. It is attended by members of the Management Board as well as representatives from News, Legal, Marketing and Finance. The regulatory landscape is a regular standing agenda item, with the licence renewal process currently discussed in detail at each meeting. Compliance reports are received by the Management Board at least twice a year, and the annual plan is approved by both the Information Security Group and the Management Board. The STV Board is provided with regular Legal and Regulatory updates which regularly includes developments in the licence renewal process. During the year, representatives from the Board and management team met with Ministers and MPs, and participated in events in Westminster with the aim of ensuring that matters surrounding the Media Bill and licence renewal that are important to the Company, were explained to decision-makers and influencers. This included the importance of regionalisation in discussions around prominence and fair value in the Media Bill.

Market volatility and impact on revenue generation

Risk category: Returns and profitability
Risk trend: No change
Link to strategy: Maximise Broadcast/Drive Digital/
 Build world class Studios

Risk description and potential impact

STV's sales, expenses and operating results could vary from period to period as a result of a variety of factors, some of which are outside STV's control. These factors include general economic conditions; conditions specific to general advertising markets including the commercial television market; conditions specific to commissioning markets, both domestic and abroad; trends in sales, capital expenditure and other costs; and the introduction of new services and products by STV or its competitors.

The challenges in the UK economy and resultant low levels of consumer and investor confidence persisted throughout 2023 with policy makers taking several actions to manage and reduce the high levels of inflation. The resulting uncertainty continued to negatively impact the advertising market as participants remained cautious, with the commissioning market also impacted as commercially-funded broadcasters reduced the number of commissions awarded and sought to reduce programme budgets. The recent relative improvements in interest rates and inflation have resulted in us assessing the risk trend as 'no change' following an assessment of 'increasing' in the prior year.

How we manage it

STV's national linear and VoD advertising is sold by ITV and the contract requires ITV, as agent, to maximise revenue through 'best endeavours'. ITV provide a weekly performance report, and regular meetings are held between the senior commercial management from both companies to understand current forecasts and trends.

STV's regional Scottish advertising (for both linear and VOD) and sponsorship are sold by a dedicated team who pursue a range of initiatives to ensure the effectiveness of our sell, driven by the STV Growth Fund through which we provide support to enable businesses to grow their brands.

In July 2023, STV acquired Greenbird Media, which strengthened our existing rights catalogue and future creative pipeline. Post year end, STV increased its investment in Two Cities Television to 51%. In recent years, STV Studios has diversified its customer base through wins with SVOD whose business model isn't underpinned by advertising revenue. All these developments serve to broaden the creative pipeline and customer base of STV Studios, making it more resilient in challenging times.

Governance and oversight

Weekly advertising revenue reports are circulated to the Management Board, highlighting movements in forecast and other relevant information. There is a full discussion and challenge at each Broadcast and Digital board meeting when STV's Commercial Director provides a report on sales and the outlook for the market. Both the CEO and the CFO report on the advertising market in their respective reports at each Board meeting.

In Studios, the governance structure of the divisional board was enhanced post-acquisition of Greenbird through the appointment of a Chief Commercial Officer and a Finance & Integration Director. The commissioning status is reported on monthly by STV Studios Managing Director at each Studios board meeting and includes discussion around progress of live productions, development slate activity and the status of any ongoing pitches, on a genre-basis across the portfolio.

Reliance on ITV

Risk category: Returns and profitability
Risk trend: No change
Link to strategy: Maximise Broadcast/Drive Digital

Risk description and potential impact

The majority of STV's Channel 3 programming content is provided by the ITV Network. Therefore, its ability to attract and retain audiences is dependent on the quality, variety and diversity of programming available, which, in turn, impacts the ability of STV to attract regional advertisers. In addition, the performance of ITV as STV's national linear and VOD advertising sales agent is a significant factor that affects the financial performance of the Group. Appointing ITV as sales agent for VOD advertising aligns STV with a significant market player with considerable scale and reach, in a market that is increasingly mature and seeing new entrants in the form of the global streamers as they develop their AVOD propositions. The risk trend has been assessed to be the same year on year as reliance on ITV in this fast evolving market is considered to lower STV's overall returns and profitably risk associated with VOD advertising, particularly at this point in ITV's own growth trajectory for its digital business.

How we manage it

This relationship is managed closely, with regular updates on programme and schedule developments being provided through STV's Head of Consumer Insights with STV's Commercial Director having responsibility for the sales relationship with ITV. There are increasing touchpoints across both digital businesses following the new arrangements between the two companies in relation to digital content.

Contracts are in place for all network functions performed by ITV with agreed consultation processes for any changes to arrangements. The long form contract in relation to digital content was formalised and agreed during the year.

Regular dialogue includes formal quarterly ITV Council meetings with minutes provided to Ofcom. Regarding ITV acting as the Group's national sales agent, there are regular meetings between the Commercial Directors of both businesses to discuss latest forecasts, booking trends and similar factors. In addition, there is contractual profit protection for STV in relation to national linear sales whereby STV's contribution to the national programme budget is pegged to national advertising revenues, with the cost only increasing in the same proportion as any increase in revenues. VOD content costs are managed through a series of revenue share arrangements with no up-front licence payments due.

Governance and oversight

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

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Risk management

Changing viewing habits

Risk category: Returns and profitability
Risk trend: Increasing
Link to strategy: Maximise Broadcast/Drive Digital

Risk description and potential impact

Previously, television was broadcast to a mass audience through a small number of channels and followed a set schedule. However, advances in technology and improved connectivity have resulted in viewers having an abundance of choice through access to content from numerous VOD platforms that is available to them when they want rather than being tied to a traditional programme schedule. In a market where traditional broadcast viewing is in slow-run decline, there is a risk to STV of not being able to convert viewers from linear to digital efficiently, or being unable to attract new users to its BVoD service through not having the right content to service its audience.

In the current recessionary environment with linear advertising revenue significantly reduced, we have assessed the risk of changing viewing habits to be increasing.

How we manage it

STV delivers strong audience performance both in linear and digital, and the shift to digital viewing is a focus for both the Broadcast and Digital teams. The strategy of the digital business is to provide viewers with the opportunity to decide what they want to watch, and where and when they want to watch it. STV Player is building strong connections with its growing audience by adding new high quality content – both network and acquired. This includes premium extended preview content exclusive to STV Player in Scotland, through the new arrangement with ITV. This combined with acquired, third party content from around the world is intended to give the Player a strong combination of ‘big shows’ with ‘big names’ that will attract new and existing users, that is supplemented by a strong library of other content. Our rewards programme, STV Player VIP, enables us to build even stronger connections with our audience.

Governance and oversight

Consumer insights are discussed at each Board meeting with detailed information on the schedule performance provided including percentage viewing share, the year on year change in this and the year on year changes in audience volumes. Twice each year, the senior leadership team has presentations from a third party on viewing trends, and at least annually representatives from the same third party provide an update to the Board. At the Broadcast and Digital divisional board meetings audience and viewing figures for both linear television and VoD services are discussed. This matter is also discussed at the ITV/STV Council meetings.

Cyber attack or data breach incident

Risk category: Information security and cyber
Risk trend: Increasing
Link to strategy: Maximise Broadcast/Drive Digital/
 Build world class Studios

Risk description and potential impact

Cyber risk commonly refers to any disruptive activity arising from issues with the confidentiality, integrity or availability of company information, services or operations through technology and information systems. STV is dependent on technology and information systems for the smooth running of its business, and as a result a cyber-security incident could lead to a disruption to operations, reputational impact, loss of commercially sensitive data, or data exploitation attempts, i.e., fraud. With STV’s unique position as a public service broadcaster and having one of the most recognisable brands in Scotland, we are potentially at greater risk of an attack. Accordingly, this risk has been assessed as increasing.

How we manage it

The STV Risk Management Framework applies to all matters of cyber and data risk, with relevant aspects led by the Information Security Group, Information Security Manager and Data Governance Manager. Our framework guides the application of management, digital and physical controls relating to the safeguarding of information and technology systems. Additionally, governance documentation is in place to cover core aspects of information and system control, including Information Security & Acceptable Use, Data Protection, Data Retention, and Incident Reporting.

Our core technology infrastructure and information systems are protected using an industry standard security stack, utilising technologies such as firewalls, intrusion detection/prevention systems, segmentation and filtering. Access to information and information systems follows a least-privilege approach with role-based access controls (RBAC) employed. Regular internal and external network penetration tests are performed by a third-party with remediation items swiftly actioned.

Business continuity and operational resilience are addressed as part of the Information Security Group remit, with strict dependency validation and risk escalation taking place. Plans are tested at regular intervals relevant to their respective criticality.

Governance and oversight

The Information Security Group (ISG) meets monthly and maintains responsibility for the implementation of security risk reduction and overall progression actions, including activities relating to governance, risk and compliance. The ISG is supported by the Technology Leadership Group (TLG).

The ISG provides reports to the Audit & Risk Committee, while additionally reporting to the board on major projects, internal controls, and risk management.

Defined benefit pensions scheme shortfalls resulting in increasing employer contributions

Risk category: Liquidity
Risk trend: No change
Link to strategy: Maximise Broadcast/Drive Digital/
 Build world class Studios

Risk description and potential impact

The STV defined benefit pension schemes’ investment strategy is aimed at reducing any market movement impacts. However, it is possible that a macro-economic change could impact the value of scheme investments and liabilities and increase the deficit, requiring the Group to increase its contributions. The schemes are well hedged against inflation and interest rates and following the gilt crisis in 2022, the schemes are much smaller with lower quantum of liabilities. The Pension Regulator confirmed in 2023 that the new Funding Code will only apply for valuations with effective dates on or after 22 September 2024. This means that it will not apply to the triennial valuation of the Company’s schemes until their valuation at 31 December 2026.

How we manage it

STV is invited to attend all Investment Sub-Committee meetings, and also certain agenda items of the Actuarial/ Valuation Sub-Committee and the full Trustee Board. This meeting participation is supplemented by certain papers being shared with STV, specifically on performance of the scheme’s investments and hedging reports, which enable an on-going and active dialogue in relation to the investment portfolio. Work has continued in line with the Memorandum of Understanding between STV and the Trustees as we continue to work towards agreement (and delivery) of a long term journey plan.

Governance and oversight

Managing STV’s defined benefit pension schemes has been identified as a key risk for several years and is discussed regularly by the Audit & Risk Committee and the Board. During the course of 2023, the CFO presented a number of updates to the Board in relation to pensions, covering topics that included covenant assessment in relation to the Greenbird acquisition, investment performance and the collateral and headroom underpinning the scheme’s LDI portfolio, and the Funding Code proposals. This work was supplemented by detailed papers, presented to the Board in April and October by the Company’s pension advisers, LCP, which covered an overview of the Group’s schemes, changes in the regulatory landscape and their potential impact on STV, and insight into the investment strategies adopted by the Trustees and potential alternatives, including risks and opportunities.

Recruitment and retention of people

Risk category: People and culture
Risk trend: Reducing
Link to strategy: Maximise Broadcast/Drive Digital/
 Build world class Studios

Risk description and potential impact

The market for talent is highly competitive, particularly in Studios where demand for the best creative minds is always high, even in a challenging commissioning environment. Recruiting and retaining the best individuals is vital to STV successfully executing its growth strategy. The cost of hiring staff is also at a higher base level than observed previously due to the impact of salary inflation over the past year and there is also added pressure on securing diversity through the recruitment process to attain STV’s diversity targets. Furthermore, as the tenures of incumbent management board personnel lengthens, and with the inherent limitations to succession plans for these roles in a relatively small organisation, there is the risk of unexpected turnover that could not be replaced readily by in-house resource.

How we manage it

Having a clear strategic direction provides an attractive backdrop to working at STV and the HR team ensures that all employees receive at least the market rate in terms of compensation. Salaries are regularly reviewed and there are a wide range of benefits available to employees. Hybrid working arrangements mean there is no longer a requirement for employees to be permanently office based so the pool of available candidates for roles has increased.

Succession plans are in place for key members of the leadership team, and these are reviewed at least annually by the Board and Nomination Committee (for Executive Directors). Market-tested remuneration packages are in place for each individual at the point they join the organisation and are reviewed annually as part of wider resource planning and reward strategy processes.

In the current climate, the Group has sought to focus on employee wellbeing in the widest sense and has broadened the benefits available to its people, as well as making proportionately higher salary increases to those employees who are most impacted by the increased cost of living.

Governance and oversight

Succession planning and talent management are discussed regularly at both the Board and Nomination Committee meetings as well as at the Studios and Digital divisional board meetings. The salary negotiation process is discussed in detail with Board, with the Board paying particular attention to the suite of benefits available to teams in the current climate.

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Viability statement

In accordance with the UK Corporate Governance Code 2018, the Directors are required to perform an assessment of the Group’s viability over a period longer than the twelve months required for the going concern statement.

The period taken into consideration for this year’s viability assessment is three years, consistent with that applied previously, as the Directors continue to deem this the most appropriate time frame for assessing the Group’s longer-term viability. This decision reflects the following factors:

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

This year’s assessment covers the period from 1 January 2024 to 31 December 2026.

The viability assessment evaluates the potential financial impact of the principal risks and uncertainties that are faced by the Group, to assess its ability to withstand them. The analysis takes as its starting point the Group’s 2024-2026 Strategic Plan which was prepared over Q4 2023 and approved by the Board in February 2024. These plans are the result of detailed consideration of all areas of the business including the business model, opportunities, potential risks and uncertainties faced over that timeframe, and include profit and loss, cash flow, debt and covenant forecasts. They reflect the current economic environment and management’s best estimate of the likely duration and impact of the current recession on the linear advertising market and the UK and international commissioning markets, as well as mitigating actions that are available.

In assessing the viability of the business, the Board considered several factors that may have a material impact over the period covered by its assessment. Whilst all principal risks (as presented on pages 40 to 43) could have an impact on the Group’s performance, those most likely to have the potential to impact the Group’s business model and long term viability are:

Market volatility and impact on revenue generation

- a) The performance of the national and regional linear advertising markets is significantly adverse to forecast;
- b) The projected growth in digital advertising is significantly adverse to forecast, or the forecast level of growth requires incremental investment over and above that assumed in the Strategic Plan;
- c) The projected momentum in programme commissions and therefore revenue and gross margin in STV Studios is significantly adverse to forecasts, and is insufficient to fully leverage the fixed cost base; and
- d) There is implementation risk associated with delivery of cost savings required to right-size the business for the next stage of growth.

Defined benefit pension schemes

- e) The triennial valuation at 31 December 2023 results in higher contributions from the Company with an impact on liquidity headroom and the ability to invest in the business for future growth.

In terms of those principal risks which the Board consider do not present a risk to the viability of the Group over the period under review, the following is worthy of note:

- **Regulatory environment** – the renewal of our Channel 3 licences has recently been agreed by the Secretary of State and Ofcom is in the process of issuing them to us. The proposed new Media Bill addresses areas that we had identified as key for the future sustainability of public service broadcasting and while not yet passed by Westminster has wide cross party support and has recently passed to the House of Lords.
- **Reliance on ITV** – our commercial arrangements with ITV see us aligned with one of the largest advertising agencies in the market with considerable scale and reach. Furthermore, the newer arrangement for exclusive, premiere content for STV Player in Scotland, is a revenue share deal which means we do not make any up-front licence payments for content and therefore have a variable content cost that moves with revenue.
- **Changing viewing habits** – the impact on profitability and returns under this principal risk is likely to manifest in the same way as Market volatility and impact on revenue generation and is therefore inherently covered in the scenario analysis performed in that regard.
- **Cyber attack or data breach incident** – whilst a cyber attack could impact the business, there are robust controls and a continued focus in this area to mitigate.
- **Recruitment and retention of people** – succession plans for key roles and the Management Board are in place and reviewed regularly with interim, immediate and future successors identified. The Board considers the leadership team to be strong, with a clearly defined growth strategy that has successfully delivered over the last 6 years, and with strength and depth in its ranks.

The Board also considered whether there were any climate-related risks identified that could result in an impact on the viability of the business. An overview of the climate-related risks identified is included in our Climate-related Financial Disclosures report on page 61. Those most relevant to the viability assessment relate to (i) failure to maintain albert accreditation for programmes produced by STV Studios; and (ii) adverse impact of government policy decision preventing advertising by high carbon businesses. The potential financial impact of both these risks has been incorporated implicitly in the modelling of the advertising and commissioning markets as described below.

In terms of the specific factors identified that may have a material impact over the period of this viability assessment (as set out to the left), the Board does not consider any of them to individually threaten the viability of the business and therefore the viability assessment focused on a range of potential scenarios in which all potential risks crystallised simultaneously. These scenarios included a severe but plausible downside scenario, and more extreme scenarios in which the Group would breach borrowing and/or covenant limits.

The hypothetical, severe but plausible downside scenario modelled assumed a combination of:

- i) reductions in linear advertising revenues over the entire period of the viability assessment, meaning no recovery from the cyclical downturn experienced in 2023, the latter driving national advertising revenue down 16% (vs 2022). Performance in 2022 was also a declining picture. The main viability assumption was a national advertising revenue decline of up to 8% in each of the three years.
- ii) lower levels of VOD revenue and Digital profitability driven by underperformance of sales contracts and higher costs of content and marketing than planned. National VOD revenue assumptions were a halving of expected growth in year 1 with a one-third reduction in each of the next 2 years.
- iii) a reduction in anticipated commissions within Studios, across all genres and all commissioners, reducing production revenues by £50m across the viability period.
- iv) higher levels of contributions required to meet our obligations under our defined benefit pension schemes from 2025. The current Schedule of Contributions requires payments of c.£10m pa.

Even in these severe but plausible circumstances, the Group would remain within its banking facility and comply with all financial covenants, albeit headroom would be much reduced.

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

As part of this viability assessment, the Board also considered availability of funding in light of the maturity of the Group’s Revolving Credit Facility (RCF) in March 2026 but do not consider this to be a likely threat to the Group’s viability. The Group has strong relationships with its banks and has received ongoing support from them as it has executed the growth strategy. Part of this support has been approval of the two one-year extensions available as part of our facility. The Group has an open and transparent relationship with its banks and a history of covenant compliance and clear headroom. On this basis, we have assumed that the Group’s RCF is available throughout the period and successfully refinanced on existing terms.

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

Summary of ESG activity

2023 has been a year of continued progress and delivery of key targets across our ESG activities. The establishment of a dedicated Board committee with responsibility for ESG underscores the Group's commitment to deliver a positive social impact to promote long-term shareholder and stakeholder value.

Through our ESG activities we have continued to engage with our commercial partners, supporting Scotland's business community through the STV Growth Fund. The STV Children's Appeal uses our platform to raise awareness of the many ways that child poverty affects people, showcasing the efforts of charities and fundraising to support projects across Scotland.

Delivery of diversity targets set to support us in building a more inclusive and diverse culture and improving representation of all the communities we serve on-screen marked a major milestone in 2023.

With a clear pathway to become a net zero carbon business by 2030, we are reducing our environmental impact and using the unique opportunity of our reach across our TV and digital platforms, building audience awareness and supporting action through our content.

This report details progress and achievements in 2023 across the three key areas of our strategy: community, people and sustainability, and sets out the areas of our focus and our targets for 2024 and beyond.

The ESG Committee

We established the Board's ESG Committee during the year underlining the importance of these activities and to ensure appropriate, dedicated discussion across the year.

The ESG Committee supports the Board in ensuring the Group delivers a positive social impact to promote long-term shareholder and stakeholder value. The new Committee is chaired by David Bergg and held its inaugural meeting in October 2023. Further details of the ESG Committee are set out on pages 86 and 87.



We continued to use our platform as a force for good to shine a spotlight on the causes we support through the STV Children's Appeal and the STV Growth Fund.

We supported the mental, physical and financial wellbeing of our people and continued to build an inclusive culture with equality of opportunity.

We achieved our targets across all areas of activity, continuing to make energy and carbon savings and inspiring our audiences to make more sustainable lifestyle choices.

Over **£2.2m** raised by STV Children's Appeal in 2023
STV Growth Fund providing over **£25m** funding to Scottish SMEs
£1m Inclusion Fund for Scottish businesses championing diversity

8 of 9 diversity targets achieved
62% increase in women in top 25% of roles since 2017
47 bursary scholars supported on STV/RTS Bursary Scheme since launch

100% of STV Studios and STV produced programmes albert certified
'Sustainable Scotland Week' reached **1.5m** viewers
Carbon Disclosure Project **'B'** rating

Community

STV Children's Appeal

Families across Scotland faced another difficult year, dealing with the fallout from the pandemic and the adverse effects of an ongoing cost-of-living crisis that has pushed people deeper into poverty. The STV Children's Appeal is committed to helping children and families affected by poverty by funding projects that provide essential support around material need, education and employability, wellbeing, and community capacity building.

From December 2022 to March of this year, the STV Children's Appeal distributed £500,000 of funding to local and national charities to help families struggling with poverty benefit from direct assistance around food, clothing, and energy costs. Scotland-wide funding beneficiary Aberlour said:

"Aberlour has seen unprecedented levels of applications to our Urgent Assistance Fund due to the cost-of-living crisis; a crisis that has been catastrophic for families across Scotland already struggling to make ends meet. This grant enabled us to help families feed and clothe their children, heat and light their homes and even provide beds for many children."

Fundraising activity

2023 saw the return of established events and the introduction of some new events that all played their part to increase the fundraising total for the year, as well as raise awareness of the STV Children's Appeal and its mission.

Hundreds of people took on the Kiltwalk for the STV Children's Appeal across all four events in Glasgow, Edinburgh, Dundee and Aberdeen, raising thousands of pounds. The funds were used to support local projects in each city; AR26 in Glasgow, Togs for Tots in Dundee, Russell Anderson Foundation in Aberdeen, and Scran Academy in Edinburgh.

June saw the return of the STV Appeal Cup, which entered its second year. The tournament was hosted from Glasgow, with companies such as Dell, Santander, Glasgow Airport and KPMG battling it out for the winning trophy. The event was supported by Appeal partner Tunnock's.

STV Children's Appeal events took place throughout the year



The Big Scottish Breakfast took place during a week in September, with groups, businesses and schools hosting their own events from regions across Scotland. Kellogg's sponsored the campaign, which naturally aligned with their own objective of alleviating school hunger through their free breakfast clubs. Over 100 events took place across Scotland, with some creative and fun ideas to get people moving, particularly in the school events.

This year launched the STV Appeal Golf Day; an interactive virtual golf tournament hosted from TopGolf Glasgow for friendly rivalry and fun between competing companies. The event was sponsored by Huws Gray, who joined Jackson Boyd, Kellogg's and Bounty Competitions in coming on board to support an Appeal event.

Programming

As Scotland's commercial Public Service Broadcaster, STV is committed to increasing awareness of the many ways that child poverty affects people, showcasing the efforts of charities across Scotland fighting to break barriers and provide children with the best start in life, as well as showing viewers the difference that their support and fundraising can make. This year, a number of Appeal-supported charities were given the platform, including AberNecessities, Citadel Youth Centre and MsMissMrs.

The STV Children's Appeal campaign culminated with two key programmes shown in November. This year, the focus of the documentary was on sport and its transformative ability to change lives. Scotland's Stories: A Sporting Chance was hosted by Jean Johansson who visited four charities; AR26, Russell Anderson Foundation, Street Soccer Scotland and Achieve More Scotland, committed to breaking down barriers and giving children the chance to thrive through sport.

The STV Children's Appeal 2023 was an inspiring hour-long show hosted by Lorraine Kelly and Sean Batty, celebrating another year of fundraising efforts from ambassadors, community heroes, and businesses such as Lidl, Tunnock's and Beatson's Building Supplies. The show highlighted the compelling stories of charities who worked to support children and families affected by poverty in Scotland. Hosted from charity Refuweegee, the Appeal show was a blend of entertainment and storytelling that captured the hearts of viewers. Celebrities lined up to support a channel 'takeover' on STV to encourage viewers to donate. Across the day, STV reached 1.03m viewers.

STV colleagues taking part in the Aberdeen Kiltwalk



ESG report

Supporting Scottish business

STV's unrivalled reach as the most popular peak time TV channel makes it a highly effective medium for advertisers in Scotland. Our commitment to ensuring advertising is accessible and affordable to Scottish SMEs saw the launch of the £30m STV Growth Fund in 2018. Since launch, we have allocated almost £28m of funding across more than 1,220 deals enabling Scottish businesses to advertise on the channel, build their brand and grow.

Within the fund – and to help support two key components of STV's wider corporate Social Impact strategy – we have ringfenced £1m for Scottish SMEs championing sustainability; plus our £1m STV Inclusion Fund, now in its second year, welcomes applications from businesses who support diverse and inclusive practices to access funding to advertise on STV.

£30m STV Growth Fund



People

As a talent-based organisation, the creativity of our people is the driving force of the business. We are committed to providing an inclusive culture with equality of opportunity and ensuring everyone's voice can be heard and their contribution recognised.

Engaging with our people

Through a range of internal communication channels we provide opportunities for all colleagues to keep informed, provide feedback, access support and establish connections across the organisation.

Our employee opinion survey, *Have your say*, enables us to track engagement on an ongoing basis on a range of topics. Typical response rates are high at over 80% with participation open to all colleagues, including those engaged on a freelance basis. In 2023, the survey was used to increase understanding and deepen awareness of our sustainability strategy, STV Zero. A survey on commuting to work provided information that has informed our employee benefits strategy and provided important information to further improve our monitoring of emissions. In 2024 we will conduct surveys on wellbeing support and the effectiveness of our engagement activities.

Daily News, our daily email news update, continues to be read by over 80% of colleagues. Providing information from across the business including programme releases, performance stats, corporate developments, social events and industry updates. It is also a key tool in raising awareness and participation in our diversity and inclusion activities and STV Zero.

Our weekly all-colleague virtual town hall session hosted by the CEO is regularly attended by over 60% of colleagues. Featuring different areas and highlights from across the business every week, the session connects colleagues and provides an opportunity to build understanding about the wider business.

Connections between the Board and colleagues across the business are supported through Senior Independent Director's role as 'Employee Director'. The Engagement Forum comprises colleagues from every area and location of the Company and meets with the Employee Director on a regular basis to hear updates from the Board and to provide feedback for the Board to assess. The Employee Director undertakes a programme of site visits across locations.

STV Studios picks up Production Group of the Year Award



Rewarding our people

Reward and remuneration are determined with reference to the market and with the aim of attracting and retaining the best talent. A company-wide grading structure, benchmarked against a UK-wide peer group through our participation in Willis Towers Watson's annual media remuneration survey, provides transparency and ensures reward and benefits are market competitive.

In January 2023, an across-the-board salary increase of £2,000 was awarded to all colleagues, irrespective of the level of seniority or role. This approach ensures that the increase to our salary budget is focused primarily on supporting our lowest paid colleagues, with over two thirds receiving increases of at least 5% with an increase of almost 10% to those on the lowest salaries.

This award was combined with a benchmarking review of the salary and grading structure to ensure competitiveness with the wider market. This process highlighted the significant demand driven pressures influencing salary levels of roles in areas with skills shortages, including digital and software development, production roles in STV Studios and STV News and editorial roles in STV News. Through this review 20% of colleagues received an increase to base salary in excess of the £2,000 across-the-board award. Overall, the average of these additional salary increases, received by one-fifth of colleagues, was 12.8%.

The 2024 salary award delivers an increase of at least inflation to over half of colleagues and, like the 2023 award, has been structured to deliver a higher increase to colleagues on lower salary levels.

Getting involved in the Company's performance outcomes and providing opportunities to share in its success are the aims of the reward strategy. An all-colleague bonus plan, linked to exceeding key financial targets, will operate in 2024. Subject to shareholder approval, a new Save As You Earn scheme will be granted in 2024 promoting share ownership and a savings opportunity for colleagues.

Wellbeing and support

Our wellbeing programme, Wellbeing from STV, was extended in 2023 to include financial wellbeing recognising the impact of increases in the cost of living on our colleagues. 'Wellbeing from STV' takes a holistic approach to supporting our colleagues offering support with mental, physical and financial wellbeing.

Wellbeing from STV focuses on body, mind and lifestyle



We continue to develop the support our freelance colleagues can access while engaged on our productions, including the Company's employee assistance programme (EAP) and occupational health resources and training for our production teams to ensure we provide a safe, inclusive and mentally healthy environment to everyone who is part of our STV Studios team.

CheckIn, our performance management process, has been refreshed placing increased importance on taking time out to talk about wellbeing and support, as well as setting clear objectives to measure performance and delivery.

Diversity and inclusion

Our focus on diversity and inclusion is changing our culture, increasing the diversity of our business, improving representation and introducing new voices on screen.

Focused on our people, our audiences and our partners; our approach defines four broad priorities to drive change and become a more inclusive organisation and to represent and accurately portray our audience in our on-screen content.

| Our people | Our audiences | Our partners |
|--|---|---|
| Create an inclusive culture Build diverse internal and external talent networks | Produce representative and accessible programme and advertising content | Develop partnerships to increase inclusion across the industry, including a focus on the TV Access Project (TAP) and via the STV Inclusion Fund |

Delivery of our targets

To improve organisational focus and accelerate progress in fulfilling the aims of our diversity and inclusion strategy, in 2020 we set nine targets for delivery in 2023. All but one of these stretching targets have been achieved or exceeded, demonstrating positive change through the creation of a more inclusive organisational culture and improved on-screen representation and portrayal.

Four of five of the targets designed to increase diversity within the organisation were met or exceeded. We were disappointed not to meet the target for ethnic diversity in our London based team which was missed as opportunities for recruitment through which we can build a more diverse team have reduced as the

Celebrating two years of STV Expert Voices



ESG report

2023 diversity targets

| Our people | Gender | Ethnically diverse | | Disability | LGBTQ+ | Socio-economic ¹ |
|---------------------|--|--------------------|----------------|-----------------|-----------------|--|
| Target | 50:50 top 25% of roles by earnings | Scotland 8% | London 33% | 12% | 4% | |
| 2023 outcome | F50% Achieved | 8% Achieved | 13% Not met | 12% Achieved | 10% Achieved | 31% For monitoring only, no target set |
| (2020) | F45% | 4% | 15% | 7% | 7% | |

| On screen | Gender | Ethnically diverse | |
|---------------------|--------------------------|---------------------------|--|
| Target | STV News at Six 50:50 | Scotland Tonight 50:50 | STV News at Six 8% Scotland Tonight 12% |
| 2023 outcome | F52% Exceeded | F50% Achieved | 10% Exceeded 13% Exceeded |

commissioning market has slowed down over the past 18 months. An action programme to support accelerated progress in this area is a priority for 2024. Our other targets relating to gender balance in senior roles, ethnic diversity across our Scottish based teams, disability, and gender identity were achieved, demonstrating the extent of the change that has been driven since targets were set in 2020.

All of the targets designed to improve on-screen representation in our news and current affairs programming were met or exceeded. In 2023, 10% of our news contributors were from ethnically diverse backgrounds (target 8%); and 52% were female (target 50%). Scotland Tonight hit both its diversity targets in 2023; women made up 50% of contributors (on target) and 13% of contributors came from an ethnically diverse background (12% target).

We are committed to building on our progress and driving deeper changes to our organisation and on-screen. Having critically evaluated our progress to date, we have set a new framework of targets for 2024. Longer term targets will be set once full data from the 2022 Scottish census, which will provide important reference information, is published (publication expected in late 2024).

In addition to census data, other key reference points in determining our targets are our industry peer group and Ofcom's annual report on equity, diversity and inclusion in broadcasting. Taking account of these sources, we have set targets for 2024. In evaluating our progress, we have decided to reduce the target aimed at increasing ethnic diversity in our London based team from 33% of colleagues to a more modest level of 15% taking account of our current position (13%) and in anticipation of the continuing low level of opportunities or recruitment in 2024. Our activities to build more diverse talent networks and provide opportunities for work experience will be prioritised in 2024 to support a more ambitious target beyond 2024.

Creating an inclusive culture

The next phase of our programme to create an inclusive culture and increase cultural competence across the organisation was delivered to all colleagues by the Company's D&I Advisor, Femi Otituju. All managers completed the 'Inclusive Leadership' programme with a follow up programme, 'Everyday Inclusion', rolled out to all colleagues.

The topics covered included menopause in the workplace; gender identity to support the introduction of the Company's Transitioning at Work Policy; and providing appropriate support for neurodivergent people. Training planned for 2024 will be targeted at colleagues in STV News and STV Studios to support them in ensuring authentic portrayal in the content they create.

In June 2023, STV was recognised as Champion of Diversity, Equality and Inclusion at the Marketing Society Star Awards in respect of work underway across the business to support inclusion, both on and off screen.

Supporting a diverse talent pipeline and succession planning

Trainee positions and industry insights programmes have created opportunities for talent from under-represented groups with over 55 opportunities provided in 2023. These have ranged from production training schemes and accelerator programmes to our successful bursary programme with the Royal Television Society through which 47 scholars from lower socio-economic backgrounds have received a bursary and invaluable work experience and networking opportunities. Other programmes delivered in 2023 include *Unlocked*, an internship programme providing experience in marketing; *Breaking Barriers*, delivered in partnership with ENABLE Scotland, supporting people with disabilities and learning difficulties; and graduate trainee opportunities in science, technology, engineering and maths (STEM) related roles within our transmission and news technical teams. Through our long-standing association with the Social Mobility Business Partnership, which connects students from low-income backgrounds to employers, we have delivered networking opportunities and industry insights.

STV Drama's production, *Screw*, supported an innovative programme to encourage career conversion to the TV industry to support increased employability. Three-quarters of trainees on the programme were ethnically diverse, deaf, disabled and/or neurodivergent, and/or ex-offending. Opportunities in roles that have traditionally attracted a higher number of male applicants were offered to women, providing training in camera work and sound dubbing. Also on the production of *Screw*, our *Stepping Up* training programme provided career development

¹ No target set. Tracked for information only. Criteria as defined in Ofcom 2023 diversity data collection.

2024 diversity targets

| | Workforce: Our people | On screen: our audiences | |
|-------------------------|---|--------------------------|------------------|
| | | STV News at Six | Scotland Tonight |
| Gender | 50:50 balance across top 25% of roles by earnings and a balanced gender profile across the rest of the organisation | 50:50 | 50:50 |
| Ethnic diversity | 8% of colleagues based in Scotland 15% of colleagues based in London | 8% | 12% |
| Disability | F45% | No target set | |
| LGBTQ+ | 12% of all colleagues 4% of all colleagues | No target set | |

opportunities for eight colleagues to strengthen our succession to roles in scripted production. Training was provided for heads of department and supervisors to support the success of the programme and ensure there was mentoring and structured support. Through the programme we have increased the number of experienced heads of department in our talent network, including in roles where there are skills shortages.

In support of our commitment to increase diversity in senior STEM roles, six female colleagues have undertaken our digital accelerator programme, completing a three-month external development programme with Empowering You, delivered in association with the Scottish Digital Academy, Scottish Government and ScotlandIS.

Since undertaking the programme, 50% of participants have assumed a new or promoted role progressing our aim to improve gender balance in STEM roles and in roles in the upper earnings quartile. In addition to advancing the professional development of participants, they are encouraged to be proactive in becoming role models within the Digital business and in external professional networks to increase the visibility of women in careers in STEM.

43% of opportunities delivered in 2023 were provided to trainees from lower socio-economic backgrounds; 14% to ethnically diverse trainees; and 33% to trainees with a disability. In 2024, we will continue to develop our network of partners with an increased focus on improving access and opportunities for people with a disability.

Our audiences

STV Expert Voices, our media training and networking initiative, continues to expand our network of expert contributors and has supported all our on-screen representation targets being achieved or exceeded in 2023. 10% of our news contributors were from ethnically diverse backgrounds and 52% were female (target 50%). *Scotland Tonight* hit both its diversity targets in 2023 with gender balance of contributors and 13% of contributors from an ethnically diverse background.

By late 2023, the STV News team has trained more than 1,000 individuals from under-represented groups, with around 10% already appearing on air using their newly developed presentation skills. The expansion of this network is developing with a growing number of partners including Women In Journalism, Pass the Mic and SportScotland. Also in 2023, a dedicated database for our news and current affairs teams was launched to ensure they can readily identify contributors who are comfortable participating in our programmes.

STV Inclusion Fund

Celebrating and rewarding the efforts of progressive businesses committed to diversity and inclusion is the aim of the STV Inclusion Fund. Through a competitive process, over 30 SMEs applied for funding in the form of gifted airtime and support with the development of a marketing campaign. Four businesses were selected and have received on-air marketing support and increased profile to accelerate their growth.

Our partners: Working with partners and stakeholders to increase inclusion across the industry

We continue to work with a network of partners and industry stakeholders to support the ongoing development of the inclusion strategy, support representation of diverse talent across the TV industry to create inclusive working environments.

In 2023, STV joined the Television Access Project, TAP, an alliance of ten of the UK's broadcasters and streamers who have pledged to work together to create substantive and permanent structural change across the industry to ensure full inclusion for deaf, disabled and neurodivergent talent by 2030. STV has provided direct support in key areas of TAP's strategy: funding for workplace adjustments to support improved access to work for freelancers with a disability and identifying the requirements and training to develop new roles to support improved access. This has included training for the new role of Access Co-ordinators on productions and coaching of Access Champions, to provide allyship and support culture change.

Priorities for 2024

In addition to our ongoing programme of training and support to build an inclusive culture, a key area of focus in 2024 will be to maintain the progress achieved against our targets, including developing longer-term targets once latest census data is available. In conjunction with our industry peers and through our involvement in the TAP, we will develop and implement STV's action plan to improve access and inclusion for disabled talent, setting a long-term plan to deliver structural change by 2030.

ESG report

Gender pay profile

2023 gender balance target achieved

The Company's gender pay gap has reduced year on year as we continue to achieve a balanced gender profile across all roles (53% women: 47% men). Importantly in 2023, we met our long-term target – set in 2018 – to achieve gender balance across the top 25% of roles as defined by earnings, with half of these roles now held by women. This compares to only 30% of roles at this senior level when we first reported on gender pay in 2017.

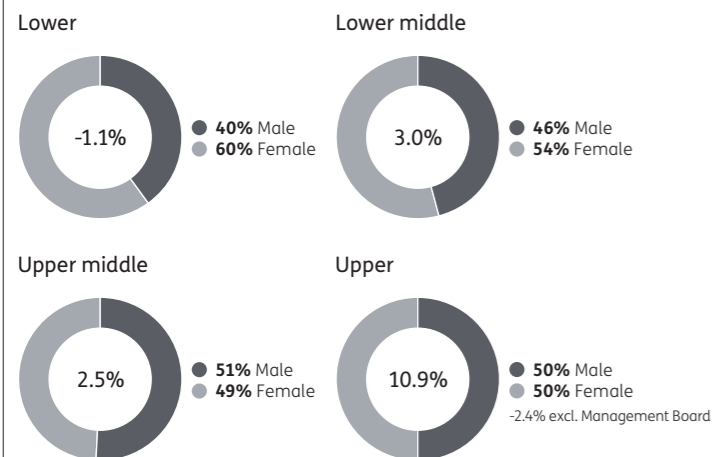
This demonstrates the positive impact of measures implemented across the business to support female colleagues to progress through the organisation into senior roles. These actions have included annual succession planning to assess and strengthen our talent pipeline, and targeted career development and talent acceleration programmes. In 2023, 53% of promotions were secured by women. At Board level (plc and Management Board), 29% of roles were held by women.

At 11.7%, the Company's mean gender pay gap continues to reduce year on year (2022: 15.6%) and over the long-term, since reporting began in 2017, this is down by 49%, from 22.8% in 2017. In the upper earnings quartile where the target was set to achieve gender balance, the mean pay gap is down at 10.9% (2022: 14.1%). If roles in the Management Board are removed from this group, there is a reverse, or negative, pay gap of -2.4%, with female colleagues averaging slightly higher pay than male colleagues in this group. In the remaining 75% of roles across the Company the mean pay gap is 5.9%.

The median gender pay gap, which reflects the difference in the midpoints of the hourly rates of pay for men and women has also reduced year on year to 9.3% (2022: 9.7%), and over the long-term, since reporting began in 2017, this is down by 46%, from 17.3% in 2017.

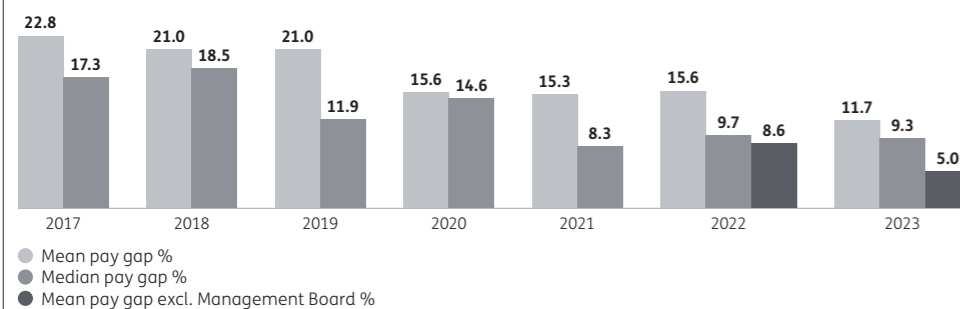
Gender balance and mean pay gap by pay quartile 2023

The mean gender pay gap has reduced again to 11.7% (2022: 15.6%). Across 75% of roles (excluding the upper pay quartile) the mean gender pay gap is only 5.9%.



Closing the gender pay gap

Since reporting began in 2017 the mean gender pay gap has reduced from 22.8% to 11.7%.



Gender bonus pay gap

The mean and median gender bonus pay gaps have remained broadly consistent year on year at 51% and -2% respectively (2022: 50.5% and 0%). Excluding the Management Board, the mean and median 2023 gender bonus gap figures are 19% and -14% respectively.

Gender pay gap reporting is prone to volatility when making year on year comparisons due to a number of factors that impact bonus payments, such as the payment of one-off discretionary bonuses and the variable timing of payment of bonuses from one year to the next.

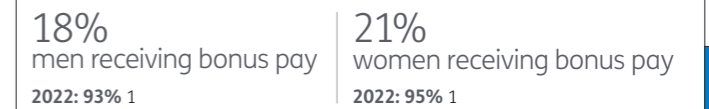
Gender bonus gap 2023

Relates to bonuses paid over the period April 2022 to March 2023



People receiving a bonus 2023

Relates to bonuses paid over the period April 2022 to March 2023



¹ In 2022 an one-off discretionary bonus payment was made to all colleagues to provide support with the increased cost of living. This accounts for the significant reduction in the percentage of people receiving a bonus year on year.

Achieving our diversity targets

To achieve our target for gender balance in the top 25% of roles*, a comprehensive programme was implemented to increase retention of female colleagues and support them in progressing to the most senior roles.

* Defined by earnings.

Talent acceleration

- Regular succession and career development has strengthened our talent pipeline for senior roles
- STV Digital Accelerator programme has supported six senior women in the Digital business with team with personal & career development
- Development programmes including Pathway are focused on developing potential and providing skills to support a future career path in the business
- All career development programmes strive to achieve 50:50 gender profile in each cohort

Culture

- Training and awareness programmes support managers and colleagues in building an inclusive culture
- Inclusive hiring training continues to be rolled out to all managers across the business
- Our Balance peer group provides a forum for open conversation around culture and development opportunities for women across the organisation

Work-life balance

- Our Returners programme supports primary carers in achieving a smooth return to work from maternity, shared parental or adoption leave, including the offer of a mentor and access to a peer support network
- Continued partnerships with Take Two and Share My Telly Job to promote job sharing opportunities across production-based roles in STV Studios
- Our menopause peer group has been established to support women who are experiencing menopause in the workplace
- All managers receive training to support them in delivering our commitments within our family friendly policies

Diverse talent pipeline

- Successful partnership with STEM Returners to support women in STEM related roles to re-enter the workplace
- 'Hack' events held at a divisional level to expand talent networks and pipelines
- STV Expert Voices develops female contributor talent for STV News & Current Affairs programming offering media and studio familiarisation training and networking opportunities
- The STV/RTS Bursary Scheme has supported 47 scholars from lower socio-economic backgrounds with financial and career development support

Sustainability

STV Zero

Our path to become a net zero business by 2030 requires change across all areas of the business and clear priorities and targets are essential to assess the effectiveness of our actions and demonstrate that we are making a positive impact. Stretching targets set for 2023 have been delivered and new commitments building on this progress have been introduced to ensure further progress in 2024.



Continued delivery of targets – towards net zero carbon by 2030

| Target | Progress |
|--|---|
| Continue to increase disclosure and transparency | <ul style="list-style-type: none"> Continued review of sustainability-related risks through the Group's risk management framework Introduction of Scope 1 and Scope 2 emissions reductions target to achieve reduction of 72% by end of 2025 Completion of measurement and data analysis of Scope 3 emissions to enable emission reduction target to be set. Data collection completed for STV activities; however, further analysis is now required to incorporate activities of Greenbird Media and Two Cities Television into targets for 2024 and beyond |
| Sustainability at the heart of the business | <ul style="list-style-type: none"> Project albert certification achieved on 100% of programming Studios in 2023 and all programming produced by STV News |
| Reduce energy consumption | <ul style="list-style-type: none"> Office temperature and lighting control measures implemented Completion of phase 1 assessment of digital carbon impact via DIMPACT Cost benefit analysis of installation of solar power at PQ initiated with landlord |
| Waste reduction | <ul style="list-style-type: none"> 100% waste recycled at all locations under the Company's control¹ Achieved 21% reduction in paper waste v 2022 |
| Using STV's reach to promote sustainability | <ul style="list-style-type: none"> Launch of <i>Sustainable Scotland Week</i> delivered specially commissioned research, programming and promos to raise audience awareness of sustainability and climate issues Delivery of dedicated sustainability series on STV during <i>Sustainable Scotland Week</i> reached 1.5m viewers |
| Achieve a sustainable supply chain by 2030 | <ul style="list-style-type: none"> Segmentation of supplier base into three tiers and launch of engagement programme with largest, Tier 1, suppliers in addition to continued collaboration with industry peers via Project albert Improved CDP rating of B in 2023 Continued collaboration across entire supplier base |
| Our culture | <ul style="list-style-type: none"> 'Be an STV Zero hero' behaviour change campaign continued to engage colleagues to raise awareness of STV Zero priorities and support adoption of sustainable working practices and lifestyle choices All-colleague travel survey to inform action programme to support sustainable commuting and reduction of Scope 3 emissions |

1 Pacific Quay; Aberdeen; Balmore storage site.

Scotland Tonight Climate Special, STV and STV Player



Sean's Scotland SOS, STV and STV Player



Improving measurement and disclosure to increase transparency

Demonstrating the impact of STV Zero in reducing the climate footprint of the business, underpinned by a science-based approach, is of the highest importance to provide assurance and clear evidence of progress to all stakeholders. Accreditation from the Science Based Targets Initiative (SBTi) provided a baseline from which we have continued to improve our approach to measurement and analysis of all data sources that enable quantification of the carbon impact of the business.

Areas of progress during 2023 have included a significant data collection project to accurately measure and monitor Scope 3 emissions, and a collaboration between our technology and digital engineering teams in conjunction with DIMPACT to obtain an initial assessment of the carbon impact of STV Player. The activity to measure Scope 3 emissions was extended in Q4 of 2023 to incorporate the activities of Greenbird Media in order that emissions reduction targets cover all areas of the business.

Measuring how effectively we are using the reach of our platforms to increase awareness of sustainability amongst our audiences will be supported through the introduction of sustainability content tracking across our news and current affairs programming in 2024.

Looking to 2024, a key aim is to reset targets integrating recent acquisitions (Greenbird Media and Two Cities Television) to enable measurement of emissions across all of the activities of those entities.

The sustainability governance structure (refer to page 59) defines clear accountability and a structured method to ensure consistency of approach to evaluate progress against targets.

Sustainability at the heart of the business

Achieving Project albert on 100% of programmes produced by the STV Studios¹ in 2023 is a significant milestone and demonstrates the extent that sustainable practices are embedded in our ways of working. This was achieved on 18 programmes/series in STV Studios and additionally on 10 programme titles in STV News. All news and current affairs programming produced by STV News has received albert certification for a second consecutive year.

1 Excludes Greenbird Media programming which will be included in the 2024 target.

Sustainable Scotland Week litter pick



Our Creative team – responsible for commercial production to support our advertisers – was a founding member of Ad Net Zero and the team has begun to introduce the Ad Green Carbon Calculator into the campaigns they develop and deliver to measure their carbon impact and support action planning towards net zero by 2030.

Placing STV Zero at the heart of our organisation and embedding the strategy into our culture is a key lever to deliver change. Our internal comms campaign – Be an STV Zero Hero – continued during 2023 with events for colleagues, including celebrating *Sustainable Scotland Week*, information sessions with external speakers and sustainability activists, litter picking to improve the environment in the locale of our office locations and the establishment of the STV Garden Gang at Pacific Quay, a group of volunteers committed to enhancing the green spaces around the office building.

Reducing our energy consumption

With over 95% of energy already secured from renewable sources, the priority is to seek to reduce overall consumption. During 2023 an ongoing programme of energy reduction initiatives has led to the introduction of office temperature and lighting control measures. A cost benefit analysis of measures requiring more significant levels of investment has commenced, including assessing the feasibility of the installation of solar power at the Company's Pacific Quay Headquarters.

Waste reduction

In 2023 we recycled 100% of waste from all locations under the Company's control. A campaign to encourage colleagues to reduce paper waste achieved a reduction of 21% year on year.

Identifying partnerships that can accelerate the impact of our activities is a key objective. We worked with Glasgow Wood Recycling who repurposed wood and upcycled old items from our storage areas contributing to a circular approach to waste reduction.

STV Zero Heroes in action



ESG report

Setting clear targets towards net zero by 2030 – 2024 and beyond

| Objective | Target | Timescale for delivery |
|--|--|--|
| Continue to increase disclosure and transparency | Compliance with additional reporting requirements arising from the International Sustainability Standards Board in 2023 Annual Report and Accounts Undertake assessment of the Company's impact on biodiversity and development of a policy, as appropriate, to support becoming a nature positive business Continued review of sustainability-related risks through the Group's risk management framework | 2024 and ongoing H1 2024 Ongoing activity to mitigate risk during 2024 |
| Sustainability at the heart of the business | Introduce emissions reductions targets: • Scope 1 and Scope 2 on a market-based approach: Reduce by 72% by 2025 (from 2022 as base year) • Scope 3 emissions reduction target to be defined Introduce climate content target in STV News programming to increase sustainability focused editorial across all platforms Maintain Project albert certification on 100% of UK-produced programming from STV Studios by end of 2024 and all programming produced by STV News | Target set for end of 2025 During 2024, introduce a quarterly tracker of Scope 1 & Scope 2 emissions H1 2024 Target expected to be achievement of a 5% increase v 2023 output across broadcast and digital content Ongoing |
| Reduce energy consumption | Continued energy reduction measures to be identified Continued engagement with DIMPACT to progress analysis of data collected to date Introduce refreshed Business Travel Policy | Ongoing throughout 2024 Ongoing throughout 2024 Q1 2024 |
| Waste reduction | Maintain 100% recycled waste at locations under the Company's control ¹ in 2024 | Ongoing |
| Using STV's reach to promote sustainability | Delivery of dedicated sustainability series on STV during 2024 | Ongoing development of content via STV and STV Player to educate and inform to influence positive lifestyle changes |
| Achieve a sustainable supply chain by 2030 | Complete introduction of sustainability criteria for all Tier 1 suppliers with continued collaboration across entire supplier base Participate in Climate Disclosure Project (CDP) in 2024 | Ongoing July 2024 |
| Our culture | 'STV Zero hero' behaviour change campaign to continue as key theme of internal communications throughout 2024, including progressing sustainable commuting following 2023 all-colleague travel survey | Ongoing |

1 Pacific Quay; Aberdeen; Balmore storage site.

Broadcaster collaboration through the Climate Content Pledge



All STV colleagues receive a sustainable travel mug during their induction



Using STV's reach to promote sustainability

Our privileged position as a public service broadcaster enables us to use storytelling to inspire viewers to adopt more sustainable lifestyles. Our dedicated campaign, *Sustainable Scotland Week*, reached over 1.5m viewers, increasing awareness and inspiring our audience to make more sustainable lifestyle choices. The campaign included specially commissioned research, programming and promotions. *STV News at Six* delivered increased editorial coverage of stories highlighting the impact of climate change on communities across Scotland; a special one-hour peak time documentary *Sean's Scotland SOS* highlighted how the climate crisis is impacting the country and what people are doing to help; current affairs programme *Scotland Tonight* aired a special on sustainability issues facing the country, and a dedicated Green Hub of sustainability themed programming ran on STV Player. Drawing all of this together, specially produced promos ran across the schedule highlighting *Sustainable Scotland Week* and providing tips for viewers to help make a difference.

Research was commissioned through ScotPulse to measure the impact of the campaign. This revealed that 3 in 5 Scots think TV broadcasters should make more programmes on climate change and sustainability and 72% of those who saw *Sustainable Scotland Week* activity said it made them more likely to make more environmentally conscious choices.

Working in collaboration with our broadcasting peers, Simon Pitts, joined the CEOs of the BBC, Channel 4, ITV, Paramount and Sky to convene a unique event to highlight the power of storytelling to inspire climate action. Following the commitments made by these organisations in the Climate Content Pledge at COP26, working in collaboration with Chatham House over 80 CEOs from the food, energy, FMCG, broadcasting and transport sectors met to discuss how climate-related stories can inspire climate and systems change at scale. The event also involved Bill Gates, Co-Chair of the Bill & Melinda Gates Foundation and Founder of Breakthrough Energy.

Achieve a sustainable supply chain by 2030

This long-term aim has been progressed through a targeted approach which has segmented our supplier base into three tiers. An engagement programme with our largest – Tier 1 – suppliers has clarified a number of actions to be addressed as we widen the scope and seek to engage a larger number of smaller scale suppliers. These second and third tier suppliers will have a less developed approach to sustainability and will require longer lead times to change their processes. Our approach is based on partnership and providing support to encourage suppliers to make changes to improve their sustainability credentials and we recognise this will require a long-term commitment with many of our current suppliers.

Our second submission to the Carbon Disclosure Project (CDP) secured an improved rating, scoring B (2022 submission: D). Through CDP, STV is benchmarked against companies globally assessing environmental practices with a focus on supply chain and emissions monitoring. The rating of B recognises that the environment impacts of the business have been addressed and that there is good evidence of environmental management.

Net zero by 2030

Maintaining momentum and increasing opportunities to involve more colleagues on our journey to 2030 are priorities for 2024. New targets have been set for 2024 and beyond, and incorporated into the corporate objectives cascaded through the organisation for tracking and reporting during 2024.

STV Zero: Aligning with external initiatives and benchmarks



We have reported our climate disclosures in line with the Task Force on Climate-related Disclosures (TCFD) since 2021 and in 2023 have extended this to meet the requirements of the Climate-related Financial Disclosure (CFD).



Project albert is the leading screen industry organisation for environmental sustainability. Albert supports the film and TV industry to reduce the environmental impacts of production and to create content that supports a vision for a sustainable future. STV is a consortium member of Project albert working in collaboration with industry peers to share, learn and act for a sustainable industry future. In 2023, all programmes produced by STV Studios in the UK achieved albert certification.



The Carbon Disclosure Project runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts and is recognised as the gold standard of environment reporting with the most comprehensive dataset on corporate and city sustainability-related action. We made our first disclosure to CDP in 2022, receiving a 'D' rating, and in 2023 our disclosure was rated 'B' demonstrating the progress being delivered through STV Zero.



DIMPACT is a collaborative initiative between leading media, entertainment and technology companies and world-class researchers established to measure, understand and ultimately reduce the emissions of serving digital media and entertainment products. As STV's digital business continues to grow, an action plan to reduce the carbon impact of STV Player will form an important part activities to achieve net zero by 2030.

Other external initiatives and benchmarks we engaged with during 2023 include:



Science-Based Targets Initiative, accredited by SBTi in December 2022



FTSE4Good
STV is a FTSE4Good Constituent of the FTSE4Good Index



Supporter and Member of Ad Net Zero since 2022

Climate-related Financial Disclosures report

Compliance Statement

STV Group plc has complied with the requirements of LR 9.8.6(8)R by including climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures except for recommended disclosure (b) under the Strategy pillar where work on quantification of climate-related risks and opportunities remains ongoing.

The climate-related financial disclosures made by STV Group plc comply with the requirements of the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

Governance

Our reporting in this section relates to the two recommended disclosures of the TCFD framework under the 'governance' pillar and the requirements of the Companies Act 2006, section 414CB, subsection 2A part (a).

The Company's governance structure in relation to climate-related matters is set out below. This structure identifies the key responsibilities at all levels in the organisation and clarifies accountability for governance.

During the year, a new Board committee – the ESG Committee – was constituted to ensure sufficient, dedicated time was set aside for consideration of environmental, social and governance matters given the increasing focus across these areas by stakeholders and in recognition of the additional reporting and regulatory requirements that the Board must seek to comply with. This committee meets at least 3 times each year and the Chair of the Committee is required to report to the Board on its activities after each committee meeting and make recommendations for approval by the Board on any aspect of its remit, including approval of the governance framework relating to climate-related matters and the identification or climate-related risks and opportunities. The initial report of the ESG Committee is shown on pages 86 and 87.

As part of its annual Board evaluation process, which included an assessment of the effectiveness of each of the Board Committees, this structure is considered to enhance the prior structure and is considered to be appropriate and operating effectively.

In providing its annual approval of the sustainability governance structure, the Board has continued to consider its own expertise and experience in this area. Directors are comfortable that there is sufficient experience among existing members of the ESG Committee, and Board, for the short to medium term. Notwithstanding this, it forms part of the normal succession planning undertaken for Non-Executive Directors to consider the developing skills and experience of the Board against an evolving landscape, of which climate-related experience is one factor.

The Board and/or ESG Committee has received three reports over the course of 2023 covering a wide range of matters in relation to sustainability and climate-related risks and opportunities, including (i) progress against operational targets set for 2023 that underpin the ultimate goal of being a net zero carbon business by 2030; (ii) the Group's governance structure; and (iii) identification and assessment of emerging and existing climate-related risks and opportunities. The Group's Risk Impact Heat Map – the framework against which the significance and likelihood of each identified risk must be scored – includes specific criteria for sustainability risks.

Across the organisation, managers have sustainability targets incorporated into their personal objectives for bonus purposes. The Remuneration Committee is responsible for approving the strategic and personal objectives of the Executive Directors, on which an element of variable pay is dependent, and which ESG matters more broadly, and sustainability specifically, are a key component. On a quarterly basis, and as part of routine risk reviews, managers are responsible for assessing and managing climate-related risks and opportunities within their business area. Additionally, managers are responsible for ensuring appropriate action is being taken to deliver the STV Zero strategy as it relates to their business and areas within their control. Reports on sustainability related issues, including progress against targets, have been delivered and discussed at divisional board meetings, and at meetings of the Management Board.

Strategy

Our reporting in this section relates to the three recommended disclosures of the TCFD framework under the 'strategy' pillar and the requirements of the Companies Act 2006, section 414CB, subsection 2A parts (d), (e) and (f).

The Group has identified several climate-related risks and opportunities over the short, medium and long term. In assessing the significance of each it has defined 'materiality' as an impact on the business that limits our ability to carry out our operations, and/or requires a change to our business model, and/or has a significant impact on our liquidity thereby limiting our ability to invest or meet our obligations as they fall due.

STV: Sustainability governance structure

PLC Board – meets at least 7 times each year

Responsible for:

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



Environmental, Social and Governance (ESG) Committee – meets at least 3 times each year

Responsible for:

- Making recommendations to the Board on all aspects of the sustainability strategy, STV Zero
- Oversight of the establishment of sustainability-related policies and codes of practice and their implementation
- Reviewing external assurance of sustainability matters
- Reviewing the challenging objectives, targets and key performance indicators relating to STV Zero
- Ensuring the Group continues to deliver a positive social impact to support long-term shareholder and stakeholder values



Audit & Risk Committee – meets at least 3 times each year

Responsible for:

- Supporting the Board in its responsibilities for sustainability, including:
 - (Shared with the ESG Committee) Overseeing compliance with, and progress on, sustainability reporting
 - Overseeing the Company's environmental data and its accuracy and completeness
 - Ensuring sufficient, appropriate assurance is obtained in relation to numerical sustainability reporting

Management Board – meets weekly

Responsible for:

- Reviewing and monitoring climate-related risks and related mitigating actions on a bi-annual basis, as part of routine risk reviews, and determining whether the net risk is within Board-approved risk appetite
- Ensuring appropriate action is being taken to achieve the STV Zero strategy, through review of quarterly reporting on climate-related issues, including metrics and targets



Divisional Boards – meet monthly

Responsible for:

- Identifying all climate-related risks and opportunities and developing appropriate mitigation strategies
- Monitoring progress against divisional emissions reduction plans and identification of remedial actions required should sufficient progress not be achieved
- Studios and Broadcast – tracking Project albert carbon action plans to ensure achievement of accreditation for all STV-produced programming



Sustainability Group – meets monthly

Responsible for:

- Promoting and championing sustainable behaviours across the Group
- Embedding a positive climate culture across the Group

ESG report

In terms of the risk assessment, transition and physical risks were considered – transition risks being those that are associated with the transition to a low carbon economy, and physical risks being those that are associated with the physical impacts of a changing climate. In carrying out this assessment, we considered three time periods: the short term, being the next financial year (2024); the medium term, being the period of our Group 3 Year Plan (through to the end of 2026); and the long term, from 2027 to 2030 (with 2030 being our target date for becoming a net zero carbon business). These time periods were considered relevant in the context of the Company's business planning cycle, investment plan, financing facility and its strategy to transition to a net zero carbon business by 2030.

In terms of physical climate-related risks, our operations are based in the UK with limited physical presence elsewhere. Therefore, we consider the risk of severe weather events and their impact on our properties to be low risk. We have informed this conclusion through completion of a flood risk assessment, undertaken for insurance purposes at our Pacific Quay offices in Glasgow which

are on the banks of the River Clyde, that determined that a 1-in-200 year event of flood waters reaching 1m would have a limited impact on the building due to the level of the interiors being further above the external ground level. Flood levels of 1.5m would need to be reached for the building's defences to be breached, which is the equivalent of a 1-in-1,000 year event.

In terms of transition risks and opportunities, we identified a number that have been assessed as being of minor concern as they are either unlikely to materialize or they are of low materiality for our business. The risks identified below are those we consider to be most significant, and we have assessed them on a division-by-division basis. As the Group operates predominantly in the UK, a breakdown by geography is not considered material or relevant. The risk scores in the table below are on a gross risk basis only – as we continue to develop and refine our related risk management activities we will look to expand our disclosure to include net risk scores. We will continue to keep these risks under review, and to evaluate market trends over time and by division, where appropriate.

| Time horizon | | | Potential impact | Division | How we manage risks |
|--------------|-------------|-----------|--|----------|--|
| Short term | Medium term | Long term | | | |
| L | L | L | Failure to maintain albert accreditation for STV News | B | <ul style="list-style-type: none"> Proportion of programmes that qualify is tracked Review of progress at News Leadership meetings Process and controls embedded in day-to-day operations |
| L | M | M | Failure to maintain albert accreditation for programme production for third parties | S | <ul style="list-style-type: none"> Proportion of programmes that qualify is tracked and reported at divisional board meetings Roll-out of training by albert |
| L | L | L | Energy price inflation, particularly electricity, remains elevated | G | <ul style="list-style-type: none"> Third party energy consultant used to provide advice on optimal contractual arrangements for the Group to maximise climate credentials and manage cost |
| L | M | + | Government policy decision prevents advertising by high carbon products or services | B, D | <ul style="list-style-type: none"> Engage with UK and Scottish governments on regular basis to put forward STV perspective on potential policy decisions STV Green Fund introduced to offer match-funding to businesses with 'green' credentials |
| L | M | M | Failure to maintain momentum in embedding sustainable behaviours across the business results in inability to achieve net zero carbon by 2030 | G | <ul style="list-style-type: none"> Active engagement with the Sustainability Group Regular events to encourage employee engagement STV Zero targets shared group-wide, sponsored by the CEO |
| + | + | + | Using STV's position as a public service broadcaster to raise awareness | B, S | <ul style="list-style-type: none"> Specific programming including current affairs on climate-related matters STV Green Fund to make advertising on TV affordable to 'green' businesses Signatory of the Climate Content Pledge with other UK PSBs |

Key:
 L = low risk; M = medium risk; H = high risk (being those that would be material as defined)
 + = opportunity
 B = Broadcast; D = Digital; S = Studios; G = Group-wide

Having identified the most potentially significant climate-related risks for our business, we have considered ways in which we might quantify them but due to the complexity involved and the significant unknowns associated with the potential risks, we have not been able to make that assessment. As part of our ongoing review of climate-related risks and opportunities, we will look for ways in which we can undertake this assessment in the future.

STV's plans for transitioning to a net zero carbon business are centred around our sustainability strategy, STV Zero. How it is being adopted across the Group and embedded in our strategy, operations, and culture, is included in the narrative on pages 54 to 57.

Resilience

Against this backdrop of climate-related risks and opportunities, and under a Paris agreement aligned scenario, we consider the organisation's strategy, business model and cash generation to be resilient. Our sustainability strategy, STV Zero, which is targeting net zero carbon by 2030, means that we would be protected from significant carbon taxes that may be introduced. More generally, our business model (as set down on pages 10 and 11) is centred around provision of advertising services and IP creation/acquisition, none of which involve global, physical supply chains.

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

- Maintaining carbon neutrality is supported by sourcing renewable electricity at sites where we control supply contracts, and reducing business travel.
- There are no items of property, plant and equipment (PPE) that are impaired as a result of changes to the way we work to reflect transition to a more environmentally sustainable operation with no impairment charges recognised.
- Our investment programme that supports our growth strategy focuses on Digital and Studios and the nature of this investment has not changed as a result of our work to achieve STV Zero targets and priorities, nor has there been any impact on the capital available to invest. We do not anticipate any change to the priority we attach to each area of investment.
- It is possible that certain costs of operation may increase as we transition to lower carbon operations, for example heat, light and power, and insurance. The high energy prices over the last 12-18 months have been UK-wide and not climate-related. We do not expect any future climate-related impact to be material, and there may be opportunity to offset any cost impacts through additional advertising revenue from brands seeking to promote the sustainability of their products and services.
- We continue to engage with the trustees of the Group's defined benefit pension schemes to understand their approach to the climate crisis from an investment perspective. Based on discussions to date we have not identified any significant risks or incremental costs to the Group but continue engagement with them as they develop their thinking and look to implement potential actions in this area.
- Lenders and equity investors are placing increasing significance and importance on our sustainability credentials, and we actively engage with them on STV Zero and our targets. We anticipate that, at some point in the future, lenders may seek to embed climate-related clauses in our facility agreement and thereby directly link the cost of funds with successful delivery of our sustainability targets. Our current debt facility, which matures in March 2026, has no such linkage.

Risk management

Our reporting in this section relates to the three recommended disclosures of the TCFD framework under the 'risk management' pillar and the requirements of the Companies Act 2006, section 414CB, subsection 2A parts (b) and (c).

The identification, assessment and management of climate-related risks and opportunities is undertaken throughout the business, with subsidiary/divisional management teams responsible for these activities in their own business and then the Management Board and Board of Directors (and its Board Committees as per the governance structure presented previously) taking a Group-wide perspective.

The identification, assessment and management of climate-related risks has been embedded into the Company's risk management and internal control processes and forms part of the routine risk reviews and Board/Committee reporting in place across the business. A Risk Impact Heat Map with specific criteria

for sustainability risks is used by those charged with governance to ensure potential risks are considered and measured in a way consistent with other identified risks across the Group.

Detailed reporting on the Group's risk management framework has been included in the Risk Management report on pages 37 to 45.

The Management Board is actively engaged in climate-related risk management activities, with regular discussions on the status of achievement of targets (including scope 3 GHG reduction targets for business travel and achievement of Project albert certification for all programming produced by STV Studios and the Broadcast division) and identification of follow-up actions required. Divisional action plans have been developed to drive accountability for making the changes necessary to achieve our short-term and long-term targets, and to ensure we are managing the potential impact of climate-related risks and opportunities in a timely and effective manner.

Each divisional action plan has specific targets that relate to the activities of the division. Designed to increase focus on adopting new ways of working to reduce the Company's carbon impact, targets include training and sustainability awareness; measurement of business travel; and incorporating a carbon calculation into production processes.

Metrics and targets

Our reporting in this section relates to the three recommended disclosures of the TCFD framework under the 'metrics and targets' pillar and the requirements of the Companies Act 2006, section 414CB, subsection 2A parts (g) and (h).

The fourth pillar of the TCFD Framework (recommended disclosure (b)) requires disclosure of Scope 1, Scope 2 and Scope 3 Greenhouse Gas (GHG) emissions, and related risks. The Group's Streamlined Energy and Carbon Reporting (SECR) forms the last section of this report and can be found on pages 62 and 63. This shows the Group's Scope 1 and Scope 2 GHG emissions for the current and prior year, and several of the 15 categories of Scope 3 GHG emissions (noting that five are not applicable to STV), where data can be obtained and measured reliably. There is only one category of relevant scope 3 emissions that we have not reported on in 2023 and we do not consider this to be material under the definition of TCFD. In FY22, we set medium term carbon reduction targets for Scope 1 and Scope 2 for the period to the end of 2025 and further details are included in the SECR report, along with a summary of risks to achieving those targets.

The Group has achieved carbon neutrality for each year since FY21.

The metrics and targets that we use to assess our progress towards achieving net zero carbon are targets aimed at reducing our carbon impact in the five key areas identified in STV Zero: energy consumption; waste reduction; programme making; promoting sustainability using STV's reach; and achieving a sustainable supply chain. In turn, these targets will only be achieved if we successfully embed a sustainability culture into the business. We have included an update on the STV Zero targets that we set ourselves for 2023 on page 54, along with an overview of the new targets we are working towards in 2024 on page 56. This section also includes details of the KPIs that we measure to assess progress towards achievement of targets.

A summary of the Group's reporting against TCFD's cross-industry metrics reporting categories is provided below. Where the Group is not yet tracking against a metric or target, an explanation is provided on its intentions going forward.

ESG report

| | Metric | Target |
|-------------------------------|---|---|
| GHG emissions | STV reports its GHG inventory breakdown as well as its emissions intensity – see narrative above and SECR below | STV Zero sets out our emissions reductions targets – see SECR below and pages 54 to 63 |
| Transition | <p>For an overview of metrics and targets in relation to our net zero carbon strategy, STV Zero, refer to pages 54 to 63</p> <p>Specifically in relation to the climate-related risks and opportunities identified in the 'Strategy' section of this report, we measure the number of programmes produced by STV News and STV Studios (separately) that achieve albert accreditation. Our target is to achieve 100%</p> <p>In FY23, we achieved 100% of all programming from both STV News and STV Studios, with 100% and 79% being achieved, respectively, in FY22</p> | |
| Physical | As outlined in our TCFD strategy section, we currently have no material physical risks | We will continue to monitor feedback from our insurers and will develop metrics if appropriate |
| Climate-related opportunities | The main opportunities for the Group are in relation to bringing new advertisers with 'green' businesses to television to promote their brands. We monitor the number of businesses who receive matched funding from our STV Green Fund, but we don't have a metric or target in relation to the number of 'green' businesses booking campaigns with STV as the scale of most local advertisers is below the threshold for climate-related reporting | |
| Capital deployment | Not currently reported | Will be further developed if deemed material and relevant |
| Internal carbon prices | Not currently reported | Will be further developed if deemed material and relevant |
| Remuneration | See TCFD Governance disclosures on page 58 and the Directors' Remuneration Report (pages 88 to 105) | See TCFD Governance disclosures on page 58 and the Directors' Remuneration Report (pages 88 to 105) |

Streamlined Energy and Carbon Reporting (SECR) – based on data for the year ended 31 December 2023

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

STV acquired Greenbird Media Limited on 6 July 2023. The data presented in this SECR statement does not include the emissions from the acquired businesses as the process of integration has focused on other areas of our enlarged operations up to now. However, there is a process underway to collate historic emissions data for 2023 and a new, ongoing process is being implemented to track and record emissions for 2024 onwards. The impact of Greenbird on the energy and carbon usage and reporting of the Group will be consolidated into the STV Group reported data in the 2024 annual report.

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

During 2022, we performed an initial assessment of the relevance of each of the fifteen Scope 3 emissions categories to the business and concluded that nine of them were relevant to the Company. We reported against three of those nine relevant categories in our 2022 SECR statement, being fuel and energy related activities (cat 3), waste generated in operations (cat 5) and business travel (cat 6).

In 2023, we have undertaken further detailed work on the collection and analysis of data and have brought one of the previously eliminated categories of emissions into scope, being investments (cat 15). We have also extended our processes to enable us to report on a further six Scope 3 emissions categories in 2023, being: purchased goods and services (cat 1); capital

goods (cat 2); upstream transportation and distribution (cat 4); employee commuting (cat 7); upstream leased assets (cat 8); and investments (cat 15).

This means that there is one remaining Scope 3 category we have not yet reported on – use of sold products (cat 11), which measures the emissions of serving digital media. As noted above, our focus for 2024 is to fully integrate the energy and carbon emission data collation, management and reporting for Greenbird into the wider STV Group and our intention is to do that without seeking to expand the categories of emissions against which we report. We would expect to include the last of the relevant Scope 3 emissions categories into our reporting from 2025 onwards and will provide an update in our 2024 annual report.

During 2023, we continued to focus on our programming being certified by the industry-wide albert scheme and achieved our key objective of having all programming delivered certified by albert. This included our STV News output produced by STV Central Limited and STV North Limited together with all programming delivered by STV Studios.

Combined Scope 1 and Scope 2 consumption was broadly flat year on year, increasing by only 0.1%, although emissions increased by 3.3% on a market-based approach due to year on year changes in conversion rates. Scope 1 consumption increased by 3.9% and emissions increased by 3.2% during the year due to boiler issues in the Pacific Quay, Glasgow office which have now been resolved. Scope 2 consumption reduced by 2.0% and emissions increased by 4.7% on a market-based approach. Energy efficient measures introduced in the year included on-line driver training to STV staff which included modules on eco driving and environmental awareness, and an alert system was installed in the Dundee office which provides notification of excess energy usage.

| Scope | | Unit | 2023 | 2022 | YoY |
|--|---|--------------------------|-----------|-----------|--------|
| 1 | Emissions from gas, refrigerants and owned vehicles | tCO _{2e} | 356.94 | 345.83 | 3.2% |
| | | kWh | 1,854,992 | 1,785,859 | 3.9% |
| 2 | Location based | tCO _{2e} | 625.80 | 596.63 | 4.9% |
| | | kWh | 3,022,106 | 3,085,247 | (2.0%) |
| | Market based | tCO _{2e} | 14.20 | 13.56 | 4.7% |
| | | kWh | 3,022,106 | 3,085,247 | (2.0%) |
| 1 & 2 | Location based | tCO _{2e} | 982.74 | 942.45 | 4.3% |
| | | kWh | 4,877,098 | 4,871,107 | 0.1% |
| | Market based | tCO _{2e} | 371.14 | 359.39 | 3.3% |
| | | kWh | 4,877,098 | 4,871,107 | 0.1% |
| Total revenue | | £m | 153.5 | 137.8 | |
| Total Scope 1 & 2 intensity ratio (location based) | | tCO _{2e} per £m | 6.40 | 6.84 | |
| Total Scope 1 & 2 intensity ratio (market based) | | tCO _{2e} per £m | 2.42 | 2.61 | |
| 3 (1) | Purchased goods and services | tCO _{2e} | 12,325.16 | - | |
| 3 (2) | Capital goods | tCO _{2e} | 246.16 | - | |
| 3 (3) | Fuel and energy related activities | tCO _{2e} | 273.76 | 260.61 | 5.0% |
| 3 (4) | Upstream transportation and distribution | tCO _{2e} | 100.25 | - | |
| 3 (5) | Waste generated in operations | tCO _{2e} | 6.02 | 1.57 | 144.6% |
| 3 (6) | Business travel | tCO _{2e} | 144.74 | 110.89 | 11.9% |
| 3 (7) | Employee commuting | tCO _{2e} | 275.79 | - | |
| 3 (8) | | tCO _{2e} | 0.01 | - | |
| 3 (15) | Investments | tCO _{2e} | 10.26 | - | |
| 3 | Total Scope 3 emissions | tCO _{2e} | 13,382.15 | 373.07 | |
| Total Scope 1, 2 and 3 (market based) | | tCO _{2e} | 13,753.29 | 732.46 | |

Methodology

The methodology used to calculate the 2023 emissions is the GHG Protocol Corporate Standard. In addition, the 2019 HM Government Environmental Reporting Guidelines: Including SECR guidance and the 2022 UK Government's Conversion Factors for Company Reporting have been used.

For Scope 1 emissions, the only estimated emissions data is for one month for the office in Pacific Quay, Glasgow, where an average has been used based on previous consumption, and for 6 months of the Balmore property where we are working with our energy supplier to resolve the issue of meter readings differing from amounts billed. The total estimated Scope 1 emissions amount to 7.09% of the total reported Scope 1 emissions (or 2.6% of the total reported Scope 1 and Scope 2 emissions).

For Scope 2 emissions, the only estimated emissions data is for electrical energy consumed in the Group's offices in Inverness and London. For both Inverness and London, the estimated consumption is based on square footage of these locations which is used for the same purpose as our other office premises. The total estimated Scope 2 energy emissions amount to 1.3% of our total reported Scope 2 emissions (or 0.8% of the total reported Scope 1 and Scope 2 emissions).

The calculations for Scope 3 emissions for categories 1, 2, 4, 8 and 15 are based on spend data with the corresponding emission factor sourced from the UK Footprint Results (1990 – 2020 Dataset), which provides conversion factors by SIC (Standard Industrial Classification) code. For Scope 3 waste generated in operations, we have been able to expand the

number of properties where we can compute our waste from two in 2022 to five in 2023. The additional three properties are multi-use offices and an estimate has been calculated as a percentage of STV office space against the total office space. For Scope 3 employee commuting, a questionnaire was issued group-wide to interrogate modes of travel to/from the office, distance from the office and days working from home, which had a 75% response rate. Emissions were computed using the UK Government's Conversion factors.

Emissions targets

Medium term targets to 2025 for combined Scope 1 and Scope 2 emissions were set in 2022 using 2019 as a baseline. In 2023 we achieved a reduction of 70% (equivalent to 835 tCO_{2e}) driven by the business transitioning to renewable energy, which has been achieved at all offices where we control supply. This is broadly in line with our forecast. Our target for the end of 2025 is to reduce our emissions across Scope 1 and Scope 2 by a further 30 tCO_{2e} which would be the equivalent of a 72% reduction on 2019 levels. This reduction is mainly driven by the conversion of part of our news fleet vehicles to electric from the start of 2025. There is a risk that lead times for appropriate vehicles may delay the conversion of the fleet to electric (equivalent to 19 tCO_{2e}). Further boiler issues in Pacific Quay, Glasgow office may materialise which would result in higher gas consumption (equivalent to 11 tCO_{2e}).

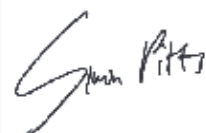
ESG report

Non-financial and sustainability information statement

The table below sets out where stakeholders can find information in our Strategic Report that relates to non-financial and sustainability matters as detailed under section 414CB of the Companies Act 2006.

| Reporting requirement | Some of our relevant policies which govern our approach | Where to read more in this Strategic Report about our impact, including the principal risks relating to these matters | Pages |
|---------------------------------------|---|--|--|
| Environmental matters | <ul style="list-style-type: none"> STV Zero, our sustainability strategy Travel Policy | <ul style="list-style-type: none"> ESG report Climate-related Financial Disclosures report Risk management Engaging with our stakeholders (S.172 report) | 46 to 64 58 to 63 37 to 45 12 and 13 |
| Employees | <ul style="list-style-type: none"> Equity, Diversity and Inclusion Policy Flexible Working Policy Business Ethics Policy Respect & Dignity at Work Health & Safety Policy Carers Policy Maternity Policy Menopause Policy Parental Leave & Policy Transitioning at Work Policy Adoption Policy | <ul style="list-style-type: none"> ESG report Risk management Governance Engaging with our stakeholders (S.172 report) | 46 to 64 37 to 45 65 to 105 12 and 13 |
| Social matters | <ul style="list-style-type: none"> Diversity and Inclusion Strategy STV Children's Appeal | <ul style="list-style-type: none"> Engaging with our stakeholders (S.172 report) ESG report Governance | 12 and 13 46 to 64 65 to 105 |
| Respect for human rights | <ul style="list-style-type: none"> Modern Slavery Statement Data Protection Policy Supplier Payment Policy Information Security Policies Social Media Policy | <ul style="list-style-type: none"> Operating reviews Engaging with our stakeholders (S.172 report) ESG report | 15 to 33 12 and 13 46 to 64 |
| Anti-bribery and anti-corruption | <ul style="list-style-type: none"> Business Ethics Policy (includes Anti-bribery) Whistleblowing Policy Gifts and Hospitality Policy Share Dealing Code | <ul style="list-style-type: none"> Risk management Governance | 37 to 45 65 to 105 |
| Business model | | <ul style="list-style-type: none"> Business model | 10 and 11 |
| Principal risks | | <ul style="list-style-type: none"> Risk management | 37 to 45 |
| Non-financial KPIs | | <ul style="list-style-type: none"> Operating reviews ESG report | 15 to 33 46 to 64 |
| Climate-related financial disclosures | <ul style="list-style-type: none"> STV Zero | <ul style="list-style-type: none"> Climate-related Financial Disclosures report Risk management Remuneration report | 58 to 63 37 to 45 88 to 105 |

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



Simon Pitts
Chief Executive
5 March 2023

Introduction to governance

On behalf of the Board, I am pleased to present the Corporate Governance report for the financial year ended 31 December 2023.

Year in review

In my Chairman's statement, I make reference to the challenging macroeconomic background in 2023. With that as a backdrop, our commitment to effective corporate governance practices has become even more important and has continued to underpin our strategic delivery and operations and ensure we constantly challenge our assumptions and approach to risk.

Strategy

The role of the Board is to provide effective and entrepreneurial leadership of the Group for the purposes of promoting long-term sustainable success, generating value for shareholders and contributing to wider society. This requires the Board to take high-quality strategic decisions.

To accelerate STV's diversification strategy the Board approved the acquisition of Greenbird Media in July 2023 and has overseen the programme to bring together the legacy STV Studios and Greenbird Media businesses.

During the year, the Board has also been working closely with the Executive Directors and Management Board to shape the next phase of the Group's strategy, building on our core capabilities and the broadening of our operations achieved over recent years. The Board has spent considerable time engaging on the strategic planning process and provided challenge and input across a series of extended Board meetings, continuing into 2024.

Board changes

During the year, we welcomed Naomi Climer CBE as an independent Non-Executive Director and Chair of the Remuneration Committee. Details on the process undertaken for her recruitment and induction and are set out on page 76.

Ian Steele, Independent Non-Executive Director and Chair of the Audit & Risk Committee, after more than eight years' service will be stepping down from the Board at the conclusion of the 2024 AGM. On behalf of the Board, I would like to extend my thanks to Ian for his wisdom, financial expertise, constructive challenge and unstinting support, all of which have been invaluable to STV, and he leaves with our very best wishes for the future. A formal search is in progress to recruit Ian's successor and we hope to announce an appointment in due course.

Environmental, Social and Governance (ESG) Committee

The Board continues to prioritise STV's Social Impact Strategy. We therefore established the Board's ESG Committee during the year to underline the importance of these matters and ensure appropriate, dedicated discussion across the year. The ESG Committee supports the Board in ensuring the Group delivers a positive social impact to promote long-term shareholder and stakeholder value. The new Committee is chaired by David Bergo and held its inaugural meeting in October 2023. It reports to shareholders for the first time in this report on pages 86 and 87.

Remuneration

This year and in line with the requirement for a triennial review of our Remuneration Policy, we undertook a comprehensive review of STV's executive remuneration framework, with the proposed new Directors' remuneration policy detailed on pages 91 to 95. The Remuneration Committee and the Board have spent significant time rigorously reviewing the policy and its implementation to ensure it is fit for purpose. This review considered the next phase of STV's growth strategy, the recent performance of the business, and the views of our advisers and expectations of our shareholders and other stakeholders. I believe the proposed policy is the best way to continue to drive a strong pay-for-performance culture to incentivise and retain our Executives and reflects the UK governance environment and the views of our shareholders.

Board evaluation

Having completed an externally-facilitated Board performance evaluation exercise in 2022, an internal evaluation was conducted in 2023. An overview of how we have responded to the findings of the 2022 evaluation and the results of the 2023 evaluation are shown on page 77. The conclusion drawn from both exercises was that the Board and its Committees continue to operate effectively.

UK Corporate Governance Code 2018 and Section 172 Reporting

This report demonstrates how we have applied the principles and complied with the provisions of the UK Corporate Governance Code 2018 (the 'Code') during the year. Our Code compliance statement can be found on page 71. Details of how the Board discharged its duty under section 172 of the Companies Act 2006 can be found on pages 12 and 13.

During the year the Board and the Audit & Risk Committee monitored developments in the UK Government's proposed governance and audit reforms, and particularly considered the Financial Reporting Council's (FRC) consultation on the proposed changes to the Code. The FRC published the UK Corporate Governance Code 2024 in January 2024 which will be a key consideration in continuing to evolve the Group's corporate governance framework, particularly in relation to internal controls.

Looking ahead

I am convinced that the Board's commitment to high standards of corporate governance help us continue to build on the progress we have made to date, and to contribute to the long-term sustainable success of the Group.



Paul Reynolds
Chairman
5 March 2024

Board of Directors

As at 31 December 2023



Photos left to right

Paul Reynolds
Chairman

Simon Pitts
Chief Executive

Lindsay Dixon
Chief Financial Officer

Simon Miller
Senior Independent Director

Naomi Climer CBE
Non-Executive Director

David Bergg
Non-Executive Director

Ian Steele
Non-Executive Director

Aki Mandhar
Non-Executive Director



Paul Reynolds Chairman

Appointed: February 2021
Committees: Nomination (Chair); ESG

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

Lindsay Dixon Chief Financial Officer

Appointed: May 2019

Lindsay is a Chartered Accountant with extensive commercial experience gained across a range of sectors covering the FTSE 100, 250 and large private companies. Previously, Lindsay held the role of Group Financial Controller at William Grant & Sons Limited and prior to that was Group Financial Controller of The Weir Group plc. In addition to her core financial responsibilities, she has wide ranging M&A, investor relations and international experience. Lindsay qualified with Deloitte in 2002.

Naomi Climer CBE Non-Executive Director

Appointed: May 2023
Committees: Remuneration (Chair); ESG

Naomi has had a successful career in broadcast, media, engineering, and technology and was Vice President of Sony's European Professional Services division. Her career began at the BBC, where she trained as an engineer and later became Controller of Technology at BBC News. Before joining Sony in 2002, Naomi was Director of Technical Operations at ITV Digital. She was appointed Commander of the Order of the British Empire (CBE) for services to the engineering profession in the 2018 Birthday Honours List. Naomi brings significant plc Board experience as a Non-Executive Director and Chair of the Remuneration Committee for both Focusrite plc and Oxford Metrics plc. She also serves as a Non-Executive Board Member at Sony UK Technology Centre, is a Trustee of The Institute for the Future of Work and formerly a member of the UK Government's Science and Technology Awards Committee.

Ian Steele Non-Executive Director

Appointed: November 2015
Committees: Audit & Risk (Chair); Nomination; Remuneration

Ian qualified as a Chartered Accountant in 1980 with Arthur Young McClelland Moores. His subsequent career involved time with The British Linen Bank, Touche Ross, Rutherford Manson Dows and Deloitte. Ian retired as Senior Partner for Deloitte in Scotland and Northern Ireland in 2015 and prior to retiring, had been on the UK Board of Deloitte LLP for over eight years. Ian was a Corporate Finance Advisory Partner with Deloitte and was Head of Global Advisory for three years. Ian is currently a Non-Executive Director of Continuum Advisory Partners and was formerly Chairman of Iomart Group plc. Ian is a member of the Constitutional Panel of ICAS.

Simon Pitts Chief Executive

Appointed: January 2018

In 2018 Simon set out a growth strategy to transform STV into a digital streaming and content-led media business. After a period of consistent growth and diversification, STV exceeded its long-term target to generate more than half of its operating profit from outside linear advertising in 2023. Previously, Simon was on ITV's executive board as Managing Director, Online, Pay TV, Interactive & Technology. Over a 17-year career, he held a range of senior roles and, as Director of Strategy, was one of the main architects of the company's strategic transformation under Archie Norman and Adam Crozier. Simon was on the board of ITN for eight years and prior to ITV, worked in the European Parliament. He is Vice Chair of the Royal Television Society and trustee of STV Children's Appeal and literary charity Oscar's Book Prize.

Simon Miller Senior Independent Director

Appointed: December 2016
Committees: Audit & Risk; Nomination; Remuneration

Simon is an experienced non-executive director and chairman with exposure to a wide range of financial, commercial and manufacturing businesses. Simon is Chairman of Hampden & Co, private bankers, and Bankers Investment Trust. Simon was formerly Chairman of Blackrock Sustainable American Income Trust and Brewin Dolphin Holdings PLC and a Non-Executive Director of Scottish Friendly Assurance Limited. Simon read Law at Cambridge and is a Barrister at Law.

David Bergg Non-Executive Director

Appointed: May 2018
Committees: Audit & Risk; Remuneration; ESG (Chair)

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

Aki Mandhar Non-Executive Director

Appointed: February 2021
Committees: Audit & Risk; ESG

Aki has built a successful executive career across the advertising, marketing and digital media sectors and is General Manager, International of the sports media company, The Athletic, which was successfully acquired by The New York Times in 2022. Prior to joining The Athletic in early 2020, she was Chief Operating Officer of Telegraph Media Group, responsible for delivery of the strategy to transform the business from a traditional publisher model into a successful, sustainable subscription-based business. Aki was UK Managing Director of Omnicom Group Agency, OMD from 2015 until 2017 and prior to this held executive roles within MediaCom over a period of nine years.

Eileen Malcolmson Company Secretary

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Board of Directors

As at 31 December 2023

Board at a glance

Board and Committee composition and attendance at scheduled meetings from 1 January 2023 to 31 December 2023¹

| Board member | Board | Audit & Risk Committee | Remuneration Committee | Nomination Committee | ESG Committee |
|---------------------------------------|-------|------------------------|------------------------|----------------------|---------------|
| Attendance | | | | | |
| Paul Reynolds (Board Chairman) | 7/7 | | | 3/3 | 2/2 |
| Executive Directors | | | | | |
| Simon Pitts | 7/7 | | | | |
| Lindsay Dixon | 7/7 | | | | |
| Non-Executive Directors | | | | | |
| Simon Miller | 7/7 | 3/3 | 3/3 | 3/3 | |
| Anne Marie Cannon² | 3/3 | 1/1 | 2/2 | | |
| Naomi Climer CBE³ | 4/4 | | 1/1 | | 2/2 |
| Ian Steele | 7/7 | 3/3 | 3/3 | 3/3 | |
| David Bergg | 7/7 | 3/3 | 3/3 | | 2/2 |
| Aki Mandhar | 7/7 | 3/3 | | | 2/2 |

¹ Data is based on scheduled meetings from 1 January 2023 to 31 December 2023 only. Additional ad hoc meetings of the Board and its Committees also took place during the year.

² Anne Marie Cannon stepped down from the Board at the conclusion of the AGM on 27 April 2023.

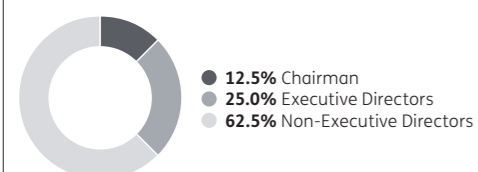
³ Naomi Climer CBE was appointed as a Director on 30 May 2023.

STV's Board skills matrix

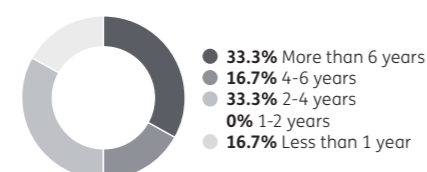
| Board member | Governance | | | | Functional experience | | | | | | | | Sectoral experience |
|-------------------------------|---------------------------------------|----------------------------|------------------|-------------------|-------------------------|---------------------------|-----------------|-------------------------------|--------------------|---------------|------------|-------|---------------------|
| | Years on Board as at 31 December 2023 | Board Committee membership | Board experience | Listed experience | Prior CEO/GM experience | Audit/financial reporting | Risk management | Technology/digital innovation | Customer/marketing | International | Regulation | Media | |
| Paul Reynolds (Chair) | 2.8 | N, E | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| Simon Pitts (CEO) | 5.8 | | | ✓ | ✓ | | | ✓ | ✓ | ✓ | ✓ | ✓ | |
| Lindsay Dixon (CFO) | 4.5 | | | ✓ | | ✓ | ✓ | | | ✓ | ✓ | ✓ | |
| Simon Miller (SID) | 6.9 | A, N, R | ✓ | ✓ | ✓ | | | | | ✓ | ✓ | | |
| Aki Mandhar (NED) | 2.9 | A, E | | | ✓ | | | ✓ | ✓ | ✓ | | ✓ | |
| David Bergg (NED) | 5.5 | A, R, E | | ✓ | | | | | | ✓ | ✓ | ✓ | |
| Ian Steele (NED) | 8.0 | A, N, R | ✓ | ✓ | | ✓ | ✓ | | | | | | |
| Naomi Climer CBE (NED) | 0.6 | R, E | ✓ | ✓ | ✓ | | | ✓ | | ✓ | | ✓ | |

Board Committees: A = Audit & Risk Committee; N = Nomination Committee; R = Remuneration Committee; E = ESG Committee

Board of Directors composition



Tenure of Non-Executive Directors and Chairman



Board and Executive Management diversity

Reporting table on gender identity or sex as at 31 December 2023

| | Number of Board members | Percentage of the Board | Number of senior positions on the Board (CEO, CFO, SID and Chair) | Number in Executive Management ¹ | Percentage of Executive Management |
|--|-------------------------|-------------------------|---|---|------------------------------------|
| Men | 5 | 62.5% | 3 | 6 | 66.7% |
| Women | 3 | 37.5% | 1 | 3 | 33.3% |
| Other categories | - | - | - | - | - |
| Not specified/prefer not to say | - | - | - | - | - |

Reporting table on ethnic background as at 31 December 2023

| | Number of Board members | Percentage of the Board | Number of senior positions on the Board (CEO, CFO, SID and Chair) | Number in Executive Management ¹ | Percentage of Executive Management |
|---|-------------------------|-------------------------|---|---|------------------------------------|
| White British or other White (including minority-white groups) | 7 | 87.5% | 4 | 9 | 100% |
| Mixed/Multiple Ethnic Groups | - | - | - | - | - |
| Asian/Asian British | 1 | 12.5% | - | - | - |
| Black/African/Caribbean/Black British | - | - | - | - | - |
| Other ethnic groups, including Arab | - | - | - | - | - |
| Not specified/prefer not to say | - | - | - | - | - |

¹ As prescribed by LR9.8.6R(10) for the purposes of this disclosure, the Executive Management is the members of the Management Board and the Company Secretary.

² Board members and the Executive Management were requested to disclose their gender identity and ethnicity data individually. The data in respect of the two Executive Directors who are members of the Board and the Management Board has been included in both the Board data and in the Executive Management data in the tables above.

STV Management Board



- Photos top left to right**
- Simon Pitts**
Chief Executive
 - Lindsay Dixon**
Chief Financial Officer
 - Bobby Hain**
Managing Director, Broadcast
 - Richard Williams**
Managing Director, Digital
 - David Mortimer**
Managing Director, Studios
 - Peter Reilly**
Commercial Director
 - George Harris**
Director of Operations and Delivery
 - Suzanne Burns**
HR and Communications Director

Corporate governance report

Compliance with the Code

STV and its Board of Directors are fully committed to upholding the highest standards of corporate governance as these are crucial to overall business integrity and performance. The Annual Report and Accounts for the year ended 31 December 2023 has been prepared in accordance with the provisions of the UK Corporate Governance Code 2018 (the 'Code'), available at www.frc.org.uk and the Board's view is that it has complied with all relevant provisions of the Code.

Responsibilities of the Board

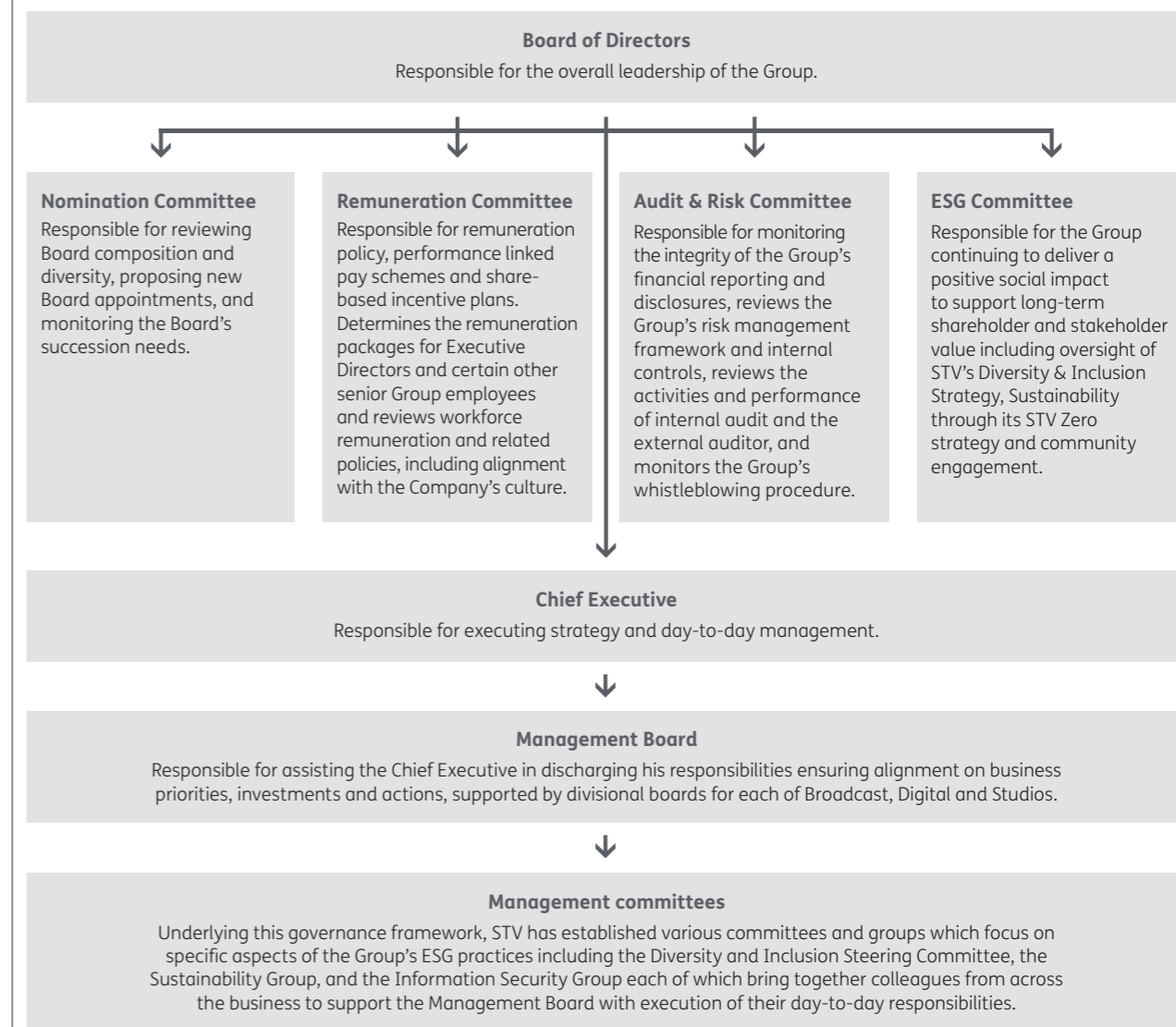
The role of the Board is to provide effective and entrepreneurial leadership of the Group for the purposes of promoting long-term sustainable success, generating value for shareholders, and contributing to wider society. This requires the Board to take high-quality strategic decisions, promote the desired culture and ensure there is a robust system of internal controls and risk management whilst monitoring the financial and operational performance of the business and overseeing performance against our ESG ambitions and targets. The Board ensures that the necessary funding and talent are available to the business to meet its objectives and measure performance against them, and that effective succession planning processes, remuneration policies, governance arrangements and a framework of sound business ethics are in place.

The Board recognises that engaging with, and acting on the needs of, the Group's stakeholders is key to achieving the strategy and long-term objectives of the Company. Read more about how the Board engages with stakeholders and the Directors' statement of compliance with their duties under section 172 of the Companies Act 2006 on pages 12 and 13.

At the date of this report, the Board comprises the Chairman, two Executive Directors and five Independent Non-Executive Directors. The names of the Directors together with their biographies, including their skills and experience, are on pages 66 to 69.

Board governance framework

The components of the Board governance framework, being principal Committees of the Board, the Executives and Management Board are described in the diagram below.



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Corporate governance report

The Board discharges some of its responsibilities directly and delegates others through the Board governance framework. This enables the Board to spend a greater proportion of its time on strategic, forward-looking matters.

The Board is supported by its Committees, which make decisions and recommendations on matters delegated to them. Following the constitution of a new Environmental, Social & Governance (ESG) Committee in 2023 in response to the increasing regulation and evolving landscape in these areas, the Board has four main committees: the Nomination Committee, Remuneration Committee, Audit & Risk Committee and ESG Committee.

From time to time, the Board may also establish special purpose Committees to assist it in overseeing specific areas and usually such Committees operate only for a defined period – for instance, a Committee was constituted to support decision-making and analysis underpinning the acquisition of Greenbird Media. Although a wide range of the Board's powers and authorities are delegated to the Executive Directors and Management Board, the Board retains ultimate responsibility and authority for their exercise.

The Board governance framework facilitates responsive and effective decision-making, ensuring that the Board and its Committees, the Executives and Management Board can collaborate proactively, consider issues and respond.

ESG climate-related matters are a core part of our broader Group strategy and sustainability is embedded into our Board governance framework. Details of STV's sustainability governance setting out responsibilities of the Board and Committees (ESG Committee and Audit & Risk Committee), Management Board and Divisional Boards are detailed on page 59 of the ESG report.

The division of responsibilities of the Directors

The Board comprises Executive and Non-Executive Directors, which ensures that no individual or small group of individuals dominates the Board's decision-making. All Non-Executive Directors, except for the Chair of the Board, are considered to be independent in character and judgement. The Chair of the Board was considered to be independent on appointment. The role of Chairman and Chief Executive are separate with a clear division of responsibility that is set out in writing and approved by the Board.

The roles and responsibilities of Board members are detailed below and demonstrate a clear division between the roles and responsibilities of the Board and Executive management.

| | |
|--|---|
| <p>Chairman Leading the Board and ensuring its overall effectiveness in discharging its duties</p> | <p>Paul Reynolds leads the Board and is responsible for its overall effectiveness. He is expected to demonstrate objective judgement, to promote a culture of openness and constructive challenge and debate between all Directors, and to promote high standards of corporate governance. The Chairman sets the Board's agenda and ensures the Board receive accurate, clear and timely information, and are given adequate time for discussion. He also leads Board succession planning, ensures that Board induction, evaluation and development are a priority, and seeks to ensure effective communication with shareholders.</p> <p>The Chairman meets regularly with the Senior Independent Director and Non-Executive Directors separately outside the formal meetings during the year.</p> <p>As Chairman, Paul also leads the Nomination Committee.</p> |
| <p>Chief Executive Leading the implementation of the Group's strategy set by the Board</p> | <p>The Chief Executive, Simon Pitts, has delegated responsibility from the Board for the day-to-day running of the business and, supported by the Management Board, is responsible for ensuring the overall operations and resources of the Group are managed effectively and for leading the implementation of the Group's strategy.</p> |
| <p>Executive Director – Chief Financial Officer Supporting the Chief Executive in the implementation of the Group's strategy set by the Board</p> | <p>The Chief Financial Officer, Lindsay Dixon, is an Executive Director and member of the Board as well as the Management Board and supports the Chief Executive by providing financial leadership in the implementation of the strategic business plan and its alignment with financial objectives.</p> |
| <p>Independent Non-Executive Director Ensuring that no individual or small group of individuals can dominate the Board's decision-making</p> | <p>The Independent Non-Executive Directors Naomi Climer CBE, David Bergg, Ian Steele, and Aki Mandhar, and the Senior Independent Non-Executive Director, Simon Miller, comprise more than half of the Board membership. They bring diverse business and commercial experience, objective judgement and specialist advice which inform Board discussions and decision making and are a major contributing factor towards the proper functioning of the Board and its Committees, ensuring that all matters are debated, and that no individual or group dominates the Board's decision-making process. They provide constructive challenge, giving strategic guidance, offering specialist advice and hold executive management to account. Led by the Nomination Committee they are responsible for the appointment and removal of Executive Directors and determine the remuneration of Executive Directors through the Remuneration Committee.</p> |

| | |
|---|--|
| <p>Senior Independent Director Providing a sounding board for the Chairman of the Board and serving as an intermediary for other Directors and shareholders</p> | <p>The Senior Independent Director, Simon Miller, provides a sounding board for the Chairman and, if necessary, acts as an intermediary for the other Non-Executive Directors. He is also available to shareholders to discuss any concerns that have not been addressed through the normal engagement channels. He leads on the ongoing monitoring and annual evaluation of the Board Chairman's performance.</p> <p>As part of his role, he meets with the Non-Executive Directors without the Board Chairman at least annually.</p> |
| <p>Designated Non-Executive Director for workforce engagement Providing an effective engagement mechanism for the Board to understand the views of the workforce</p> | <p>Simon Miller, the Senior Independent Director, is also STV's Employee Director and in this capacity, he attends meetings of the employee forum which comprises representatives from every team and location. He also makes site visits to the Company's offices to meet and talk to a wider group of colleagues. Simon Miller also meets on a bi-monthly basis with the HR & Communications Director to discuss employee engagement activities and plans, including the employee opinion survey. He brings the views and experiences of the workforce into the boardroom and enables the Board to consider the views of the workforce in its discussions and decision-making.</p> |

Board and Committee operations

The structure of each Board and Committee meeting seeks to facilitate open discussion and debate and ensure adequate time for Directors to consider all agenda items and related proposals.

Meetings are held through a combination of virtual attendance and in person with the latter rotating around the main offices occupied by the Group. The Board held seven scheduled meetings during the year, of longer duration than previous years, and attendance is set out on page 68. In addition, there were four additional meetings convened during the year, to approve interim and final results, a trading update, and to approve the acquisition of Greenbird Media.

All Directors are expected to attend all meetings of the Board and the meetings of the Committees on which they serve, and the AGM. When a Director is unable to attend or dial in to a Board or Committee meeting, he or she receives the papers for consideration at that meeting and has the opportunity to provide feedback on the matters under consideration via the Chair of the relevant body in advance.

Non-Executive Directors, including the Chairman, are informed of the minimum time commitment required prior to their appointment and they are required to devote sufficient time to the Company to effectively discharge their responsibilities. The Board therefore monitors the extent of Directors' other interests and the time commitment required to fulfil those interests to ensure that the effectiveness of the Board is not compromised. A Director's preparation for, and attendance at, Board and Board Committee meetings is therefore only part of their role as they are expected to devote such time to the affairs of the Group as is necessary to enable them to perform their duties as Directors. The Board is satisfied that the Chairman and each of the Non-Executive Directors devote sufficient time to their duties.

Each Director has a duty under the Companies Act 2006 to avoid a situation in which they have, or might have, a direct interest that conflicts, or possibly may conflict, with the interests of the Company. This duty is in addition to the obligation owed to the Company to disclose to the Board an interest in any transaction or arrangement being considered by the Company. The Company's articles of association authorise the Directors to approve such situations and to comply and to apply other provisions to allow conflicts of interest to be dealt with. There were no actual or potential conflicts of interest during the financial year 2023.

The Board has adopted a schedule of matters reserved for its decision and a rolling annual plan of items for discussion. There are terms of reference for the Board Committees and these can be found on our website at www.stvplc.tv.

The Board schedule of reserved matters and the principal matters set down are approval of:

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

2023 strategy delivery

The implementation of strategy is monitored and evaluated on an ongoing basis. The Board's work in this area includes an assessment of the changing landscape the business is operating in and the need to adjust and reprioritise strategic actions accordingly.

During the year, the Board discussed many matters relating to the implementation of strategy across a series of agenda topics at several meetings throughout the year. A key focus of the Board has been to consider the next stage of the Group's strategy, including external communication, as current published targets are for the 3 years to the end of 2023.

In line with the process followed in 2022, the Board received presentations from the Executive Directors, the Divisional Managing Directors and certain of their team members, and where appropriate external advisors, to consider and challenge specific proposals for delivery of the respective strategies of each division. High quality briefing papers were provided to the Board for each of those meetings with updates provided between meetings to keep the Board informed of progress.

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Key matters in which the Board performed a pivotal role in the implementation of the growth strategy included:

- approval of the acquisition of Greenbird Media, a portfolio of production companies, to accelerate the growth of the Studios business and further extend the revenue and profit base of the Group outside traditional linear broadcasting
- approval of the Long-Form Agreement with ITV which makes new ITVX content exclusively available in Scotland and creates a 'one stop shop' for Scottish advertisers, giving them access to mass audiences across linear, VOD and programmatic advertising
- approval of the application to renew the Group's two Channel 3 PSB licences for a further ten-year period from January 2025 to provide further long-term certainty to our core business

As a result of the strategic actions taken by the Board, executed by the Executive Directors and Management Board, we delivered 75% of our earnings from outside traditional broadcasting, comfortably exceeding the 50% target we set ourselves for the end of 2023.

Being a responsible business and delivering on ESG has been high on the Board's agenda this year, demonstrated by the constitution of a new ESG Committee. One of the first matters of business of the new Committee was to recommend to the Board the approval of the 2024 sustainability targets proposed to support continued progression of STV Zero, and other governance matters including the assessment of climate-related risks and opportunities and an update of the sustainability governance framework. Further details can be found in the report of the ESG Committee on pages 86 and 87 and the ESG report is on pages 46 to 64. Further details of the Diversity & Inclusion Strategy in relation to the composition of the Board can be found in the report of the Nomination committee on pages 80 to 82. The Board concluded that the Diversity and Inclusion strategy and STV Zero strategy were increasingly embedded and integrated into the business throughout 2023, and it would continue to drive and oversee the progress in these areas through the Board's ESG Committee in 2024.

The Board's engagement in the strategic planning process for the next phase of the Group's strategy

With the current phase of our Group's diversification strategy concluding at the end of 2023, in the second half of the year, the Board worked closely with the Executive Directors, Management Board and external advisors where appropriate to shape the next phase of the Group's strategy. The Board decided to hold a series of strategy sessions and extended the length of scheduled Board meetings to accommodate this. Each session was designed to cover specific topics and the Board was provided with briefing materials in advance, ensuring that the time Board members spent together was discussion focused with plenty of time for points of challenge, debate and questions. The close engagement between the Board, Executive Directors and Management Board throughout the process ensured the continual evolution of the 3 Year Strategic Plan building on feedback from each session, and this continued into early 2024.

The updated 3 Year Strategic Plan for 2024 to 2026 was presented to the Board in February 2024 and was duly approved.

The refreshed strategy is focused on accelerating the profitable growth of our streaming and Studios businesses while continuing to maximise the benefits of our market-leading Broadcast business. At the heart of this will be ongoing Studios growth both locally and internationally; expansion of our streaming offering in the UK and further afield; and a focus on diversifying and growing revenues from our core Scottish market.

Workforce engagement

Board meetings are held across the main offices of the Group and so the Directors were able to spend time on-site meeting with management and other employees. The Employee Director, Simon Miller, also visited each of the Group's offices outside the Board schedule and participated in the Employee Engagement Forum to discuss matters ranging from culture, engagement, career development and reward and remuneration. David Bergg joined a meeting of colleagues in the Digital team to discuss how emerging technologies are aiding discovery of content of STV Player and Aki Mandhar met with STV's Women in Digital group to discuss her career as well as offering insights into customer acquisition and retention as part of the growing importance of STV Player+. Naomi Climer CBE joined a 'Minute Live' weekly staff event and David and Naomi also attended an induction course for new hires on STV Zero. These activities, as well as Board papers providing updates on workforce engagement, provide the Board with valuable insights into the operation and culture of the business and have a positive impact on the quality of discussions at Board meetings and decision-making generally.

Succession

During the year, in addition to the succession planning for the Board and Committee composition and specific succession planning arrangements for Executive Directors discussed at the Nomination Committee (see page 80), the Board considered a paper on succession planning for the Management Board, senior management roles (direct reports to the Management Board) and other key operational roles across the Group. As part of this, the Board considered the depth and quality of the succession pipeline, the skills and capabilities required to ensure successful delivery of the Group's strategy, retention and succession planning risks, and personal development plans for high potential individuals, as well as diversity targets and the work undertaken to close the gender pay gap.

Board activities in 2023

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

Strategy

- Considered the Group's growth strategy in light of viewing and competitive trends, emerging technology (including Artificial Intelligence), the broader macroenvironment and evolution of the media sector
- Discussions to shape the next phase of the Group's strategy, including consideration of organisation design, cost base, and potential new revenue streams
- Reviewed the growth plans for each business area
- Approved the application to renew our Channel 3 PSB licences for a further ten-year period from January 2025
- Approved the acquisition by STV Studios of Greenbird Media in July 2023
- Approved the Long-Form Agreement in December 2023 for the long-term digital deal agreed with ITV in December 2022
- Reviewed progress in the delivery of the STV's Diversity & Inclusion Strategy
- Approved 2024 Sustainability targets to support continued progression of STV Zero
- Approved sustainability and climate-related risks reflected all principal and emerging sustainability-related risks and opportunities facing the Group
- Discussion of various regulatory and legislative issues, including the new Media Bill

Operational and financial performance, including monitoring

- Operational and financial updates for each business area at each Board meeting, including major project summaries and Legal and Compliance reporting
- Monthly finance reports, including details of performance against budget/latest forecast, review of cashflow and assessment of balance sheet and net debt
- Approval of the Annual Report & Accounts, including assessment of the going concern basis of preparation and Viability Statement
- Approval of the Interim Financial Accounts including assessment of the going concern basis
- Approval of trading updates
- Approval and declaration of interim and full year dividends
- Review, challenge and monitoring of progress against the integration plan for the Greenbird Media acquisition, including consideration of synergies identified and the plans in place to realise them

Risk management

- Approvals of the Group's Risk Appetite Statement and Risk Management Policy
- Assessment of the Group's principal and emerging risks
- Review of the Group risk register and identified mitigating controls
- Monitored Cyber and data security practices and outcomes
- Presentations and training from the Company's pension adviser on evolving defined benefit pension legislation, and more broadly the funding position and potential actions associated with the Group's defined benefit schemes
- Updates on Corporate Governance developments and their applicability to the Company

Investor Relations

- Review of institutional investor feedback following meetings with the Chairman, Executive Directors and/or Chair of the Remuneration Committee
- Regular reporting from brokers on markets, trading and activity in STV shares
- Review of the draft analysts' results presentations, when reviewing the Company's full and half year financial results, the Greenbird Media acquisition and trading update in November 2023
- Monitored the private investor engagement programme

Culture

- Succession planning review for members of the Management Board and Senior Leadership Team
- Engagement with staff via our Employee Engagement Forum
- Approval of the introduction of an all-employee performance plan for 2023
- Approval of the 2023 Modern Slavery and Human Trafficking Statement
- Oversight of the communication and culture elements of the Greenbird Media integration process, including visit to Greenbird Media offices post completion of the transaction

Governance

- Annual Performance Evaluation FY22 Board Action outcomes
- Approval of the 2023 Board agenda
- Internally facilitated effectiveness review of the Board, its Committees and each of the Directors for FY23
- Approval of AGM notice and arrangements
- Noting the resignation letter from Ms Anne Marie Cannon, and approving the appointment of Naomi Climer CBE as independent Non-Executive Director and Chair of the Remuneration Committee
- Approval of maintaining the current fees to be paid to Non-Executive Directors and annual minimum time commitment
- Approval of the constitution of an Environmental, Social and Governance Committee (ESG) and its Terms of Reference, appointment and fee of its Chair, and appointment of its members, and an updated sustainability governance framework

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Board support and the role of the Company Secretary

The role of the Company Secretary is to support the Chairman of the Board and ensure the Directors have access to the information they need to carry out their roles. She provides a channel for Board and Committee communications and is a link between the Board and management. The Company Secretary must ensure that all Board and Committee procedures are complied with and advise on corporate governance and related regulatory compliance. She facilitates Director induction, professional development and Board evaluations overseen by the Board Chairman.

The Company Secretary is also responsible for ensuring that the Board and Committees receive accurate, clear, and up-to-date information in sufficient time for them to review it before each meeting and are provided with sufficient resources to discharge their respective duties. In addition, and separate to the support provided by the Company Secretary, the Directors have access to independent professional advice at the Group's expense.

Induction

All Directors who join the Board receive a comprehensive bespoke induction programme that is guided by the Chairman and supported by the Company Secretary. Every programme builds on the skill set, attributes, and background of the joining Director, their interests in the Board or Committee roles, and the Company's recommendations.

In addition to background information on the Company, every induction covers a range of topics including Board procedures, recent operational performance and strategic direction of the Company, key areas of the business, as well as Directors' duties and responsibilities. The Directors also cover various governance-related issues and their legal obligations including procedures for dealing in STV's shares. Any new or serving Director joining a Board Committee is also provided with an induction tailored to that Committee.

Each induction typically includes a series of meetings with the members of the Board, Management Board and external advisers, brokers, and other senior management. Directors receive a walk through of the business from members of the Management Board and a briefing on STV's investor relations programme. A newly appointed Director will have met some, if not all, fellow Board members as part of the original search and appointment process but additional meetings may nevertheless occur with the same Board members as part of their induction.

Induction for Naomi Climer

Naomi Climer CBE joined the Board and was appointed Chair of the Remuneration Committee and a member of the ESG Committee on 30 May 2023. As part of her onboarding programme, Naomi's induction included the following:

| | |
|-------------------------|---|
| Orientation pack | <ul style="list-style-type: none"> Information about Board operations and administration including meeting dates and logistics Key Company policies including share dealing Directors' duties and responsibilities for a listed Company |
| Reading material | <ul style="list-style-type: none"> Access to the Board portal containing Board and Board Committee papers, minutes and resource materials Key Company governance documentation including Matters reserved for the Board and Remuneration Committee Terms of Reference |
| Meetings | <ul style="list-style-type: none"> One-to-one meetings with the members of the Board and Company Secretary Introductory meeting with the Senior Internal Auditor and External Auditor, external Remuneration Consultant and brokers Deep dive sessions with members of the Management Board focusing on matters within their areas of responsibility |

Training & development

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

Board and Committee evaluations

The effective functioning of the Board is key to the success of the Company. STV recognises that an annual Board effectiveness review is a valuable feedback mechanism for the Board in driving its performance, optimising the strengths of individual Directors, and highlighting areas for further development.

As an externally facilitated evaluation of the Board was carried out last year in accordance with the Code's triennial requirement, the Board evaluation process this year was internally led. This involved the completion of a questionnaire agreed between the Chairman and the Company Secretary, which built upon the previous year's evaluation, focused on the core responsibilities of the Board and Committees feedback on recent changes, and its approach to 2023 key activities. Individual responses to the questionnaires were collated by the Company Secretary, who prepared anonymised summaries. These anonymised summaries were discussed with the Chairman (except the performance evaluation of the Chairman, which was reviewed by the Senior Independent Director). A summary of the feedback was then presented to the Board and an action plan agreed. The evaluation concluded that the Board and its Committees continued to be effective and that each of the Directors continued to contribute effectively to Board and Committee meetings.

As a result of the evaluation, several actions were agreed for the Board in the year ahead and are detailed below. These actions, together with the regular work of the Board, will inform the Board's agenda for the coming year and the outcomes will be reported on in the 2024 Annual Report.

There were no recommended actions arising for the Committees from the 2023 evaluation process.

The Senior Independent Director took input from the members of the Board on the performance of the Chairman and shared the feedback with the Chair. The Senior Independent Director was able to confirm that there was unanimous agreement that the Chair leads the Board in an effective manner. The Directors agreed that he demonstrates objective judgement, promotes a culture of openness and debate and facilitates constructive Board relations and effective contribution of all Non-Executive Directors.

2023 Internal evaluation outcomes and actions

Areas of focus

To optimise the Board's time – A review of Board packs' structure and size and a review of the frequency of meetings.

Reflecting the uncertainty and volatility of the market – Add another horizon-scanning exercise to the Board's agenda in the year.

In regard to the main recommendations identified through the externally facilitated evaluation by Ceradas Ltd in 2022, the Board has directly overseen the implementation of those actions.

Progress against 2022 actions

| Areas of focus identified | Outcome |
|--|--|
| Consider ways in which the Board's review of strategy should evolve over the coming years as the Group approaches the next stage of its growth. | Details of the Board's approach to shape the new phase of the Group's strategy is detailed on page 74. |
| Review the whistleblowing processes and channels to the Board and re-launch an awareness campaign of whistleblowing procedures to all groups of the workforce. | External disclosure processes either directly to the Chair of the Audit & Risk Committee or via an independent whistleblowing support service, Safecall, have been added to the Whistleblowing processes and in 2023 there was a re-launch of an awareness campaign of whistleblowing procedures to all groups of the workforce. |
| Identify ways in which the Board could more regularly, and informally, engage with various groups of stakeholders, including shareholders and the wider workforce. | The Board discussed ways to regularly and informally engage with various groups of stakeholders and agreed this would continually evolve. In 2023 the Independent Non-Executive Directors each identified ways to engage further with the wider workforce, details of which are included in the section on workforce engagement on page 74 within this report. |
| Develop a mentoring programme between potential future leaders in the Group and Board members. | The Board has discussed and agreed options through which Non-Executive Directors could be involved in mentoring programmes already in place within the Group. Work is underway to implement agreed actions. |

Shareholder engagement

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

The Board recognises the importance of having continual engagement with its shareholders and fully supports the principles of the Code that encourage open dialogue between companies and their shareholders. The Board welcomes and encourages participation of all shareholders at the Company's Annual General Meeting.

In addition, STV undertakes a comprehensive programme of meetings and events for institutional investors, retail investors, research analysts and the financial press throughout the year.

The Chairman, the Senior independent Director and other Non-Executive Directors are available to meet with shareholders to discuss governance, strategy and operational delivery, Directors' remuneration and develop a balanced understanding of their issues and concerns. Various meetings have taken place with shareholders during the year. Discussions at these meetings are conveyed to all Directors in order that each can develop an understanding of major shareholders' views on the Company.

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Minority voting

At the Annual General Meeting of STV Group plc held on 27 April 2023 all resolutions were passed with the requisite majority of votes with only one exception, Resolution 15 (to authorise the Directors to disapply statutory pre-emption rights in respect of 5% of the Company's issued share capital). Resolution 15 was a special resolution requiring the support of 75% of those voting and received slightly below this threshold with 74.245% votes cast in favour.

Four Resolutions were passed with the requisite majority but had more than 20% votes cast against. The four Resolutions are set out below:

- Resolution 2, to approve the Directors' Annual Report on Remuneration for the year ended 31 December 2022 (approved by 74.841% of votes cast)
- Resolution 4, to approve the re-election of Paul Reynolds as a Director (approved by 76.026% of votes cast)
- Resolution 13, to authorise the Company to make political donations and incur political expenditure (approved by 73.529% of votes cast)
- Resolution 14, Directors' authority to allot shares (approved by 76.595% of votes cast)

In accordance with Provision 4 of the Corporate Governance Code, the Company provided an update to the Investment Association on the views received from shareholders, the Company's response and actions taken as a result of the votes cast. This can be found on the Investment Association's public register of shareholder dissent or on our website at www.stvplc.tv.

The Company has continued to actively engage with shareholders and their respective bodies on remuneration and other governance matters throughout the year on each of these matters.

Governance Committee reports

Committee activities

The principal activities undertaken by the Board Committees during 2023 included:

| Month | Committee | Activity |
|----------|--------------|---|
| January | Remuneration | <ul style="list-style-type: none"> • Approval of 2022 incentive outcomes • Discussion of 2023 incentive target setting |
| February | Nomination | <ul style="list-style-type: none"> • Composition of the Board and Committees and succession planning • Approval of the Report of the Nomination Committee in the Annual Report • Time commitments and External appointments of Non-Executive Directors • Recommended to the Board all Non-Executive Directors to be put forward for re-election at the AGM • Independence of Non-Executive Directors |
| February | Remuneration | <ul style="list-style-type: none"> • Finalisation of 2023 incentive target setting • Approval of Directors' Remuneration Report |
| March | Nomination | <ul style="list-style-type: none"> • Succession planning |
| March | Audit & Risk | <ul style="list-style-type: none"> • Review of Year End Results • Review of External Audit report on Year End Results • Review of Annual Report • Risk Review and assessment, and internal control effectiveness • Review of Internal Audit Reports • Review of independence of external auditors • Annual review of the effectiveness of the audit process and the External Auditor performance |
| May | Nomination | <ul style="list-style-type: none"> • Non-Executive Director recruitment – the appointment of Naomi Climer CBE • Succession planning for the Board • Appointment of the Chair and members of a proposed new ESG Committee |
| August | Audit & Risk | <ul style="list-style-type: none"> • Review of Half Year Results • Review of external auditors' report on Half Year Results • Corporate Governance updates • Internal Audit Report • Review of risk management and internal controls • Information security update |
| October | Remuneration | <ul style="list-style-type: none"> • Review of the outcome of shareholder meetings • Assessment of Remuneration policy options and other context inputs |
| October | Nomination | <ul style="list-style-type: none"> • Succession planning for the Executive Directors |
| October | Audit & Risk | <ul style="list-style-type: none"> • Review of External Audit Plan for 2023 • Approval of Internal Audit Plan for FY24 • Internal Audit progress report • Risk management and updates on internal controls • Information security update • Corporate Governance updates |
| October | ESG | <ul style="list-style-type: none"> • Established the structure of meetings • Review of the talent pipeline and succession planning, and inclusive culture training • Diversity & Inclusion Strategy: progress report against 2023 targets and an update on progress to set diversity targets for 2024 and beyond |
| December | Remuneration | <ul style="list-style-type: none"> • Assessment of Remuneration policy options under consideration in light of shareholder feedback • Discussion of 2023 incentive outcomes • Update on the proposed 2024 salary award for all colleagues |
| December | ESG | <ul style="list-style-type: none"> • STV Zero – progress report against 2023 targets for carbon emissions and proposed 2024 targets • Updated climate-related risk register and related mitigating controls • Review of an updated sustainability governance framework • Review of the 2023 Modern Slavery and Human Trafficking Statement |

Report of the Remuneration Committee

The members of the Committee, comprising four independent Non-Executive Directors, were:

Anne Marie Cannon (Chair, retired 27 April 2023)
Naomi Climer CBE (Chair, appointed 30 May 2023)
Ian Steele
David Bergg
Simon Miller

The role and activities of the Remuneration Committee are described within the Directors' Remuneration Report which can be found on pages 88 to 105.

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Report of the Nomination Committee

The members of the Committee, comprising two independent Non-Executive Directors and the Chairman of the Board (independent on appointment), were:

Paul Reynolds (Chair)
Simon Miller
Ian Steele

During the year, three scheduled meetings were held and there was one additional meeting to consider progress in succession arrangements for Anne Marie Cannon, Independent Non-Executive Director and Chair of the Remuneration Committee, who stepped down from the Board at the conclusion of the 2023 AGM. At the invitation of the Committee, meetings are attended by the HR & Communications Director and the Chief Executive.

The principal activities undertaken by the Committee during 2023 have been summarised below.

Composition of the Board

The Board is structured to ensure it has an appropriate combination of skills, experience, knowledge, and diversity required for its effectiveness and is fully equipped to support the Group to drive its growth strategy. The Board skills and experience matrix on page 68 demonstrates this belief.

Board changes

During Q4 2022 the Committee initiated a formal search process to recruit a successor to Anne Marie Cannon, who had indicated her intention to step down from the Board at the conclusion of the 2023 AGM. This process completed in 2023 with the appointment of Naomi Climer CBE on 30 May 2023.

The Committee agreed the specification and set the criteria for the appointment having regard to a range of factors. These included the skills, experience, knowledge and characteristics required of the role of an Independent Non-Executive Director and Chair of the Remuneration Committee of a listed company, taking into account stakeholder expectations and keeping in mind the composition of skills, experience and diversity required of the Board as a whole.

The Committee engaged FWB Park Brown, following a competitive tender, to help define the role profile and identify suitable candidates. They do not have any other connection with the Company nor individual Directors, except where they may have liaised with them as prospective candidates for other board positions.

The Committee discussed the long list based on core role criteria and broader attributes, together with an assessment of the time commitment expected, and created a shortlist. First interviews were held for the shortlisted candidates and following feedback the list of potential candidates was narrowed down to two individuals who were selected for a second round of interviews. The interview process involved the Chairman and Nomination Committee members and the CEO and CFO.

The Committee discussed feedback from all interviews and agreed Naomi Climer CBE as the preferred candidate recommending her appointment to the Board, as Chair of the Remuneration Committee and as a member of the newly constituted ESG Committee. The Board agreed with the Committee's view that Naomi's successful career in broadcast, media, engineering and technology and significant plc Board experience as an Independent Non-Executive Director and Chair of the Remuneration Committee would complement the current skills and experience of the existing Directors. In approving her appointment, the Board also assessed whether Naomi would be considered an independent Non-Executive Director having regard to the circumstances set out in the Code and that at least half of the Board should be independent Non-Executive Directors. The Board concluded that there were no circumstances likely to impair, or could appear to impair, her independence.

Following the announcement in May 2023 that Ian Steele, Independent Non-Executive Director and Chair of the Audit & Risk Committee, would not be seeking re-election at the 2024 AGM having served more than eight years, the Committee has initiated a formal search process to appoint his successor and hopes to announce an appointment in due course.

ESG Committee Chair and members

In advance of the Board's approval of the constitution of an ESG Committee, the Committee considered and recommended to the Board the appointment of the Chair and members of the ESG Committee. The Nomination Committee considered it was appropriate that the ESG Committee comprise Non-Executive Directors, and considered the appropriate combination of skills, experience, knowledge, diversity and time commitment required for these roles and duties to be fulfilled. As a result, the Committee recommended to the Board, which then approved, that David Bergg be appointed as Chair of the Committee and Paul Reynolds, Aki Mandhar and Naomi Climer CBE as its members.

Succession planning

During the year, the Committee continued to review plans for the orderly succession of appointments to the Board building on the work previously undertaken. The Committee reviewed the development plans and succession planning for the Executive Directors with all the Non-Executive Directors present as recommended as an action by the externally-facilitated Board performance evaluation exercise in 2022. This was combined with the Board's review of development plans and succession planning for the Management Board, senior leaders (direct reports to the Management Board) and other key operational roles across the Company which was formally scheduled as a standing Board item. Further information can be found on page 74 of the Governance Report.

Diversity and Inclusion

The Committee recognises the strategic importance of a diverse and inclusive Board and its Committees. We believe that Board diversity makes us a better and more sustainable business, contributing to high performance and enhanced commercial results. As well as a diverse Board, we promote an open and inclusive culture in Board and Committee meetings, where all Directors are encouraged to share their views and all views are taken into account without bias or discrimination.

The FCA published amendments to its Listing Rules to be introduced for financial periods beginning on or after 1 April 2022 and so the Company's 2023 Annual Report and Accounts is the first year these new requirements apply. These require that STV includes a 'comply or explain' statement in its annual report as to whether it has achieved Board and ethnic diversity targets, and that STV disclose certain numerical data relating to the gender and ethnic background of the Board and Executive Management members, together with an explanation of STV's approach to data collection for the purposes of making the required disclosures. The diversity data in the format prescribed by LR9.8.6R(10) is provided on page 69.

Performance against these targets as at 31 December 2023 is set out below, with statements of compliance given accordingly.

| FCA Listing Rule | Performance as at 31 December 2023 |
|---|---|
| Gender diversity target <ul style="list-style-type: none"> the proportion of women on the Board is at least 40% | 37.5% of Directors are women. This falls slightly short of the FCA target, but as we continue to develop our Board succession planning, this Committee and the Board will remain focused on meeting the new diversity target recognising that an effective board with broad strategic perspectives requires diversity. Ultimately the Board appoints candidates based on merit and assesses potential Directors against measurable, and objective criteria, defined for each role individually. |
| <ul style="list-style-type: none"> at least one of the following senior Board positions is held by a woman: Chair, Chief Executive, Senior Independent Director or Chief Financial Officer | This target has been met through having a woman in the role of Chief Financial Officer. |
| Ethnic diversity target <ul style="list-style-type: none"> at least one individual on its Board is from a minority ethnic background | This target has been met. |

The Board recognises that due to its relatively small size the appointment or departure of an individual Director can have a significant impact on the achievement of these targets and therefore it is acknowledged that in periods of board change there may be times when these targets are not met.

The Committee will continue to keep Board and Board Committee composition under review during 2024 as part of its succession planning.

The Committee is also mindful of the voluntary target recommended by the FTSE Women Leaders Review of 40% female representation for Management teams and their direct reports by the end of 2025. As at 31 December 2023, female representation amongst the Management Board and their direct reports was at 54% and so exceeded the suggested minimum. We will continue to ensure the Group has a diverse pipeline for Management Board succession and this will be an annual agenda item for the Board and its Committees where appropriate.

At a Group level, the Board, together with management, remains focussed on building a supportive and inclusive culture that ensures equal opportunity for all and driving measurable progress. In 2023 the responsibility for the topic was delegated to the new ESG Committee to ensure sufficient, dedicated time was set aside for consideration of these important topics. Further information can be found in the report of the ESG Committee.

Independence, election, and re-election of Directors

A formal review of the independence of the five Independent Non-Executive Directors was undertaken by the Committee, which in each case considered relevant issues, including the skills and experience, number and nature of external appointments, potential conflicts of interest (of which none were identified in 2023), and their length of service. The individual circumstances were also assessed against independence criteria, including those set out in the Code. The outcome of the review was that the Committee recommended to the Board that each Non-Executive Director was considered to be independent in character and judgement. Therefore, the Board continued to satisfy the requirement for at least half of its members, excluding the Chairman, to be Independent Non-Executive Directors.

During the year, the Committee kept under review the number of external directorships held by each Director, in order to assess any potential risks of 'overboarding'. The Committee considered the limits on the number of directorships included in the related guidelines of shareholder bodies. Following the Committee's recommendation, the Board is satisfied that there are no Directors whose time commitment causes concern and that all Directors have been able to devote sufficient time to the Company.

In accordance with the Code and recommendation of the Committee to the Board, Naomi Climer CBE will seek election at the 2024 AGM and all the continuing Directors of the Company will seek re-election at the next AGM. Further information in support of their election or re-election will be set out in the Notice of Meeting. As previously noted, Ian Steele will step down from the Board at the conclusion of the 2024 AGM. The Board is of the view that each Director it has recommended to shareholders for election or re-election at the 2024 AGM continues to be effective and contribute to the Company's long-term sustainable success.

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Committee evaluation

The Committee undertakes an annual evaluation process to review its performance and effectiveness as part of the wider Board evaluations. The 2023 internal evaluation and 2022 external evaluation assessed the Nomination Committee as being effective and operating well overall relative to its areas of responsibility.

There were no recommended actions arising from the 2023 evaluation process.

The progress against 2022 actions are as follows:

| Areas of focus identified | Our follow up actions |
|--|--|
| To consider creating a forum for the Non-Executive Directors to specifically focus on the succession plans for Executive Directors whereby all the Non-Executive Directors attend. | Achieved – details contained within the Succession Planning section on page 80 of this report. |

Report of the Audit & Risk Committee

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

- Ian Steele** (Chair)
- Anne Marie Cannon** (retired 27 April 2023)
- David Bergg**
- Simon Miller**
- Aki Mandhar**

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

At the invitation of the Committee, meetings are attended by the Chairman, Chief Executive, Chief Financial Officer, and senior members of the Group Finance Team as required. Naomi Climer CBE, Independent Non-Executive Director, has a standing invite as an attendee to all meetings. Representatives from both the external and internal auditors also participate in each meeting and the Committee meets separately with each of senior management and the external and internal auditors at least once during the year. These separate meetings with the internal and external auditors provide the Committee with the opportunity for any issues to be raised by, or with, the auditors.

The Committee met three times during 2023 and once since the year end. The Chair of the Committee reports on the main points of discussion to the Board following each meeting and conveys any recommendations for the Board's own decision making. The papers considered by the Committee are available to any Director who is not a member, should they wish to receive them.

The principal activities undertaken by the Committee during 2023 focussed on the four areas of financial reporting, internal control and risk management, internal audit, and external audit.

Financial reporting

The Committee's principal responsibility in this area is to review and challenge the judgements and estimates taken by management in applying the critical accounting policies that underpin the interim and annual financial statements. The Committee is required to ensure that appropriate rigour has been applied to the Group's financial statements, including the content of the Interim Financial Report, the Annual Report and Accounts, related results announcements, and supporting analyst presentations, and therefore that the critical accounting policies have been applied appropriately and the disclosures presented are transparent and sufficient. Based on the work of the Committee, a recommendation is also made to the Board in relation to the application of the going concern principle, and approval of the Group's financial statements taken as a whole. The Committee has a particular focus on:

- critical accounting policies, disclosure obligations and practices (including any changes during the period) and the Group's use and explanation of alternative performance measures (APMs);
- decisions requiring significant judgements, areas of significant estimate, or where there has been discussion with the external auditor;
- the existence of any errors, adjusted or unadjusted, arising from the audit;
- the clarity and compliance of disclosures with accounting standards and relevant reporting requirements;
- the oversight of the processes and controls in place to compile and report on the numerical elements of the Group's climate-related financial reporting, including any external assurance sought and the statement of compliance;
- assessment of the going concern basis of preparation and review of the process and financial modelling underpinning the Viability Statement; and
- the processes surrounding compilation of the Annual Report & Accounts, from the perspective of presenting a fair, balanced, and understandable assessment of the Group's position and prospects.

Formal reports were received from the Chief Financial Officer and the external auditor during the year, summarising the main discussion points relevant to the interim financial report (in August 2023) and the Annual Report (in February 2024).

The Committee has identified several areas of focus on which it received reporting from management and the external auditors. Within these areas of focus, the Committee considers that the significant risks from a financial reporting perspective in 2023 were the valuation of the Group's defined benefit pension liabilities as they can be materially affected by the assumptions used, the accounting for the Greenbird Media acquisition as it was a material transaction during the period requiring fair value accounting and specific disclosures, and the carrying value of investment in subsidiaries in the parent company given the challenging macroenvironment the business is operating in.

In terms of pensions, the Committee challenged management on the key assumptions underpinning the valuation, specifically the discount rate, inflation rates, and the mortality assumptions reflecting the latest CMI tables, with particular focus on any adjustment to reflect the long-term impact of the Covid pandemic. The Committee also sought assurances from the external auditors that the assumptions made by management fell within Deloitte's acceptable ranges, and was satisfied with all responses received. In terms of disclosure, the Committee reviewed the revised pension asset breakdown in the financial statements and agreed with management that it represented a more granular and transparent approach and was therefore a positive development in the Group's disclosures. On the basis of work performed, the Committee concluded that it was satisfied that the assumptions underpinning the valuation of pension liabilities were appropriate and the disclosures were transparent and complied with the relevant accounting standard.

In relation to the acquisition of Greenbird Media, the Committee received reporting from Management on the assessment of provisional fair values associated with the transaction, including the purchase price allocation (PPA) work to assess separately identifiable intangible assets and the value of goodwill on acquisition. This work had been supported by a report from valuation experts at KPMG given the complexity of the acquired entity and the underlying assumptions and modelling required. The determination of consideration was reviewed by the Committee, including the assessment by management that the earn-out (deferred payments) to the founders of Greenbird Media should be accounted for as remuneration rather than consideration. The Committee also sought assurance from Deloitte that the assumptions supporting the assessment of provisional fair values of assets and liabilities were reasonable, and that they agreed with management's assessment that earn-out payments were remuneration and had been calculated accurately. On the basis of work performed, the Committee concluded that it was satisfied that appropriate assumptions had been made and that the disclosure of the provisional fair values of the acquired business was complete and accurate and complied with the relevant accounting standard.

The assessment of the carrying value of subsidiaries in the Company balance sheet was identified as a significant risk by the Committee for the first time in 2023 due to the increased risk profile of the trading environment (by virtue of the economic backdrop of high inflation adversely impacting the national linear advertising market in particular) and the increased cost of capital (driven by higher interest rates throughout the year). Management appointed KPMG to perform an independent assessment of the Group's weighted average cost of capital (WACC rate) and shared a summary of their work with the Committee. The Committee found this to be a high-quality piece of work and were satisfied with the assumptions made and therefore the assessed WACC rate of 10.3% was appropriate. The Committee also received reporting on the cash flow forecasts underpinning the impairment assessment and found them to be robust and consistent with those presented in relation to other matters under review. Given these factors, combined with the headroom assessed and sensitivity analysis presented, the Committee agreed that no impairment had been identified.

The other areas of focus for the Committee (none of which was considered a significant risk) that it received reporting on from management and the external auditors, were development stock and deferred production stock in the Studios division, adjusting items and adjusted performance measures, and taxation. The Committee reviews the work in these areas given the judgement involved by management in the underlying assumptions and the need for transparent disclosures. Having reviewed reporting on each matter, the Committee was content with management's treatment and disclosure across all areas.

Going concern and long-term viability

The Committee reviewed and challenged the appropriateness of adopting the going concern basis of accounting in preparing the full year financial statements and assessed whether the business was viable in accordance with the requirements of the Code. The assessment included a review of the principal risks facing the Group, their financial impact, how they were managed, the availability of finance and covenant compliance together with a discussion as to the appropriate period for assessment. In 2023, particular focus as part of the viability assessment was given to the period of availability of the Group's existing Revolving Credit Facility (RCF), which matures on 5 March 2026, and the potential risk that credit may not be available to the business at similar cost thereafter. Following this review, the Committee was satisfied that management had conducted robust viability and going concern assessments and recommended the approval of the viability and going concern statements to the Board. The Viability Statement of the Group is on pages 44 and 45.

Assessment of fair, balanced and understandable reporting

As part of the Committee's work on assessing whether the Annual Report and Accounts, when taken as a whole, is fair, balanced and understandable, the Committee received reports from management setting down the process undertaken, and the factors considered when making the assessment. The Committee reviewed this report and determined that the controls underlying the production of the Annual Report and Accounts were appropriate. The Chief Financial Officer manages the production of the Annual Report and Accounts, with ownership of each section lying with individuals with recent, relevant experience and knowledge of the detailed content, supported by external advisors as appropriate. A robust review process of inputs by contributors from across the business was conducted to ensure disclosures were balanced, accurate and verified, and further comprehensive reviews were conducted by senior management. The Committee then formally reviewed the draft Annual Report and Accounts and fed back comments and questions to management, and was satisfied that all comments and questions were responded to satisfactorily.

The Committee also receive reporting from management and review the disclosures on the use of Alternative Performance Measures (APMs) used in the Annual Report and Accounts to ensure they are transparent and fully explained, as well as clearly reconciled, and given no more than equal prominence, to the relevant statutory measures. The Committee concluded that the narrative on APMs included in the Finance Review (on page 35) and in note 7 to the financial statements met this objective.

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As a result of their work, the Committee has determined the document to be fair, balanced and understandable and recommended it to the Board for approval.

Sustainability-related reporting

The Group's climate-related financial disclosures continue to be the subject of evolving reporting requirements.

During the year the Committee considered and provided oversight of the Group's climate-related financial reporting disclosures in accordance with the new requirements under the CFD Regulations, compliance with Listing Rule 9.8.6(8)R disclosures against the TCFD recommendations, and SECR reporting.

The Committee received reporting from Internal Audit on key controls within the processes underpinning analysis and reporting of numerical sustainability reporting in 2022, and management confirmed recommended actions had all been implemented. Furthermore, management provided reporting on the involvement of third party specialists engaged to support work in this area.

The Committee reviewed the assurance obtained by management in relation to numerical sustainability reporting to ensure it was sufficient and appropriate. On the basis of work undertaken the Committee was satisfied that the Group's climate-related reporting continues to be accurate and consistent.

Internal control and risk management

The Board has delegated responsibility to the Committee for monitoring and reviewing the Group's risk management and internal control framework relating to operating, financial, and compliance internal controls on an ongoing basis and to carry out a review of their effectiveness. During the year, the Committee reported its findings to the Board.

The internal control framework is designed to facilitate effective and efficient operations, ensure a high quality of internal and external reporting, and ensure compliance with applicable laws and regulations. This work is supported by reporting from internal audit on the results of the programme of work completed and the overall assessment of the internal control environment and any reporting, either verbal or written, from senior management covering any investigations or suspected fraudulent activities. Such a system can only provide reasonable and not absolute assurance against material misstatement or loss, acknowledging that no system can eliminate the risk of failure to achieve the Group's strategic priorities entirely.

During the year, the following key controls across the Group were in place:

- The Committee supports the Board in assessing the effectiveness of the framework in respect of controls over the financial reporting process, with its operation delegated to management. The preparation of financial statements and the wider financial reporting process and control system is monitored by the adoption of an internal control framework to address principal financial reporting risks. The key financial controls in place across the Group were as follows:
 - a comprehensive financial review cycle, including a detailed budgeting process where business units prepare budgets for approval by the Board, monthly reporting of trading results for review and, where necessary, corrective action as well as detailed and regular re-forecasting
 - regular reviews of key performance indicators and business risks with consequent steps to manage any matters arising
 - procedures for the approval of capital expenditure
 - key financial reporting controls including balance sheet reconciliations, payment controls, payroll approval controls and third party specialist advice relating to inputs for critical accounting judgments and estimates and corporation tax disclosures
 - general regulatory and other compliance controls.
- As part of an annual review, the Board approved an updated Risk Appetite Statement for the Group and reconfirmed its approval of the Group's risk management policy having taken into account the strategic objectives and business model of the Group as well as the changing environment in which it operates. The Committee supported the Board in a robust assessment of emerging risks, as well as principal risks and how they are being managed or mitigated. Risk management on pages 37 to 45 details how these requirements were addressed.
- The Committee reviewed the integration of reporting and underpinning requirements of the CFD Regulations with the pre-existing TCFD framework, with a particular focus on the impact of potential climate-related risks and opportunities on the Group.
- The Committee and Board reviewed update reports on information security and data privacy and any related material incidents.
- The Corporate governance report on pages 71 and 72 provides details of a clearly defined management structure and delegation of authority to Committees of the Board, subsidiary boards and divisional board.
- The Non-financial and sustainability information statement on page 64 provides details of the internal operating controls.
- There were also high recruitment standards and formal career development and training to ensure the integrity and competence of staff and controls around the engagement of freelancers and other contract staff.
- The Group promotes a culture of openness with its employees and where there are concerns, encourages them to utilise various means available to speak up. The Group recognises that employees may not feel comfortable reporting their concerns through an internal disclosure process and therefore the matter can be raised by using an independent confidential whistleblowing service, Safecall, or directly to the Chair of the Audit & Risk Committee as the Group's Whistleblowing Champion. There is a whistleblowing policy in place. All matters raised are investigated and outcomes reported to the Committee. During the year, there was one matter raised via Safecall and this was reported to the Committee along with the action taken and the outcome.
- The Committee reviewed plans to enhance the internal control environment ahead of expected regulatory and legislative changes.

Internal audit

The Group's internal auditor is KPMG. The primary focus of the internal audit programme is to, on a rotational basis, provide assurance over key revenue streams and operating costs, as well as over the Group's enterprise risk management frameworks and mitigating controls in place to manage emerging and existing principal risks. The internal auditor's work is designed to provide insights into the internal control environment and assess the operating efficiency of key processes and controls, as well as providing broader feedback on the application of the Group Risk Management Policy and related processes.

During the year, KPMG provided regular reporting to the Committee that included: (i) status updates on the performance of audits against the internal audit plan (for FY23); (ii) detailed reports on internal audits completed during the year, including findings and recommendations for improvement; and (iii) a proposed audit plan for FY24. In addition, the internal audit partner shared insight and updates on the status of broader activities underway in relation to corporate governance reform with updates on The Draft Companies (Strategic Report and Directors' Report) (Amendment) Regulations 2023, the consultation and proposals being taken forward on proposed changes by the FRC to the Code and The Economic Crime and Corporate Transparency Act.

Internal audits completed during the year and to the date of this report, were on Compliance (GDPR), Internal Financial Controls (Test of Design), Advertising Revenue Recognition and Management of VAT Processes. In addition, the internal audit team revisited their work done in relation to the Group's Enterprise Risk Management framework in Q4 2021 to assess progress made against recommendations identified, concluding that good progress had been made to enhance the frameworks in place.

For each audit, a detailed report was provided to the Committee that summarised the scope of the audit, areas of good practice that had been identified, and any findings and recommended remediation activities. These reports are designed to give the Committee a detailed insight into the work of internal audit, the outcomes and therefore the strength and operating effectiveness of the Group's risk management activities and internal controls. In turn, this work provides an independent, critical component of the broader assurance sought by the Committee when reporting to the Board its determination of the assessment of the effectiveness of the Group's risk management and control frameworks. These reports also allow the Committee to monitor the role and effectiveness of the internal audit function whilst ensuring it is sufficiently resourced and skilled to provide the assurance required.

Each report was discussed in detail between the Committee, internal auditor and management and, in relation to those audits listed above, it was agreed that no high priority findings had been identified although there were a number of actions proposed that would be implemented by management with a view to enhancing existing processes. At each Committee meeting, management tables a report that tracks each internal audit finding and related recommended mitigating actions to provide the Committee with comfort that responses are being addressed adequately and in a timely manner. The internal audit team also track and test completion of findings on an on-going basis, their first exercise in this area being conducted over Q1 2024. At the date of this report, the majority of Internal Audit's work in this area had been completed with no matters raised to the Committee's attention.

The Committee approved the internal audit plan for FY24 at its meeting in October 2023. The audits confirmed for completion in 2024 are Internal Financial Control (Test of Operating Effectiveness), Integrated Assurance Framework, IT Service and System Resilience, Payroll, and Systems Infrastructure/Integration (as it relates to the Greenbird Media acquisition).

Based on the work of the Committee and reports received from management and internal audit, it is recommended to the Board that the Group's risk management and internal controls processes were operating effectively throughout the year.

External audit

The Committee oversees the relationship with the external auditor and is responsible for assessing its effectiveness, approving its terms of engagement, setting audit fees, and monitoring the auditors' independence and objectivity.

The audit partner and senior manager attend all Committee meetings to ensure full communication of matters relating to the external audit.

The Committee closely monitored the transition process from the previous external auditor, PwC, to the newly appointed external auditor, Deloitte, for Deloitte's first audit being that for FY23 and were satisfied there was a smooth transition.

During the year, the Committee approved the annual external audit plan and received updates on the progress of the audit.

The Committee reviewed: the external auditor engagement letter and agreed the auditors' remuneration (the Committee was authorised by shareholders at the 2023 AGM to agree the remuneration of the external auditors); the findings of the external audit including key judgements and the level of challenge provided by the external auditor; and management's responses to control findings, non-compliance and any other findings identified by the external auditor.

The external auditor has confirmed to the Committee that in relation to their services to the Company they comply with UK regulatory and professional requirements, including Ethical Standards issued by the Auditing Practices Board and that their independence and objectivity is not compromised.

External auditor effectiveness

As part of its responsibility for assessing the effectiveness of the external audit process and the external auditors' performance, the Committee sought feedback from its members, the Chief Financial Officer as well as STV's finance team and the wider management team, to the extent they were involved in the process. This feedback covered various aspects of the external audit process, including the audit team; how the audit is both planned and executed; the role of management; and communication. Comments are considered by the Committee and relayed to the auditors and to management. Following completion of this assessment for the 2023 year end, the Committee concluded that it was satisfied with the external auditors' performance and the effectiveness of the external audit process.

Independence policy and non-audit fees

Both the Board and the external auditor have safeguards in place to protect the independence and objectivity of the external auditor, which are detailed in the External Auditor Independence Policy. The Committee is responsible for approving, in advance, any non-audit work undertaken by the external auditor. Under that policy, the Chief Financial Officer must obtain the approval of either the Chair of the Committee or another Committee member if the preference is to use the auditor and must provide an explanation as to why the auditor is the most suitable supplier of the proposed non-audit services. A case-by-case decision is therefore necessary, and the auditor cannot be engaged for non-audit work without reference to the Committee. In certain cases, the external auditor may be selected over another service provider due to their detailed knowledge and understanding of the Group's operations.

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Deloitte also has an internal process whereby pre-engagement approval of all non-audit services is required to be given by the Audit Partner.

There is also a policy to regulate the appointment of former audit colleagues to senior finance positions in the Group.

The external auditor is required each year to confirm in writing to the Committee that it has complied with the independence rules of its profession and regulations governing independence, having taken into consideration matters such as the individual independence of members of the engagement team and the firm as a whole and the nature of any non-audit work undertaken.

Before Deloitte takes on any engagement for other services from the Company, careful consideration is given as to whether the project could conflict with its role as auditor or impair its independence or infringe audit rules. This includes consideration of all safeguards that are in place to mitigate the risks to independence.

During the year under review, the non-audit work carried out by Deloitte consisted of the interim review and covenant reporting for the purpose of compliance with the Group's bank facility agreement. The fees for these were 8% of the audit fee, and the Committee was comfortable that Deloitte was the most suitable supplier for these services.

Statutory Audit Services Compliance

The Committee confirms that the Group has complied during financial year 2023 and to the date of this report with The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, which relates to the frequency and governance for the appointment of the external auditor and the setting of a policy on the provision of non-audit services.

Committee evaluation

The Committee undertakes an annual evaluation process to review its performance and effectiveness as part of the wider Board evaluations. The 2023 internal evaluation and 2022 external evaluation assessed the Audit & Risk Committee as being effective and operating well overall relative to its areas of responsibility.

There were no recommended actions arising from the 2023 evaluation process.

The progress against 2022 actions are as follows:

| Areas of focus identified | Our follow up actions |
|---|---|
| Consider the programme of meetings should be extended from three to four meetings a year. | This will be considered when the successor for the current Chair of the Committee is appointed. |
| Consider amending the Terms of Reference to incorporate more specifically the responsibilities of the Committee in relation to the monitoring of environmental and climate-related targets and performance. | This has been included in the Terms of Reference for the ESG Committee. |

Report of the Environmental, Social and Governance (ESG) Committee

The members of the Committee, comprising three independent Non-Executive Directors and the Chairman of the Board (independent on appointment), were:

David Bergg (Chair)
Naomi Climer CBE
Aki Mandhar
Paul Reynolds

The Board announced in May 2023 the constitution of an ESG Committee and formally approved its Terms of Reference in June 2023 to prioritise our social purpose/ESG agenda as a primary objective within our growth strategy, positioned alongside our key strategic growth activities. Since that time, two scheduled meetings were held in 2023. At the invitation of the Committee, meetings are attended by the HR & Communications Director, the Chief Executive and the Chief Financial Officer.

The principal activities undertaken by the Committee during 2023 have been summarised below:

Establishment of the structure of meetings

In recognition of the broad ranging nature of STV's ESG agenda, the Committee agreed the structure of its initial meetings during 2023. This was to establish a structure for meetings that would ensure progress against key areas is tracked and measured; that evolving areas of relevant activity are brought into the scope of the Committee; and that matters of relevance are brought to the attention of the Board. At the first meeting in October the Committee was therefore provided with an overview of key activities since the previous update to the Board covering the areas of sustainability (STV Zero); people (diversity and inclusion; wellbeing; engagement); and communities (including the STV Children's Appeal). Similar to the Board's operating rhythm of previous years, the Committee agreed to receive a 'deep dive' into each of the Group's strategies and progress on Sustainability: STV Zero Strategy and Diversity & Inclusion on a rotational basis.

Environment

STV Zero Strategy

In 2023, the Committee received reports from management on progress against targets set down in STV Zero, as well as broader activities across the Group intended to ensure that sustainability was at the forefront of decision-making and operations as much as possible. The Committee reviewed updates on progress against 2023 targets for carbon emission reduction. In addition to these operational updates, the Committee formally reviewed and recommended to the Board approval of the proposed 2024 STV Zero targets which included new reporting disclosure requirements and integrating the activities of Greenbird Media into future targets. In addition it considered and recommended to the Board the updated climate-related risk register and related mitigating controls. Further details can be found in the ESG Report on pages 46 to 64.

Social

Diversity & Inclusion Strategy

In support of the continued focus of the Board and management on building a supportive and inclusive culture that ensures equality of opportunity for all and driving measurable progress, the Committee discussed the activities in this area that focused on STV's Open Access Charter. This Open Access Charter captures the commitments that have been identified to improve diversity and inclusion for employees and extends to the Group's audiences and partners.

The Committee reviewed progress against the challenging targets set for the end of 2023 and received an update on the process to set diversity targets for 2024 and beyond. It reviewed, within the talent pipeline and succession planning, where opportunities lay for talent from under-represented groups and considered the delivery of the third phase of the Company's inclusive culture training programme. It acknowledged STV's continuing commitment to using its privileged position as an employer, Public Service Broadcaster, and producer to address the longstanding systemic issue of under-represented groups both on and off screen.

Further details of consideration of the Diversity and Inclusion Strategy in relation to the composition of the Board and Executive Management and their direct reports can be found in the report of the Nomination Committee on page 81.

ESG Governance and policies

Our Environmental and Social pillars are underpinned by robust governance, a strong culture and effective policies. In this regard the Committee reviewed and recommended to the Board its approval of the sustainability governance framework, updated to reflect the ESG Committee as noted on page 59, and the Company's 2023 Modern Slavery and Human Trafficking Statement.

Committee evaluation

The Committee undertakes an annual evaluation process to review its performance and effectiveness, in line with the other Board Committees and as part of the wider Board evaluations. The 2023 internal evaluation assessed the ESG Committee as being effective and operating well overall relative to its areas of responsibility.

There were no recommended actions arising from the 2023 evaluation process.

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Annual Statement

I am pleased to introduce the Directors' Remuneration Report for 2023.

During the year, I succeeded Anne Marie Cannon as Chair of the Remuneration Committee. I would like to thank my predecessor for her leadership and stewardship of the Committee over the past nine years.

Overview of 2023 performance

2023 marked a key milestone in determining the success of the long-term diversification strategy. The key strategic target – to achieve 50% of earnings from non-broadcast activities by the end of 2023 – was exceeded with 75% of earnings derived from the growth businesses/outside of broadcast.

This strategy, launched in 2018, set the Company on a path to transition the earnings base from one based on linear broadcasting advertising to one based on digital streaming and content production. The objective was to build a more resilient business aligned to growth opportunities in the global content creation market and to the changes in digital content consumption as viewing habits evolve.

The macro-economic conditions that characterised 2023 for so many businesses have presented a challenging trading environment for the Company, with lower levels of consumer confidence severely impacting the linear advertising revenue market. However, with a strong foundation for growth established in Digital and STV Studios, continued progress has been achieved in the face of this challenging trading environment.

The profitable digital business delivered a 6% growth in revenue to £20.2m with profit up 16% at £9.9m. 2023 was another record-breaking year for STV Player, with growth in viewing hours and streams in every quarter of the year. Viewing hours increased by 25%, streams increased by 28%, and the target of 1m monthly active users was achieved.

The distribution of STV Player continued to expand across all major platforms with the new app launching on Sky Q; Amazon Search; Apple TV services; and Google TV.

Despite a global slowdown in the programme commissioning market which affected many producers, STV Studios revenue was ahead of target, almost trebling to £67m. Adjusted operating profit was over £5m.

The completion of the acquisition of Greenbird Media during the year was a significant strategic development towards the goal of becoming the UK's largest Nations and Regions production business. The deal accelerated the growth of STV Studios, delivering scale and strengthening the creative pipeline. With the number of labels increasing from nine to over 20, almost 70 series were produced and over 50 new commissions and recommissions secured.

The challenging economic backdrop that prevailed throughout the year impacted the turnover of the Broadcast business; however, the unrivalled reach of the core channel, STV, was undiminished. Maintaining its position as Scotland's most popular peak time television channel for the sixth consecutive year, STV delivered 97% of the top 500 commercial programme audiences, entertaining viewers with a rich schedule of Network and Regional productions and providing advertisers with the biggest and most impactful marketing platform in Scotland.

The process to secure a long-term extension of the two Public Service Broadcast licences within a reformed regulatory regime continued. The extension of the licences was confirmed by the Government early in the year and the regulatory environment in which these licences will operate is being reformed through a Media Bill which is now at an advanced state in the parliamentary process.

This public service purpose is at the core of the Company's developing ESG strategy, which defines our priorities relating to our people, sustainability and climate action, and supporting the communities we serve. The priorities in this area are reflected in the personal objectives defined for the Executive Directors and Management Board and cascaded to all colleagues. The importance the Board places on delivery of these targets was underscored during 2023 through the formation of a dedicated ESG Board Committee whose remit includes assessing delivery and performance against targets.

Remuneration outcomes for 2023

The annual bonus plan was based on a balanced set of financial targets (operating profit and cash generation), as well as personal objectives linked to strategic delivery.

The Group's Adjusted Operating Profit for the full year was £20.1m. The Committee carefully considered how to reflect the contribution from Greenbird Media, noting the significant incremental value delivered during the second half as a result of the management team's exceptional efforts in integrating the business post acquisition. However to ensure a wholly consistent assessment against the annual bonus targets set at the start of the year, the contribution from Greenbird Media was fully excluded. This resulted in an outcome (for bonus calculation purposes) of £16.9m which fell below the stretching threshold set for this metric. The cash flow outcome of £23.9m, which was not impacted by the acquisition of Greenbird Media and therefore has not been adjusted, was just below target.

Both Executive Directors performed highly effectively against their personal objectives with delivery against the long-term strategic objective to drive profitable growth in the Digital business and STV Studios – supported by the transformational acquisition of Greenbird Media, achieving regulatory outcomes to secure extension of the PSB licences, and continued management of the Company's defined benefit pensions liabilities. Additionally, as mentioned above, delivery of key ESG targets enhanced the Company's positive social impact, including achievement of long-term diversity targets and continued progress to reduce the carbon impact of the business. Reflecting on these significant achievements, the Committee therefore determined that the personal objectives element of the bonus would pay-out at 95% for both Executive Directors.

This overall performance resulted in a final bonus outcome for 2023 of 35.25% of maximum for the Chief Executive and Chief Financial Officer. In line with the Remuneration Policy, 20% of the bonus will be deferred into STV Group shares, which will vest after three years. Further detail on the bonus targets and the performance delivered is set out on page 98.

The 2021 Long Term Incentive Plan (LTIP) award vested by reference to performance over the three-year period to 31 December 2023. This award was based on EPS growth, non-broadcast earnings and total shareholder return (TSR) performance. In light of the very challenging market conditions over the period, EPS and TSR performance fell below the threshold target, resulting in no vesting for those elements. Non-broadcast earnings of £11.9m (as adjusted downwards to remove any contribution from Greenbird Media), represented over 70% of the Group's overall earnings having almost doubled in size over the performance period in line with our strategic diversification objective. This resulted in a vesting of 51% of this element when assessed against the stretching target range originally set by the Committee. Overall, this translated into a total vesting for the 2021 LTIP award of 15.2% of maximum. Further detail on the targets and outcome is set out on pages 99 and 100. Following vesting in March 2024, this award will then be subject to a two year post-vesting holding period in line with the Remuneration Policy.

The Committee reviewed the formulaic outturn of both the annual bonus and the LTIP against a broader assessment of underlying performance for our stakeholders over the respective performance periods. The Committee noted the exceptional performance of the business and Management Board in successfully delivering on our diversification strategy, both over the long-term and most recently via the execution of the transformative Greenbird Media acquisition completed during the year. The Committee also took into account the robust financial performance of the business through a sustained period of exceptionally challenging market conditions, but also considered the wider remuneration outcomes for staff across the business and recognised the impact of the market conditions on the share price. Overall, the Committee concluded that the bonus and LTIP outcomes described above, both of which were below those received last year, were an appropriate reflection of these factors.

Company-wide remuneration

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

In 2023, an across-the-board salary increase of £2,000 was awarded to all colleagues, irrespective of the level of seniority or role, ensuring that the increase to our salary budget was focused primarily on supporting our lowest paid colleagues. Over two thirds of colleagues received increases of at least 5%, with around 20% of colleagues receiving an average increase of 12.8%. As a result of this approach, for more senior roles the percentage increase was significantly lower.

In addition, as detailed in last year's report, in 2023 we also introduced a new all-employee annual incentive arrangement linked to the operating profit target, providing all colleagues with the opportunity to participate in the performance of the business during the year. Unfortunately, as a result of the trading conditions described above, consistent with the annual bonus plan for executives, the performance threshold for operating profit was not achieved and no payments will be delivered under this plan.

For 2024, we continued our approach of providing higher levels of salary increase to our lowest paid colleagues. Over 70% of colleagues received an increase of £1,500, delivering an inflation-linked increase to two-thirds of this group; 20% received an increase of £1,250; while management roles received increases of £1,000. The average increase across all employees is around 3%.

Remuneration Policy review – no material changes proposed to overall structure

In line with the normal three-year cycle, we will be seeking shareholder approval for a new Directors' Remuneration Policy, as set out on pages 91 to 95, at the 2024 AGM. In advance of this, the Committee undertook a comprehensive review, including a multi-phased programme of engagement with our major shareholders.

In summary, we are not proposing to make any material changes and will retain the existing executive remuneration framework which has been in place since 2015. That is, an annual bonus (with an element deferred into shares) and an LTIP. The Committee believes this continues to provide the appropriate framework with which to secure executive talent, reward performance and the delivery of our strategy, and align with the interests of our shareholders. Additionally, this framework is fully consistent with well-established market practice and best practice guidance for UK-listed companies.

Maximum award levels will remain unchanged (at 150% and 125% of salary for the CEO and CFO respectively under the annual bonus and 100% of salary for the LTIP).

In order to fully align the terms of our share awards with very latest best practice, the LTIP will be updated to include a provision that, if following cessation as a 'good leaver' the individual agrees to start employment with another employer before the vesting date, the Committee may determine that the retained awards will lapse.

Consideration of diverse views in our shareholder base

We have consistently received strong support for our approach to executive remuneration from the vast majority of our register, including most of our largest shareholders. However, as discussed further below, in recent years there has been a minority vote against our remuneration-related resolutions, and we therefore used this engagement exercise with our key shareholders to further supplement our existing understanding of the range of views. In total, we engaged with nine of our largest shareholders, holding around 65% of our share register. We also engaged with investor bodies and voting agencies.

The Committee's objective in this current Remuneration Policy review was to develop an approach which all major shareholders could support, and, through this process, a range of potential alternatives to the current nil cost option (LTIP) structure were evaluated. For example, we considered long-term incentive structures based solely on share price performance (such as share options or a 'value creation plan') and also those which would remove all long-term performance assessment (such as a 'single incentive plan'). After full consideration, the Committee concluded that none of these were as well suited to STV's strategy as the current structure, and also noted that each would bring a number of challenges which – based on shareholder discussions and professional advice – may have risked the support of some shareholders and/or investor bodies.

On behalf of the Committee, I would like to thank those shareholders who engaged in the process and confirm our intention to continue an open and ongoing dialogue going forward.

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Share plan renewal

At the 2024 AGM, we will also be seeking shareholder approval for a renewal of our LTIP rules, which are due to expire next year. The rules are consistent with the terms of the Policy, and therefore no major changes are required. One refinement to the previous rules is that we will be including the 5% dilution limit in respect of the executive share plans, in line with best practice. Full details of the plan are set out in the Notice of AGM.

We will also be renewing our all-employee Sharesave Scheme, which provides the opportunity for all colleagues to participate in equity and share in the growth we deliver for shareholders.

Implementation of Policy for 2024

Consistent with the Company-wide framework for salary increases described above, with effect from 1 January 2024, both Executive Directors received a salary increase of £1,000, equating to increases of 0.2% and 0.4% for the Chief Executive and Chief Financial Officer, respectively. This is significantly below the average increase for all employees of 3%. Our approach this year provides further evidence of the Committee's continued commitment to a restrained and responsible approach to executive salaries, having increased Executive Directors significantly below the employee average last year, in line with employees in 2022 (at 3%), with no increases in 2021 and a voluntary salary reduction in place for five months of 2020.

Executive Directors will participate in the annual bonus and LTIP, with award opportunities aligned to the Policy and unchanged from 2023. During the Policy review, we reviewed the performance measures in our incentive plans to ensure they remained optimally aligned with our evolving strategy and the expectations of our shareholders.

For the annual bonus, we propose to retain the existing framework based on Operating Profit (50%), Cash Flow (25%) and stretching Personal objectives (25%) linked to key strategic and operational goals. Personal objectives will continue to relate to key success factors in progressing strategic delivery including launching the next phase of the strategy beyond 2023; delivery of efficiency and cost savings targets; and continued progression of all aspects of the ESG strategy.

For the LTIP, the majority will continue to be based on EPS and TSR performance, suitably reflecting both 'bottom line' financial performance and shareholder value creation. However, we propose to replace the Non-Broadcast Earnings metric, which has supported the successful delivery of our diversification strategy over the past six years, with two new metrics. These are introduced to ensure continued alignment of incentives with shareholders interests and our newly defined strategic targets. The new metrics are:

- a Group margin metric, to demonstrate profitable growth of the Digital business and STV Studios and profit maximisation of the mature Broadcast business, and successful execution of a multi-year cost saving programme we will implement in 2024; and
- a growth metric for our Digital and Studios businesses to drive and reward the continued scaling up of these key areas.

The Committee has set stretching performance target ranges for all LTIP metrics, aligned to the challenging long-term plan agreed by the Board and taking into account external expectations for performance. For EPS, maximum vesting will require double digit annualised growth over the period to FY26, which is expected to be challenging to deliver in the context of the current trading and market outlook. For Operating Margin, the target range of 8% to 13% reflects the anticipated trajectory in that metric as the quality of earnings evolves in step with our continued diversification. The target range for Revenue in the Digital and Studios businesses of 15%-25% is exceptionally stretching and reflective of our ambition to drive growth in these key areas. Further details on the LTIP targets are set out on page 96. The Committee has discussed that when determining performance outcomes against the new metrics they will ensure these outcomes are appropriately supported by underlying profitability.

No changes will be made to the fees for the Chairman and Non-Executive Directors for 2024.

Voting outcome at the 2023 AGM

The Committee noted that last year's remuneration report had more than 20% votes cast against at the 2023 AGM. This reflects a pattern of votes cast in recent years, dating back to the adoption of the previous Remuneration Policy at the 2021 AGM. Over this period, we have regularly engaged with major shareholders and have consistently received strong support from the vast majority of our register, including most of our major shareholders. Through our ongoing dialogue with the shareholder who has voted against, previously and during our recent engagement exercise, the Committee understands and acknowledges their concern around one specific element of our Policy, the use of nil-cost options in the LTIP. As described above, this feedback was taken into account, alongside that of our other shareholders, in developing the final proposals.

In conclusion

Once again, I would like to thank shareholders for their engagement and support during this initial period of my tenure as Committee Chair. Our Directors' Remuneration Policy will be subject to a binding shareholder vote at our 2024 AGM and the Annual Report on Remuneration, including this Annual Statement, will be subject to an advisory vote. I look forward to your continued support and would be happy to answer any questions you may have on our executive remuneration arrangements.

Naomi Climer
Chair of the Remuneration Committee

Directors' Remuneration Policy

The Directors' Remuneration Policy ('the Policy'), determined by the Group's Remuneration Committee ('the Committee') and presented below, will be effective following shareholder approval at the 2024 Annual General Meeting.

As referred to in the Chair's introductory statement, the Committee undertook a comprehensive review of the Policy and determined that overall the current executive remuneration framework continues to support the delivery of our key strategic objectives while aligning the interests of Executive Directors with those of our shareholders.

In developing this Policy, the Committee also undertook an extensive, multi-phased engagement with major shareholders, and took into account the provisions of the UK Corporate Governance Code and evolving best practice. Input was sought from management, whilst ensuring that conflicts of interest were suitably managed.

Following this review, and reflecting the input of our shareholders, no major changes are proposed to the Policy.

The key principles which underpin our remuneration framework continue to apply. These are:

- Closely aligning rewards with the delivery of Company strategy;
- Ensuring a significant proportion of the awards are based on long-term success criteria;
- Reflecting changes in best practice and governance;
- Simplifying and streamlining the framework for clarity and effectiveness;
- Ensuring market competitiveness.

Policy table for Executive Directors

| Objective and link to strategy | Operation | Maximum opportunity | Performance conditions |
|---|---|---|------------------------|
| Base salary | | | |
| The Committee sets salaries as a retainer for the Executive Directors to recognise status and responsibility to deliver the strategy. | When determining the salary of the Executive Directors, the Committee takes into consideration a number of factors including: <ul style="list-style-type: none"> • the scale and complexity of the Company • the scope and responsibilities of the role • the skills, experience and performance of the individual • the Committee's assessment of the competitive environment including consideration of similar positions in organisations of broadly similar size and complexity, including companies within the media sector • pay and conditions throughout the Company. Salaries are normally reviewed annually, with any changes effective from 1 January in the financial year. Salary reviews may also take place during the year, if required as a result of any of the factors above. | There is no prescribed maximum salary. In general, any salary increase for Executive Directors will be in line with other employees in the Group. The Committee retains discretion to award larger increases where considered appropriate to reflect the factors described in this table. Salaries with effect from 1 January 2024 are set out on page 96. | None |
| Benefits | | | |
| To provide competitive levels of employment benefits consistent with role. | Executives are entitled to receive a taxable cash allowance in lieu of benefits in kind, including car and private medical insurance. This cash allowance is excluded from the calculation of any other benefit provided by the Company. Other reasonable benefits may be granted to Executive Directors at the discretion of the Remuneration Committee. The Executive Directors are eligible to participate in the Company's all employee share plans, as offered from time to time, on the same terms as all employees. | The maximum cash allowance paid to Executive Directors in lieu of benefits in kind is £25,000 per annum. Participation in all employee share plans is subject to HMRC plan rules and limits. | None |
| Pension | | | |
| To provide competitive levels of retirement benefit. | The Group operates a defined benefit (DB) scheme (closed to new members), a defined contribution (DC) scheme and a Group personal pension plan. Executive Directors have the option to receive a taxable cash allowance in lieu of pension benefits. Neither the Chief Executive nor the Chief Financial Officer are members of the DB scheme. | The maximum pension contribution or taxable cash allowance in lieu of pension is set in line with the wider workforce, currently 7% of base salary. This is in line with provision 38 of the Code. | None |

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| Objective and link to strategy | Operation | Maximum opportunity | Performance conditions |
|---|--|--|---|
| Annual bonus | | | |
| Aligns reward to the delivery of annual financial and strategic performance measures. Deferral creates long term alignment with shareholders. | Provides an opportunity for additional reward (up to a maximum specified as a % of salary) based on annual performance against targets set and assessed by the Committee. A proportion of any bonus (normally 20%) is deferred into Company shares under the terms of the STV Deferred Bonus Plan (DBP) and will normally vest over three years, subject to continued employment. Recovery and dividend equivalent provisions apply (see explanatory notes). | Annual maximum bonus opportunity is: <ul style="list-style-type: none"> 150% of salary for the Chief Executive 125% of salary for other Executive Directors | Payment is determined by reference to performance assessed over one financial year based on a range of financial and strategic performance measures. For 2024, these measures are: <ul style="list-style-type: none"> operating profit cash flow personal objectives As well as determining the measures and targets, the Committee will also determine the weighting of the various measures, which will normally be weighted towards the financial measures. At threshold and target performance 10% and 50% of maximum, respectively, is currently payable. The Committee has discretion to use different or additional measures, weightings or payout schedules to ensure that the bonus framework appropriately supports the business strategy and objectives for the relevant year. The Committee has discretion to adjust the formulaic outcome if it considers that this is inconsistent with overall Group performance, taking into account any factors it considers appropriate. The Committee has the discretion to adjust targets for any exceptional events that may occur during the year. |
| LTIP | | | |
| Aligns reward to the delivery of long-term financial performance delivered for shareholders. | Awards are made under the terms of the STV Long Term Incentive Plan. Awards are normally in the form of a right to acquire shares in the Company for a zero or nominal amount. Awards vest over a period of at least three years, subject to the satisfaction of performance conditions. A post-vesting holding period of two years will normally apply. Recovery and dividend equivalent provisions apply (see explanatory notes). | The maximum award in respect of a financial year is normally 100% of salary. | Vesting is determined by reference to performance assessed over a period of at least three years, based on performance measures which the Committee consider to be aligned with the delivery of strategy and long term shareholder value. The measures for the 2024 award are: <ul style="list-style-type: none"> Annualised growth in Group Earnings per Share (EPS) Adjusted Group Operating Margin Annualised growth in the combined revenues of the Digital business and STV Studios Relative Total Shareholder Return (TSR) The Committee has discretion to use different or additional measures or weightings to ensure that the LTIP remains appropriately aligned to the business strategy and objectives. The threshold for vesting is no higher than 25% of the maximum award. The Committee has discretion to adjust the formulaic outcome if it considers that this is inconsistent with overall Group performance, taking into account any factors it considers appropriate. This would include consideration of whether the outcomes for the Margin and Revenue based metrics are appropriately supported by underlying profitability. The Committee has the discretion to adjust targets for any exceptional events that occur during the period. |
| Shareholding requirement | | | |
| To strengthen long term alignment with shareholders. | Executive Directors are required to hold shares equivalent to 150% of their annual salary. Executive Directors will, on leaving the Board, be required to maintain their in-employment shareholding guideline (or their actual shareholding if lower) for a period of two years. | The required level of holding is 150% of salary. | None |

Notes to the Policy table

Recovery provisions

Awards of variable remuneration made under the Policy for Executive Directors are subject to recovery provisions which allow the Committee to reduce or cancel unvested DBP/LTIP awards, or seek to reclaim paid or deferred cash or DBP/LTIP awards, in certain circumstances.

The recovery provisions for the annual bonus apply for three years from the date of payment of the bonus/grant of deferred shares, and two years from the date of vesting under the LTIP. The circumstances which may trigger the recovery provisions are as follows:

- a material misstatement of the Company's (or any Group members) audited financial results
- misconduct on the part of the participant
- an error in assessing a performance condition
- action by a participant or participants which resulted in a material breach and subsequent loss of the Company's Channel 3 licence(s)
- serious reputational damage
- corporate failure.

Dividend equivalents

The Committee may determine that the number of shares to which a participant's DBP or LTIP award relates shall increase to take account of dividends that would have been paid on vested shares on such terms as it determines, or that an equivalent amount should be paid in cash.

Performance measures and targets

The Committee selects performance measures for the annual bonus which appropriately support the business strategy and objectives for the relevant year. The financial metrics used (such as operating profit and cash flow) are the key metrics used by the Directors to oversee the operation and performance of the business. Personal measures allow the Committee to reward the delivery of key strategic objectives. The performance measures for the LTIP are aligned with the delivery of strategy and long term shareholder value. The performance targets are determined annually by the Committee, and are set at an appropriately stretching level taking into account relevant business forecasts at that time.

Discretion

The Committee has discretion in several areas of policy as set out in this report. The Committee may also exercise operational and administrative discretions under relevant plan rules approved by shareholders as set out in those rules.

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy where the terms of the payment were agreed (i) before the Policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' remuneration policy in force at the time they were agreed; or (ii) at a time when the relevant individual was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

The Committee may make minor amendments to the Policy (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval.

Differences in remuneration policy for all employees

All employees are entitled to base salary, pension and benefits. Bonus plan participation is dependent on the role and seniority and responsibility of the role. Long-term incentive awards are only available to the management board and key senior staff by invitation.

Policy table for Non-Executive Directors

The table below sets out the key elements of the policy for Non-Executive Directors.

| Objective and link to strategy | Operation | Maximum opportunity |
|--|---|---|
| To attract Non-Executive Directors with the requisite skills and experience. | The fees of the Non-Executive Directors are determined by the Board based upon recommendations from the Chairman and Chief Executive (or, in the case of the Chairman, based on recommendations from the Senior Independent Non-Executive Director and the Chief Executive). The fee for Non-Executive Directors encompasses a basic fee and may also include supplementary fees for committee or other duties. The Chairman receives a single fee for all duties. Fees are normally reviewed annually with changes effective from 1 January. Fees are paid in cash. The Chairman and Non-Executive Directors do not participate in any bonus or share incentive scheme, nor do they participate in any pension arrangements. Non-Executive Directors are required to build holdings of 20,000 shares for the Chairman and 5,000 shares for other Non-Executive Directors. | Fees are set at a level which reflects skills, experience, time commitment and appropriate market data. Fees are set within the limits set by the Articles of Association. Fees with effect from 1 January 2024 are set out on page 97. |

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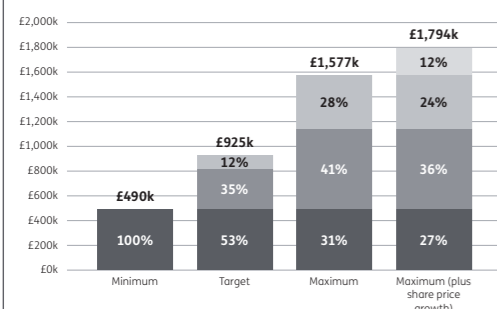
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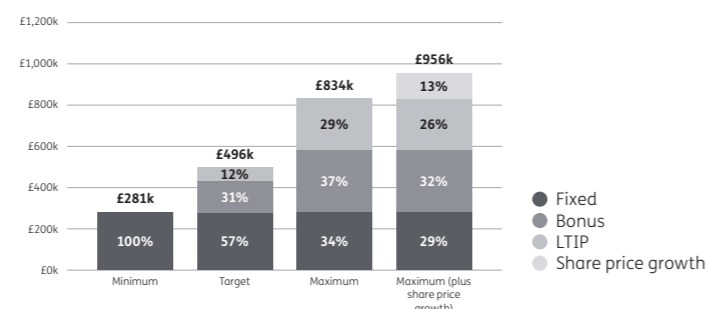
Illustrations of application of remuneration policy

The graphs below seek to demonstrate how pay varies with performance for the Executive Directors based on the Policy for Executive Directors.

Chief Executive



Chief Financial Officer



Assumptions used in determining the level of pay-out under given scenarios are as follows:

- Minimum – reflects fixed pay only (base salary as at 1 January 2024, benefits allowance, and cash in lieu of pension contributions).
- Target – reflects fixed pay, target bonus (50% of maximum) and LTIP awards vesting at threshold performance (25% of maximum).
- Maximum – reflects maximum bonus (150% of salary for the Chief Executive and 125% of salary for the Chief Financial Officer) and LTIP awards vesting in full (100% of salary).
- Maximum plus share price growth – reflects maximum bonus and LTIP awards vesting in full plus share price growth of 50% on those LTIP awards.

Recruitment remuneration policy

The Committee's approach to recruitment remuneration is to pay no more than it considers necessary to secure appropriate candidates to the role.

The structure of the remuneration package would normally include the components, and be subject to relevant maxima, as set out in the Policy Table for Executive Directors. Salaries would typically be set at an appropriately competitive level to reflect skills and experience. They may be set at a level to allow future salary progression to reflect performance in role. The Executive Director would be eligible to participate in the annual bonus and LTIP subject to a maximum level in line with the Policy Table above.

Where an individual forfeits remuneration with a previous employer as a result of appointment to the Company, the Committee may make compensatory payments or awards to facilitate recruitment. In determining the structure of these commitments, the Committee will normally seek to replicate, as far as practicable, the timing and performance requirements of remuneration foregone. Such payments or awards could include cash (where cash-based remuneration is forfeited) as well as share awards. There is no limit on the value of such compensatory awards, but the Committee's intention is that the value awarded would be no more generous than the broadly equivalent economic value of the forfeited remuneration.

In instances where the new Executive Director relocates from one work location to another, the Company may provide compensation to reflect the cost of relocation. The level of relocation package will be assessed on a case by case basis but will take into consideration any cost of living differences, housing allowance and schooling in accordance with the Company's normal relocation package for employees.

Where an existing employee is promoted to the Board, the Executive Director Remuneration Policy would apply from the date of promotion but there would be no retrospective application of the Policy in relation to subsisting incentive awards or remuneration arrangements. Accordingly, existing elements of the remuneration package of the employee would be honoured and form part of the ongoing remuneration for the person concerned.

Service contracts

When setting notice periods, the Committee has regard to market practice and corporate governance best practice. The Company's policy is for Executive Directors to have service agreements with no fixed term, but which may be terminated by the Company with no more than 12 months' notice. The service contracts for the current Executive Directors may be terminated by the Company upon 12 months' notice and by the Executive Director upon six months' notice.

Non-Executive Directors' letters of appointment are for an initial three year term followed by annual re-election at the Company's AGM and are subject to a one month notice period by the Company or Non-Executive Director.

Policy on payment for loss of office

When determining any loss of office payment the Committee will always seek to minimise cost to the Company whilst seeking to reflect the circumstances in place at the time.

In the event of termination by the Company due to misconduct or normal resignation, there will be no compensation for loss of office. In other circumstances Executive Directors may be entitled to receive payment in lieu of notice which may be paid monthly in respect of any unexpired portion of the notice period. Such payments will be equivalent to the monthly salary that the Executive would have received if still in employment with the Company. Executive Directors will be expected to mitigate their loss during this period.

The treatment of incentive awards would be determined by the relevant plan rules. If the individual is a 'good leaver', the treatment of awards will be as set out in the table below (which also describes the Committee's areas of discretion). The 'good leaver' circumstances are death, ill-health, injury, disability, the sale of the business or entity that employs the participant out of the Group, or for any other reason at the Committee's discretion. If the individual is not a good leaver, unvested awards will lapse in full.

Treatment of awards for a 'good leaver'

| | |
|---------------------|---|
| Annual bonus | The Committee has discretion to make a payment under the annual bonus in respect of the year of cessation. This would reflect performance in the year and be pro-rated to reflect the period worked in that year. The Committee retains discretion to deliver any such bonus solely in cash and to pay it at the normal date. |
| DBP | Unvested DBP awards will usually continue, unless the Committee determines that the award should vest as soon as reasonably practicable following the date of cessation. An award will normally vest in full but the Committee retains discretion to determine the extent to which it vests, taking account of the period of time that has elapsed since the award was granted until the date on which the participant ceases to hold office or employment with the Group. |
| LTIP | LTIP awards will usually continue until their normal release date, unless the Committee determines that the award should be released as soon as reasonably practicable following the date of cessation (or on such other date as determined by the Committee). The Committee will decide the extent to which an award vests in these circumstances, taking into account the extent to which any performance condition is satisfied and, unless the Committee in its discretion determines otherwise, the period of time that has elapsed since the award was granted until the date of cessation. If following cessation as a good leaver the individual agrees to start employment with another employer before the vesting date, the Committee may determine that the award will lapse. |

The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment. Any such payments may include but are not limited to paying any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his cessation of office or employment. Incidental expenses may also be payable where appropriate.

Treatment of awards on a change of control

| | |
|-------------|--|
| DBP | An award will normally vest in full but the Committee retains discretion to determine the extent to which it vests, taking account of the period of time that has elapsed since the award was granted until the date on which the participant ceases to hold office or employment with the Group. |
| LTIP | Awards will vest, taking into account the extent that any performance condition has been satisfied, and, unless the Committee determines otherwise, the period of time which has elapsed between the grant date and the relevant event. Alternatively, the Committee may permit participants to exchange awards for equivalent awards which relate to shares in a different company. |

Consideration of employment conditions elsewhere in the Company

In making annual pay decisions the Committee gives consideration to pay and employment conditions in the rest of the Company. The Committee is provided with data on the remuneration structure for the management board, and uses this information to work with the HR team to ensure consistency of approach throughout the Company.

To appraise itself of conditions elsewhere in the Company, the Committee invites the HR & Communications Director to present on the proposals for salary increases for the employee population generally, and on any other changes to remuneration policy within the Company.

The Committee actively considers the relationship between general changes to employees pay and conditions and any proposed changes in the remuneration packages for Executive Directors to ensure it can be sufficiently robust in its determinations in light of the position of the Company as a whole.

Although the Committee takes into account the pay and conditions of other employees, the Company did not consult with employees when developing the Policy. There are however a number of different mechanisms in place to gather feedback from employees, including on remuneration. Relevant feedback is presented to the Board to help to inform decision-making.

Consideration of shareholder views

The views of the Company's shareholders are very important and the Committee welcomes constructive feedback with respect to the remuneration policies and/or structure. In developing this Policy, the Committee Chair engaged extensively with major shareholders outlining proposals and the rationale for these. Feedback received was taken on board when finalising our arrangements.

Remuneration report

Annual Report on Remuneration

This section of the report sets out how the Policy will be implemented in 2024 and how it was implemented during 2023. Some sections of this report, where indicated, have been audited.

Statement of implementation for 2024

Executive Directors

Salaries

For 2024, we continued our approach of providing higher levels of salary increase to our lowest paid colleagues. Over 70% of colleagues received an increase of £1,500, delivering an inflation-linked increase to two-thirds of this group; 20% received an increase of £1,250; while management roles received increases of £1,000. Consistent with this Company-wide framework, with effect from 1 January 2024, both Executive Directors received a salary increase of £1,000, equating to increases of 0.2% and 0.4% for the Chief Executive and Chief Financial Officer, respectively. This is significantly below the average increase for all employees of 3%.

| Executive Director | 2024 salary (£) | 2023 salary (£) | Increase (£) | Increase (%) |
|--------------------|-----------------|-----------------|--------------|--------------|
| S Pitts | 434,797 | 433,797 | £1,000 | 0.2% |
| L Dixon | 245,426 | 244,426 | £1,000 | 0.4% |

Our approach provides further evidence of the Committee's continued commitment to a restrained and responsible approach to executive salaries, having increased Executive Directors significantly below the employee average last year, in line with employees in 2022 (at 3%), with no increases in 2021 and a voluntary salary reduction in place for five months of 2020.

Benefits and pension

In line with the Policy, the Executive Directors will receive a taxable cash allowance in lieu of benefits-in-kind of £25,000 and a pension contribution (or cash allowance) aligned to the wider workforce rate of 7% of salary.

Annual bonus

The annual bonus will operate in line with the Policy. The maximum bonus opportunity is 150% of salary for the Chief Executive and 125% of salary for the Chief Financial Officer.

For 2024, the bonus will be based on stretching targets set for the performance measures in the table below.

| Performance measure | Weighting (% of max) |
|---------------------------|----------------------|
| Adjusted operating profit | 50% |
| Cash flow | 25% |
| Personal objectives | 25% |

Personal objectives for 2024 will relate to key success factors in progressing and delivering the strategy and long-term plan, including:

- Successful launch of the next phase of the Group's growth strategy and related equity story for 2024-2026
- Implementation of a multi-year cost savings programme to underpin achievement of growth and margin targets
- Accelerated growth of STV Studios to secure the position as the UK largest Nations and Regions producer by 2025
- Driving the profitability and growth of STV Digital, including the development of new revenue opportunities
- Securing renewal of the Company's two Public Service Broadcast licences by the end of 2024
- Continued management of the Group's legacy defined benefit pension schemes, including delivery of the 2023 triennial valuation
- Progressing the Company's positive impact through achievement of ESG aims and targets

The Committee believes that the annual bonus performance targets are commercially sensitive, and that it would be detrimental to the interests of the Company and its shareholders to disclose them fully at this time. It is the Committee's intention to disclose the targets, and performance against them, in the next Annual Report on Remuneration if the Committee is satisfied that the targets are no longer sensitive.

In line with the Policy, 20% of any bonus received will be deferred in shares for a period of three years.

Long-term Incentive Plan

In 2024, the Executive Directors will receive awards under the LTIP at the level of 100% of salary. Awards will vest after three years and will be subject to a two-year holding period post-vesting.

During the Policy review, the Committee agreed some changes to the LTIP performance measures for 2024 to ensure optimal alignment to strategy. The majority will continue to be based on EPS and TSR performance, suitably reflecting both 'bottom line' financial performance and shareholder value creation. However, the Non-Broadcast Earnings metric, which has supported the successful delivery of our diversification strategy over the past five years, will be replaced with two new metrics which will more closely align with our future strategic priorities and shareholders' interests: (i) a Group margin metric, to demonstrate profitable growth of the Digital business and STV Studios, profit maximisation of the mature Broadcast business, successful execution of a multi-year cost saving programme; and (ii) a growth metric for our Digital and Studios businesses to drive and reward the continued scaling up of these key areas. The performance targets for the award are as follows:

| Performance measure | Calibration of targets | Weighting | Threshold vesting (25% of maximum) ¹ | Maximum vesting (100% of maximum) ¹ |
|--|--|-----------|---|--|
| EPS | Compound Annual Growth Rate in Adjusted EPS over the three year period to FY26 | 40% | 4% | 10% |
| Group margin | Adjusted Group Operating Margin in FY26 | 20% | 8% | 13% |
| Digital and STV Studios revenue growth | Compound Annual Growth Rate in Revenue from Digital and STV Studios over the three year period to FY26 | 20% | 15% | 25% |
| Relative TSR | Ranked position of the Company's total shareholder return ('TSR') against the constituents of the FTSE Small Cap Index (using 3 month averaging) | 20% | Median | Upper quartile |

¹ There is no vesting for performance below threshold, and straight-line vesting between threshold and maximum.

The Committee has set stretching performance target ranges for all metrics, aligned to the challenging long-term plan agreed by the Board and taking into account external expectations for performance. For EPS, the target range is based on the Board's long-term strategic plan and will be challenging to deliver in the context of the current trading and market outlook. For the new target of Group Margin, the range reflects the forecast trajectory as the quality of earnings evolve in line with the continued diversification of the business. The range for the second new target of Revenue growth in Digital and STV Studios is also stretching and reflects the ambition to drive growth in these key areas. When determining performance outcomes against the new metrics, the Committee will use its discretion to ensure these outcomes are appropriately supported by underlying profitability.

Non-Executive Directors

The fees paid to Non-Executive Directors are a matter for the Chairman and Chief Executive, and in the case of the Chairman's fee, decided by the Senior Independent Director and Chief Executive.

In recognition of the continued need for restraint in remuneration, the Non-Executive Directors have agreed that no increase will be applied to their fee structure in 2024. Therefore, the level of the basic fees paid to the Chairman and Non-Executive Directors and the fees for additional Board or Committee duties remain unchanged.

| Non-Executive Director | 2024 fees (£) | 2023 fees (£) | Increase (£) | Increase (%) |
|--|---------------|---------------|--------------|--------------|
| Chairman fee | 152,000 | 152,000 | 0 | 0% |
| Basic Non-Executive Director fee | 46,000 | 46,000 | 0 | 0% |
| Additional fees: Senior Independent Director | 13,100 | 13,100 | 0 | 0% |
| Additional fees: Chair of the Audit & Risk/Remuneration/ESG Committees | 7,500 | 7,500 | 0 | 0% |

Single total figure of remuneration

Executive Directors (audited)

The table below sets out the single total figure of remuneration for the Executive Directors for the 2023 and 2022 financial years.

| Executive Director | | Salary £000 | Taxable benefits £000 | Pension £000 | Total fixed £000 | Annual bonus £000 | Long-term incentives £000 | Total variable £000 | Total £000 |
|--------------------|------|-------------|-----------------------|--------------|------------------|-------------------|---------------------------|---------------------|------------|
| S Pitts | 2023 | 434 | 25 | 14 | 473 | 229 | 36 | 265 | 738 |
| | 2022 | 432 | 25 | 86 | 543 | 304 | 102 | 406 | 949 |
| L Dixon | 2023 | 244 | 25 | 14 | 283 | 108 | 20 | 128 | 411 |
| | 2022 | 242 | 22 | 14 | 278 | 144 | 57 | 201 | 479 |

Notes to the single figure table

Taxable Benefits – represents a taxable cash allowance in lieu of benefits-in-kind, as set out in the Remuneration Policy.

Pension – Simon Pitts receives a taxable cash allowance in lieu of pension and life assurance. For 2023, this was set at 7% of salary in line with the wider workforce. Lindsay Dixon is a member of the Company's defined contribution scheme. The scheme has an employer contribution of 7% of salary up to the pension cap £205,200.

Annual Bonus – This includes the value of bonus earned in respect of the relevant financial year. 20% of the annual bonus will be deferred for three years and paid in shares.

Long-term Incentives – The 2023 amount represents the value of the 2021 LTIP award which vests in March 2024 based on performance over the three-year period to 31 December 2023. As described below, performance targets have been met in part, resulting in a vesting outcome of 15.2% of maximum. For the purposes of the table above, the award has been valued based on the average share price during the three-month period to 31 December 2023, of 188.2 pence. The 2021 LTIP awards were originally granted based on a share price of 330.0 pence and therefore, of the vested amount, none relates to share price appreciation over the performance period. The 2022 row represents a value for the 2020 LTIP award which vested on 16 December 2023 based on performance over the three-year period to 31 December 2022. The value has been restated from that shown last year based on the share price on the date of vesting of 195.5 pence. No dividend equivalents are receivable on the vested shares for either of these awards.

Remuneration report

Annual bonus (audited)

The maximum annual bonus opportunity for 2023 was 150% of salary and 125% of salary for the Chief Executive and Chief Financial Officer respectively. The bonus was based predominantly on financial performance (50% Operating Profit and 25% Cash Flow), with the remaining 25% based on stretching personal targets linked to strategic delivery. The performance targets for the 2023 bonus were set by the Committee at the start of the year and by reference to the annual budget, which itself is set in the context of the Board's long-term strategy. The target ranges are set to be appropriately stretching by requiring significant outperformance of expectations for maximum pay-out, whilst at the same time being considered feasible in the context of the budget and strategic plan.

The assessment of performance against the targets has been made against the original targets set at the start of the 2023 and prior to the successful completion of the acquisition of Greenbird Media during the year. In relation to the Adjusted Operating Profit target, the bonus outcome has been determined against the original target of £19.9m with the contribution from Greenbird Media excluded from the outcome of £16.9m, which is below the threshold for payment of this element of bonus.

Cash generated by operations has not been impacted, positively or adversely, by the acquisition of Greenbird Media as the cash position of Greenbird has been consistent over H2 and therefore the assessment of performance of this element of bonus has been made against the original target of £24.3m set at the start of 2023. The cash flow outcome was £23.9m resulting in payment of 46% of this element.

Payment for achievement of personal objectives is close to maximum levels as exceptional progress was delivered by both Executive Directors against key longer-term strategic targets, in particular delivery of the key diversification target to deliver over half of the Group's earnings from non-broadcast activities by 2023 which was exceeded with 70% of earnings derived from these activities.

The table below sets out the targets and performance achieved against these for the year ended 31 December 2023. For the 2023 bonus, 20% will be deferred for three years and paid in shares for both executives.

| Performance condition | Weighting | Performance targets | | | Actual performance | | |
|---------------------------|-----------|------------------------|---------------------|----------------|---------------------|------------|----------|
| | | Threshold (10% of max) | Target (50% of max) | Maximum (100%) | (£m) | (% of max) | |
| | | | | | | S Pitts | L Dixon |
| Adjusted operating profit | 50% | £18.6m | £19.9m | £22.2m | £16.9m ¹ | Not met | |
| Cash flow ² | 25% | £19.4m | £24.3m | £29.2m | £23.9m | 11.5% | |
| Personal objectives | 25% | See below | | | | 23.75% | 23.75% |
| Total (% max) | 100% | - | | | | 35.25% | 35.25% |
| Total (£) | | | | | | £229,370 | £107,700 |

¹ This figure was adjusted from the £20.1m Group Adjusted Operating Profit reported elsewhere in this report to remove the impact of the acquisition of Greenbird Media during the year.

² Cash generated by operations.

A full assessment of performance against personal objectives is set out below for both Simon Pitts and Lindsay Dixon.

Simon Pitts, Chief Executive

| | |
|--|---|
| Delivery of strategic goals Delivery of diversification strategy and drive next stage of growth strategy | <ul style="list-style-type: none"> Key diversification target exceeded with 75% of earnings in 2023 generated by Digital and STV Studios Target to double Digital business revenue to £20.0m by end of 2023 achieved Target to quadruple STV Studios revenue to £40m by end of 2023 exceeded |
| STV Studios Continue to grow towards 2025 goal to become UK's largest Nations & Regions production company | <ul style="list-style-type: none"> Trebling of revenue and operating profit year on year and on track to secure next phase strategic target of turnover in excess of £100m/10% margin by 2025 Successful completion of significant value accretive acquisition with Greenbird Media adding £15.0m revenue and £3.2m profit since acquisition with integration plan and delivery of target synergies on track Strong creative pipeline secured with over 50 new commissions and recommissions despite soft commissioning market Increase in number of returning series secured Development of international business with Bridge of Lies commissioned in US and Spain |
| Digital Drive STV Player growth and profitability | <ul style="list-style-type: none"> Successful integration and operation of new digital content and ad sales deal with ITV Growth in all key performance metrics: active (annual) users increased ahead of target to 1.8m; consumption growth of 25%, ahead of target of 9%; and stream growth increased by 28%, against target of 11% Delivery of programme of platform enhancements to improve user experience Growth in addressable audience through continued expansion of distribution of STV Player on all major platforms Subscription income growing with STV Player+ successfully implemented on all platforms |
| Broadcast Maximise the value and reach of the Broadcast business and secure positive regulatory outcomes | <ul style="list-style-type: none"> STV maintained position as Scotland's most watched peak time channel; viewing share outperformed Network across all-time and peak time viewing; and delivered 97% of top 500 commercial programme Long-term (10 year) extension of Channel 3 licences secured on favourable terms Media Bill reflecting STV's priorities and future requirements, including appropriate prominence for STV Player in Scotland, at advanced stage of parliamentary process |

ESG

Continue to grow the Company's positive impact through delivery of ESG priorities

- STV Zero: all 2023 targets achieved including successful on-air audience awareness campaign, *Sustainable Scotland Week*, reaching 1.5m viewers; achievement of Project albert certification on 100% of UK-produced programmes from STV Studios; continued improvements in tracking, reporting and governance remaining; continuing on track to achieve 2025 emissions reduction targets
- Diversity & inclusion: Eight of nine long-term diversity targets (set in 2020 for delivery in 2023) achieved or exceeded

Based on the above assessment of performance, the Committee determined for the personal element an award of 95% of maximum for Simon Pitts.

Lindsay Dixon, Chief Financial Officer

Investment proposition

Continue to improve the STV equity story

- In conjunction with brokers, delivered review of corporate strategy to underpin next phase growth plan
- Improved liquidity across the year despite challenging market for small cap stocks

Delivery of strategic goals

Support CEO in delivery of diversification strategy

- Successful delivery of key diversification target to achieve at least 50% of earnings from non-broadcast activities by end of 2023
- Completion of acquisition of Greenbird Media
- Development of next phase strategy and 3-year plan for 2024-2026

Cost savings

Deliver Group costs savings target

- Target savings of £2.5m achieved
- Delivery of improved margin in STV Studios in 2023
- Led development of multi-year cost savings programme for implementation in 2024-2026

Pensions

Initiate 2023 triennial valuation of the Group's defined benefit pension schemes

- Proactive engagement with scheme trustees to prepare for 2023 triennial valuation, including addressing investment and hedging strategy, management of costs, and contingent cash mechanism

ESG

Continue to grow the Company's positive impact through delivery of ESG priorities

- STV Zero: all 2023 targets achieved including successful on-air audience awareness campaign, *Sustainable Scotland Week*, reaching 1.5m viewers; achievement of Project albert certification on 100% of UK-produced programmes from STV Studios; continued improvements in tracking, reporting and governance; continuing on track to achieve 2025 emissions reduction targets; CDP score of B demonstrating clear improvement on prior year
- Diversity & inclusion: Eight of nine long-term diversity targets (set in 2020 for delivery in 2023) achieved or exceeded

Governance

Continue to increase resilience in relation to cyber risk

- Successful delivery of Phase 1 of network segmentation project
- All internal audit recommendations implemented and approved by Audit & Risk Committee
- Development of information security framework and baseline targeted at compliance with ISO27001
- Up-rating of the Group's Enterprise Risk Maturity Score

Based on the above assessment of performance, the Committee determined for the personal element an award of 95% of maximum for Lindsay Dixon.

Consideration of formulaic outcomes

The Committee considered the formulaic outcomes of the annual bonus assessment in the context of the current external environment, wider Company and individual performance, the shareholder experience, and the treatment of employees throughout the rest of the Group. In view of the Group's strong financial performance and continued positive progress in delivering the strategic plan, with continued profitable digital growth and a record number of commissions secured by STV Studios, both of which accelerated the diversification strategy with nearly 40% of earnings generated by non-broadcast activities, the Committee concluded that the formulaic outcomes of the annual bonus assessment were justified, and no discretion was applied.

Long-term Incentive Plan vesting (audited)

The table below sets out the performance achieved for the 2021 LTIP award, which was subject to performance over the three-year period from 1 January 2021 to 31 December 2023.

| Performance condition | Weighting | Threshold vesting (25% of maximum) | Maximum vesting (100% of maximum) | Actual outcome | Percentage vesting (% of maximum) |
|---|-------------|------------------------------------|-----------------------------------|------------------------|-----------------------------------|
| Compound Annual Growth Rate in Adjusted EPS | 50% | 4% | 13% | -5.3% | 0% |
| Non-broadcast operating profit | 30% | £9.5m | £16.5m | £11.9m | 15.2% |
| Relative TSR | 20% | Median | Upper quartile | Below median | 0% |
| | 100% | | | Overall vesting | 15.2% |

The Committee reviewed this outcome against a broader assessment of performance over the period including, in line with shareholder guidance, considering whether any 'windfall gain' had occurred. The Committee concluded that the outcome was appropriate and reflected the stretching nature of the underlying targets, and therefore these awards will vest at 15.2% of maximum in March 2024. Shares vesting will then be subject to an additional two-year holding period.

Remuneration report

Scheme interests awarded in the 2023 financial year (audited)

The table below shows awards made to the Executive Directors during 2023 under the LTIP.

| Executive Director | Award type | Date of grant | Basis of award | Number of shares awarded ¹ | Face value of award | Threshold vesting | Performance period |
|--------------------|------------|---------------|----------------|---------------------------------------|---------------------|-------------------|--------------------|
| S Pitts | LTIP | 17/03/23 | 100% of salary | 172,142 | £434k | 25% of maximum | 01/01/23-31/12/25 |
| L Dixon | LTIP | 17/03/23 | 100% of salary | 96,994 | £244k | 25% of maximum | 01/01/23-31/12/25 |

¹ Calculated using the closing share price of 252 pence on the date prior to the date of award.

These awards will vest after three years, subject to the performance targets set out in the table below. An additional two-year holding period will apply to any shares vesting.

| Performance measure | Calibration of targets | Weighting | Threshold vesting (25% of maximum) ¹ | Maximum vesting (100% of maximum) ¹ |
|--------------------------------|--|-----------|---|--|
| EPS | Compound Annual Growth Rate in Adjusted EPS in FY25 | 50% | 37p | 44p |
| Non-broadcast operating profit | Adjusted operating profit for non-broadcast activities in FY25 | 30% | £15.0m | £19.5m |
| Relative TSR | Ranked position of the Company's total shareholder return ('TSR') against the constituents of the FTSE Small Cap index (using 3 month averaging) | 20% | Median | Upper quartile |

¹ There is no vesting for performance below threshold, and straight-line vesting between threshold and maximum.

Payments for loss of office (audited)

No payments for loss of office were made during the year, or the prior year.

Payments to past Directors (audited)

No payments were made to past Directors during the year or the prior year.

External appointments

Neither of the Executive Directors held any external appointments during the year.

Non-Executive Directors (audited)

The table below sets out the single total figure of remuneration for each Non-Executive Director. Non-Executive Directors do not participate in any of the Company's incentive arrangements, nor do they receive any benefits.

| Non-Executive Director | Financial year | Basic fees £ | Additional fees £ | Total fees £ |
|-------------------------|----------------|--------------|-------------------|--------------|
| P Reynolds | 2023 | 152,000 | - | 152,000 |
| | 2022 | 150,000 | - | 150,000 |
| S Miller | 2023 | 46,000 | 13,100 | 59,100 |
| | 2022 | 44,000 | 13,100 | 57,100 |
| A M Cannon ¹ | 2023 | 15,333 | 2,500 | 17,833 |
| | 2022 | 44,000 | 7,500 | 51,500 |
| I Steele | 2023 | 46,000 | 7,500 | 53,500 |
| | 2022 | 44,000 | 7,500 | 51,500 |
| D Bergg | 2023 | 46,000 | 4,375 | 50,375 |
| | 2022 | 44,000 | - | 44,000 |
| A Mandhar | 2023 | 46,000 | - | 46,000 |
| | 2022 | 44,000 | - | 44,000 |
| N Climer ² | 2023 | 26,833 | 4,375 | 31,208 |
| | 2022 | - | - | - |

¹ Stepped down from the Board on 30 April 2023.

² Appointed as Non-Executive Director on 30 May 2023.

Statement of Directors' shareholding and share interests at 31 December 2023 (audited)

Under the Remuneration Policy, Executive Directors are required to build up a shareholding equal to 150% of salary. Executive Directors will also, on leaving the Board, be required to maintain this in-employment shareholding guideline (or their actual shareholding if lower) for a period of two years.

The shareholding requirement for Non-Executive Directors is set at the level of 20,000 shares for the Chairman and 5,000 shares for other Non-Executive Directors.

| Director | Number of beneficially owned shares at 31/12/23 ¹ | Number of unvested deferred awards ² | Number of unvested LTIP awards at 31/12/23 | Current shareholding (% salary) | Shareholding requirements | Requirement met at 31/12/23 |
|------------|--|---|--|---------------------------------|---------------------------|-----------------------------|
| S Pitts | 164,689 | 170,897 | 434,115 | 75% | 150% of salary | n/a ³ |
| L Dixon | 8,785 | 90,497 | 244,075 | 7% | 150% of salary | n/a ³ |
| P Reynolds | 25,000 | | n/a | | 20,000 shares | Y |
| S Miller | 7,577 | | n/a | | 5,000 shares | Y |
| A M Cannon | 11,167 | | n/a | | 5,000 shares | Y |
| I Steele | 9,616 | | n/a | | 5,000 shares | Y |
| D Bergg | 12,489 | | n/a | | 5,000 shares | Y |
| A Mandhar | 6,381 | | n/a | | 5,000 shares | Y |
| N Climer | 5,000 | | n/a | | 5,000 shares | Y |

¹ Beneficial interests include shares held directly or indirectly by connected persons and are stated at the year end or, for a Director who stepped down during the year, as at the date of stepping down.

² For both Executive Directors this relates to the deferred portion of their 2021 and 2022 annual bonus plans. Additionally, as shown above, both hold unvested LTIP awards which are in excess of the shareholding guidance of 150% of salary.

³ The shareholding requirement is on track to be met by Simon Pitts and Lindsay Dixon in the near future as vested awards with holding periods and deferred awards are released.

There were no changes to the shareholdings above between the year end and the date of this report.

The following table provides further detail on the share awards held by the Executive Directors.

| Executive | Award | Granted | Held at 31/12/22 | Granted in year | Released in year | Lapsed in year | Held at 31/12/23 | Vesting dates ¹ |
|-----------|-----------|----------|------------------|-----------------|---------------------|----------------|------------------|----------------------------|
| S Pitts | 2020 LTIP | 16/12/20 | 147,095 | - | 52,071 ² | 95,024 | - | 16/12/23 |
| | 2021 LTIP | 24/03/21 | 127,036 | - | - | - | 127,036 | 24/03/24 |
| | 2022 LTIP | 11/03/22 | 134,937 | - | - | - | 134,937 | 11/03/25 |
| | 2023 LTIP | 17/03/23 | 172,142 | - | - | - | 172,142 | 17/03/26 |
| | 2021 DBP | 11/03/22 | - | - | - | - | 37,828 | 11/03/24 |
| | 2022 DBP | 10/03/22 | - | 24,160 | - | - | 24,160 | 10/03/25 |
| L Dixon | 2020 LTIP | 16/12/20 | 82,584 | - | 29,234 ² | 53,350 | - | 16/12/23 |
| | 2021 LTIP | 24/03/21 | 71,323 | - | - | - | 71,323 | 24/03/24 |
| | 2022 LTIP | 11/03/22 | 75,758 | - | - | - | 75,758 | 11/03/25 |
| | 2023 LTIP | 17/03/23 | 96,994 | - | - | - | 96,994 | 17/03/26 |
| | 2021 DBP | 11/03/22 | - | - | - | - | 17,928 | 11/03/24 |
| | 2022 DBP | 10/03/23 | - | 11,424 | - | - | 11,424 | 10/03/25 |

¹ LTIP awards are subject to an additional two-year holding period following vesting.

² As disclosed in last year's report, the 2020 LTIP vested at 35.4% of the maximum based on performance over the three year period to 31 December 2022. Vested nil-cost options can be exercised for a period of up to ten years from the date of grant.

Dilution

The following table sets out the current level of dilution against the limits in the bonus and long-term incentive plan and sets out the commitments to issue shares made during the financial year reported:

| Maximum | Current dilution | Additional dilution during the year in question |
|---------------------------|------------------|---|
| 10% dilution in ten years | 6.30 | (0.39) |
| 5% dilution in ten years | 0.39 | (0.49) |

Overview

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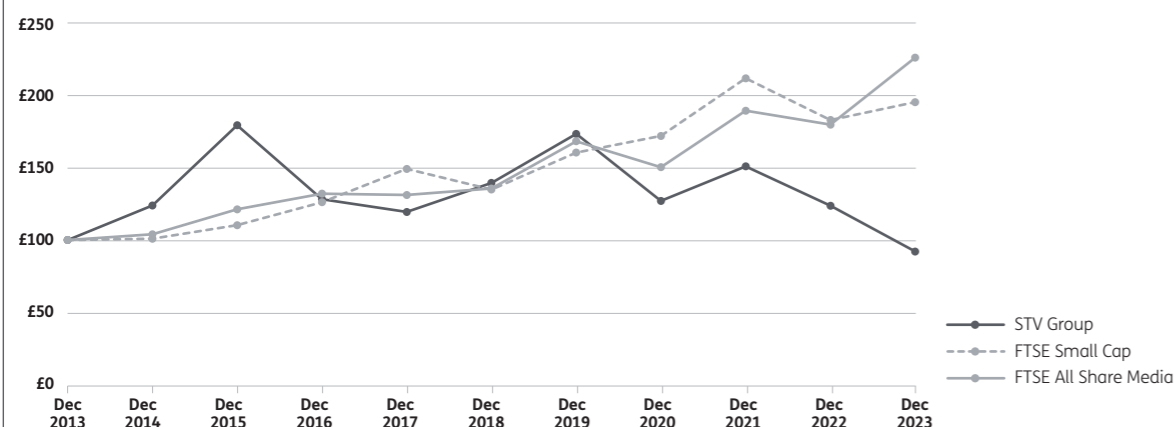
Additional Information

Remuneration report

Performance graph and table

The graph below shows the Company's performance, measured by total shareholder return ('TSR'), compared with the performance of the FTSE Small Cap and FTSE All Share Media indices. The FTSE Small Cap index is used as a performance measure under the LTIP, and the FTSE All Share Media index provides a comparison of performance against companies in the media sector.

The chart illustrates the performance of a hypothetical investment of £100 in ordinary shares of STV Group plc over the ten-year period to 31 December 2023, compared to a similar investment in the FTSE Small Cap or FTSE All Share Media indices. TSR data is based on Returns Index data, calculated on a daily share price growth plus re-invested dividends (as measured at the ex-dividend rates).



CEO Single figure of total remuneration

The information in the table below shows the total remuneration for the Chief Executive over the same period.

| Year | Chief Executive | Single figure of total remuneration (£000) | Bonus pay-out (% maximum opportunity) | Long-term incentive vesting (% maximum opportunity) |
|------|-----------------|--|---------------------------------------|---|
| 2023 | S Pitts | 738 | 35 | 15 |
| 2022 | S Pitts | 949 | 47 | 35 |
| 2021 | S Pitts | 1,337 | 96 | 50 |
| 2020 | S Pitts | 467 | - | - |
| 2019 | S Pitts | 1,050 | 87 | 18 |
| 2018 | S Pitts | 1,712 ¹ | 72 | - |
| 2017 | R Woodward | 697 | 32 | 14 |
| 2016 | R Woodward | 807 | 29 | - |
| 2015 | R Woodward | 2,269 | 49 | 100 |
| 2014 | R Woodward | 661 | 46 | - |

¹ Simon Pitts' single figure for 2018 includes an amount of £857,000 in respect of his buy-out package paid to compensate for forfeited remuneration from his previous employer. His single figure excluding this amount would have been £855,000.

Percentage change in remuneration

The table below shows the percentage change in the salary/fees, benefits and annual bonus of all Directors of the Company compared to all employees from 2019 to 2020, 2020 to 2021, 2021 to 2022, and 2022 to 2023.

| | Salary/fees ² | | | | Taxable benefits ¹ | | | | Annual bonus ¹ | | | |
|-------------------------|--------------------------|------|------------------|------|-------------------------------|------------------|------------------|------------------|---------------------------|------------------|------------------|------------------|
| | 2023 | 2022 | 2021 | 2020 | 2023 | 2022 | 2021 | 2020 | 2023 | 2022 | 2021 | 2020 |
| All employees | 4.4% | 3% | 0% | 2% | n/a ¹ | n/a ¹ | n/a ¹ | n/a ¹ | n/a ¹ | n/a ¹ | n/a ¹ | n/a ¹ |
| S Pitts | 0.4% | 3% | 15% ² | (9)% | (84)% | 0% | 62% | 0% | (25)% | (50)% | n/a ³ | (100)% |
| L Dixon | 0.8% | 3% | 15% ² | (9)% | 0% | 39% | 16% | 0% | (25)% | (50)% | n/a ³ | (100)% |
| P Reynolds ⁴ | 1.3% | 0% | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| S Miller | 3.5% | 7% | 15% | (9)% | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| A M Cannon | n/a | 14% | 15% | (9)% | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| I Steele | 3.9% | 14% | 15% | (9)% | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| D Bergg | 14.4% | 10% | 15% | (9)% | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| A Mandhar ⁴ | 4.5% | 10% | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| N Climer | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |

- These benefits are not available to all employees.
- All Executive and Non-Executive Directors volunteered a 25% cut in base salary/fees from 1 April to 31 August 2020, in response to Covid-19, and so the increase in salary/fees in 2021 reflects reinstatement to full pay and is not a real increase.
- Following suspension of the annual bonus plan in 2020, it was re-instated in 2021 with an outcome of 96.25% and 97.5% of the maximum for the Chief Executive and Chief Financial Officer respectively.
- Appointed on 1 February 2021.

Chief Executive pay ratio

The table below discloses the ratio of the Chief Executive's pay for 2023, using the single total figure of remuneration (as disclosed on page 97), to the comparable earnings of employees at the 25th, 50th and 75th percentiles.

| Year | Method | 25th percentile (P25) pay ratio | Median (P50) pay ratio | 75th percentile (P75) pay ratio |
|------|----------|---------------------------------|------------------------|---------------------------------|
| 2023 | Option B | 27:1 | 21:1 | 14:1 |
| 2022 | Option B | 37:1 | 29:1 | 21:1 |
| 2021 | Option B | 54:1 | 39:1 | 32:1 |
| 2020 | Option B | 20:1 | 14:1 | 11:1 |
| 2019 | Option B | 41:1 | 30:1 | 22:1 |

The ratios were calculated using Option B in the disclosure regulations, with the employees at the 25th, 50th and 75th percentiles determined based on the Group's gender pay data. Total remuneration for 2023 for these employees was then calculated using a valuation methodology consistent with that used for the Chief Executive in the single figure table on page 97. Whilst the gender pay gap legislation and CEO pay ratio legislation employ different calculations, the Committee considers that the three identified employees are reasonably representative of the respective percentiles. The calculation is undertaken on a full-time equivalent basis.

The salary and total remuneration received during 2023 by employees at the 25th, 50th and 75th percentiles and used in the above analysis is as follows:

| | 25th percentile (P25) | Median (P50) | 75th percentile (P75) |
|---------------------------|-----------------------|--------------|-----------------------|
| 2023 salary £ | 26,163 | 34,000 | 44,000 |
| 2023 total remuneration £ | 27,276 | 35,348 | 53,956 |

A significant proportion of the Chief Executive's total remuneration is delivered in variable remuneration, the value of which is linked to stretching performance targets and, in the case of LTIP awards, share price performance. As a result, the pay ratio is driven largely by the outcome of these awards hence the significant fluctuations on a year-to-year basis. In comparison to last year, the pay ratio has decreased, as a result of the reduction in bonus and LTIP outcomes for the Chief Executive, reflecting this principle of higher proportion of variable remuneration.

The Committee considers the median pay ratio to be consistent with the pay, reward and progression policies for STV's employees, the majority of whom receive fixed remuneration only. Only colleagues in the Commercial team or in senior management roles are eligible to participate in a bonus plan.

Remuneration report

Workforce pay

The Committee has oversight of remuneration and related policies across the organization and gives them due consideration when determining pay for Executive Directors. All roles across the Company are graded with reference to a compensation and benefits survey of companies in the UK media and technology sectors undertaken by Willis Towers Watson. The Company's policy is to ensure pay and benefits provided are positioned fairly; are market competitive in the context of the relevant talent market; and reflect market data and other appropriate benchmarks for each role. Pay ratios are also considered as one of several reference points when making decisions on remuneration.

The Company continues to develop its approach to engaging with colleagues on remuneration, building on existing mechanisms in place to gather feedback from colleagues, including regular 'Have your say' engagement surveys and engagement with trade union representatives in relation to the roles within the business covered by a collective bargaining arrangement which covers pay and benefits.

Relative importance of spend on pay

The table below sets out the relative importance of spend on pay in the 2023 and 2022 financial years. These were the most significant outgoings for the Company in the last financial year. Overall spend on pay increased by 18% with 8% of this increase due to the inclusion of Greenbird Media for the period post acquisition.

| Significant distributions | 2023 | 2022 | % change |
|----------------------------|--------|---------------------|----------|
| Overall spend on pay | £34.2m | £29.1m ¹ | 18% |
| Dividend or share buy back | £5.2m | £5.1m | 2% |

1 The 2022 figure has been restated as explained in note 6 in the Notes to the financial statements on page 128.

Consideration by the Directors of matters relating to Directors' remuneration

Members of the Committee

During the year, the Committee comprised the following Non-Executive Directors: Naomi Climer (member and Chair from 30 May 2023), Anne Marie Cannon (member and Chair until 30 April 2023); Simon Miller; Ian Steele; and David Bergg. The Committee met four times during the year.

The Committee is responsible for recommending to the Board the remuneration policy for Executive Directors. The Committee also has oversight of remuneration and related policies for the wider workforce as this pertains to determining the remuneration of the Executive Directors. The Committee has formal terms of reference which describe its full remit and can be downloaded from the Company's website, www.stvplc.tv.

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

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

Advisors to the Committee

The Committee seeks independent advice to assist in its consideration of executive remuneration. This includes updating the Committee on compensation trends and governance matters and advising the Committee in connection with the design and operations of the Company's incentive arrangements.

During 2023, the Committee received advice from Alvarez & Marsal ('A&M'). The total fees paid to A&M for the provision of advice to the Committee in 2023 were £51,000, charged on a time and materials basis. A&M provided no other services to the Company during the year. A&M is a member of the Remuneration Consultants' Group and has signed up to their Code of Conduct on executive remuneration consulting. The Committee is satisfied that the advice received from A&M is objective and independent.

In the course of its deliberations during the period under review, the Committee sought the assistance of the Chairman on matters relating to the Directors' performance and remuneration. The Chairman, Chief Executive and the HR & Communications Director attended Committee meetings by invitation.

Statement of voting at general meeting

The table below shows the voting outcomes on the most recent Remuneration Report (2023 AGM) and Remuneration Policy (2021 AGM).

| | Votes for | % | Votes against | % | Total votes cast | Votes withheld* |
|-------------------------------------|------------|-------|---------------|-------|------------------|-----------------|
| 2022 Remuneration Report (2023 AGM) | 29,954,115 | 74.84 | 10,069,446 | 25.16 | 40,024,495 | 934 |
| Remuneration Policy (2021 AGM) | 25,095,568 | 74.94 | 8,390,031 | 25.06 | 33,485,599 | 4,063 |

1 A vote withheld is not a vote in law and counts neither for nor against a resolution.

The Committee noted that last year's remuneration report had more than 20% votes cast against at the 2023 AGM.

As shown in the table above, with around three quarters of votes cast in favour, shareholders approved last year's Remuneration Report by a clear majority. This reflects a pattern of votes cast in recent years, dating back to the adoption of the previous Remuneration Policy at the 2021 AGM. Over this period, we have regularly engaged with major shareholders and have consistently received strong support from the vast majority of our register, including most of our major shareholders. Through our ongoing dialogue with the shareholder who has voted against, previously and during our recent engagement exercise, the Committee understands and acknowledges their concern around one specific element of our Policy, the use of nil-cost options in the LTIP. As described above, this feedback was taken into account, alongside that of our other shareholders, in developing the final proposals.

Naomi Climer

Chair of the Remuneration Committee
5 March 2024

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Directors' report

The Directors present their report for the year ended 31 December 2023. The Directors' report comprises pages 106 to 108 and the sections of the annual report incorporated by reference, as set out below:

| | |
|---|--|
| Directors during 2023 financial year – See pages 66 and 67 | Employee diversity and inclusion – See pages 49 to 53 |
| Risk management – See pages 37 to 45 | Employee involvement and engagement – See pages 48 and 49 |
| Streamlined Energy and Carbon Reporting (SECR) – See pages 62 and 63 | Principal risks and uncertainties – See pages 40 to 43 |
| Climate-related Financial Disclosures report – See pages 58 to 63 | Disability reporting – See pages 50 and 51 |
| Corporate governance report – See pages 65 to 105 | |
| Stakeholder engagement (S.172) – See pages 12 and 13 | |

This Annual Report has been prepared for, and only for, the members of the Company, as a body, and for no other persons. The Company, its Directors, employees, agents and advisers, do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come, and any such responsibility or liability is expressly disclaimed.

Management Report

The Directors' report, together with the Strategic Report, set out on pages 4 to 64, form part of the Management Report for the purposes of DTR 4.1.5R.

Company number

STV Group plc is registered in Scotland under company number SC203873.

Dividends

A final cash dividend of 7.4p per share has been declared for 2023 which, subject to approval at the AGM in May 2024, will be paid on 31 May 2024, to shareholders on the register at 19 April 2024. The interim dividend for 2023 was 3.9p per share. The proposed total dividend for 2023 is therefore 11.3p per share.

Share capital and substantial shareholders

On 5 March 2024 there were 46,722,499 ordinary shares of 50p each in issue, each with one vote attached. There were no shares held in treasury. The rights and obligations to the Company's shares are set out in its Articles of Association. Details of Directors' interests in shares can be found on page 101.

As at 5 March 2024, the following information had been received, in accordance with DTR5, from holders of notifiable interests in STV's issued share capital:

| Shareholders | Shares held | % |
|-----------------------------------|-------------|-------|
| Slater Investments | 9,352,691 | 20.02 |
| Aberforth Partners | 4,848,857 | 10.38 |
| M&G Investments | 3,573,817 | 7.65 |
| Schroder Investment Management | 2,637,121 | 5.64 |
| Chelverton Asset Mgt | 2,559,451 | 5.48 |
| Columbia Threadneedle Investments | 1,998,612 | 4.28 |
| Janus Henderson Investors | 1,962,286 | 4.20 |
| Unicorn Asset Mgt | 1,850,000 | 3.96 |
| Royal London Asset Mgt | 1,547,872 | 3.31 |

Annual General Meeting (AGM)

Details of the 2024 AGM, together with the resolutions being put to shareholders, can be found in the separate Notice of AGM.

Directors

The Directors of the Company as at 31 December 2023 and their profiles are detailed on pages 66 and 67.

Changes to the composition of the Board since 1 January 2023 up to the date of this report are shown in the table below:

| Name | Role | Date of appointment | Date of resignation |
|-------------------|------------------------------------|---------------------|---------------------|
| Anne Marie Cannon | Independent Non-Executive Director | | 27 April 2023 |
| Naomi Climer CBE | Independent Non-Executive Director | 30 May 2023 | |

Details of Directors' interests are on page 101 of the Remuneration Report.

The Company's Articles of Association require Naomi Climer CBE to seek election at the 2024 AGM. In accordance with the Code all other Directors will put themselves forward for re-election at the 2024 AGM, except for Ian Steele who will step down from the Board at the conclusion of the 2024 AGM, having served more than eight years as a Non-Executive of the Company.

Directors' indemnities

Directors and officers of the Company and its subsidiaries have the benefit of a Directors' and Officers' liability insurance policy. The Company's Articles of Association also provide that every Director and other officer of the Company is to be indemnified from the assets of the Company against any liability he or she incurs in defending any proceedings brought against them in connection with the execution of their powers, duties, and responsibilities as Directors (provided that judgement is not given against them).

Directors have a statutory duty to avoid situations where they have, or can have, any interest that conflicts or possibly may conflict with the interests of the Company. A Director will not be in breach of that duty if the relevant matter has been authorised in accordance with the Articles of Association by the other Directors. The Directors confirm that there have been no such conflicts during the year ended 31 December 2023.

Donations

The Group made no political donations or any contributions to any political party during the year (2022: £nil).

Post balance sheet events

On 31 January 2024, STV Studios increased its stake from 25% to 51% in high-end drama producer Two Cities Television Limited. This is the only material post balance sheet event as at the date of this report, and further details are in note 29 to the financial statements.

Voting rights and restrictions on transfer of shares

None of the ordinary shares carry any special rights with regard to control of the Company. There are no restrictions on transfers of shares other than certain restrictions which may from time to time be imposed by laws or regulations. These include those relating to insider dealing and pursuant to the Company's share dealing code, whereby the Directors and designated employees require approval to deal in the Company's shares.

The Company is not aware of any arrangements between shareholders that may result in restrictions on the transfer of securities or voting rights. Further details of the rights, restrictions and obligations attaching to the share capital of the Company, including voting rights, are contained in the Company's Articles of Association. The Articles may only be amended by special resolution at a general meeting of shareholders. Copies are available by writing to the Company Secretary and are also open to inspection at Companies House.

The STV Group plc Employee Benefit Trust, which is used to acquire and hold shares in the Company for the benefit of employees, waives its right to vote and to receive cash dividends on those shares it holds that are unallocated.

Change of control

All the Company's employee share plans contain provisions relating to a change of control. On a change of control, options and awards granted to employees under the Company's share plans may vest and become exercisable, subject to the satisfaction of any applicable performance conditions at that time. Certain of the Company's credit facilities and banking arrangements contain change of control clauses under which lenders may cancel their commitments and declare all outstanding amounts immediately due and payable.

The Channel 3 broadcasting licences require STV, as the licence holder, to notify Ofcom on a change of control. Ofcom would thereafter be required to determine that any proposed new licence holder was a fit and proper person to hold the licence. There are no other significant agreements that would take effect, alter, or terminate upon a change of control following a takeover bid.

Going concern

The going concern statement is set out on page 121. The statement is incorporated by reference and deemed to form part of this report.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with United Kingdom adopted international accounting standards.

The Directors have also chosen to prepare the parent company financial statements under United Kingdom adopted international accounting standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

Directors' report

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, 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.

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and parent company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and parent company's auditors are aware of that information.

The Directors' report was approved by the Board and signed on its behalf by:



Paul Reynolds
Chairman
5 March 2024

Independent auditors' report to the members of STV Group plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of STV Group plc (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated and parent company statements of cash flows; and
- the related notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and parent company for the year are disclosed in note 5 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

| | |
|--------------------------|--|
| Key audit matters | The key audit matters that we identified in the current year were: <ul style="list-style-type: none"> • Manual adjustments to revenue at period end; • Recognition of production revenue; • Acquisition of Greenbird Media – valuation of acquired intangible assets; and • Carrying value of parent company investment in subsidiaries. |
| Materiality | The materiality that we used for the Group financial statements was £710,000 which was determined on the basis of 5% of profit before tax before adjusting items but after IAS 19 net finance costs. |
| Scoping | Our full scope and specified audit procedures covered 95% of the Group's revenue, 84% of the Group's net assets and 98% of the Group's adjusted profit before tax. This is the first year of our appointment as auditor. |

This is the first year of our appointment as auditor.

4. Conclusions relating to going concern

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.

Our evaluation of the Directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining management's going concern assessment, understanding the process undertaken by management to evaluate the operational and economic impacts of economic uncertainty on the assumptions, and understanding of the relevant controls relating to the going concern assessment;
- Assessing the integrity of the model used to prepare the forecasts, testing the clerical accuracy of those forecasts, and considering the historical accuracy of the forecasts prepared by management;
- Assessing headroom in the forecasts (liquidity and covenants);

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- Evaluating the financing facilities that are in place during the forecast period including the repayment terms and covenants, and assessing whether these have been appropriately reflected in the model;
- Assessing the reasonableness of the downside scenarios and sensitivities performed by management; and
- Assessing the appropriateness of the going concern disclosures in the financial statements.

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 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 relation to the reporting on how the Group has 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.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) that we identified. These matters included 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 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.

5.1 Manual adjustments to revenue at period end

| | |
|---|--|
| Key audit matter description | The Group recognises revenue from advertising and sponsorship contracts, including ones where ITV acts as a national agent for the Group. These require a number of manual adjustments in order to appropriately recognise revenue in the year as a result of the contractual arrangements in place. Given the manual nature of these adjustments, and the potential risk of manipulation, we have identified the completeness and accuracy of these adjustments as a key audit matter. Further details in relation to revenue are included in notes 2 and 4 to the financial statements. |
| How the scope of our audit responded to the key audit matter | We have performed the following procedures: <ul style="list-style-type: none"> • Obtained an understanding of the relevant controls relating to the manual adjustments to revenue; • Obtained the relevant revenue agreements in place and reviewed for evidence of the need for adjustments; • Considered the wider revenue process for indications that further adjustments to revenue are required; • Obtained direct confirmation from ITV regarding certain contract terms; and • Tested the supporting calculations for adjustments made. |
| Key observations | Based on our procedures we have not identified evidence of inappropriate revenue recognition through the posting of manual adjustments. |

5.2 Recognition of production revenue

| | |
|---|---|
| Key audit matter description | Within Studios revenue of £66.8m (2022: £23.7m), the Group recognises revenue from third party programme commissions. Revenue from third party commissions is recognised on delivery of the finished programme to the commissioning broadcaster as at that point the performance obligations are delivered and control passes to the broadcaster for the period of their licence. There is a risk that production revenue, which is often received in advance in order to cover the cost of production, is recognised too early and before the performance obligation has been met. The key judgement made by management is the point at which the performance obligation has been met and the revenue can be recognised. This is particularly in respect of productions which span the year end. Further details in relation to revenue are included in notes 2 and 4 to the financial statements. |
| How the scope of our audit responded to the key audit matter | We performed the following procedures: <ul style="list-style-type: none"> • Obtained an understanding of the relevant controls over the production revenue recognition process; • Obtained an understanding of the productions ongoing in the year, including by speaking to personnel outside the finance function, and identified the productions which spanned the year end; • Tested the recognition of revenue relating to a sample of productions by obtaining the commissioning and other related agreements, assessed whether the performance obligation has been met; and • Obtained contractual and other related agreements for productions that were open at year end and assessed whether the performance obligations had been met for the revenue recognised prior to year end. |
| Key observations | Based on our procedures we have not identified evidence of inappropriate revenue recognition relating to production revenue. |

5.3 Acquisition of Greenbird Media – valuation of acquired intangible assets

| | |
|---|--|
| Key audit matter description | The Group acquired the Greenbird Media Group in July 2023. Under IFRS 3, upon acquisition of a business, identifiable assets and liabilities acquired are measured at their fair value. Upon acquisition, the Group recognised £10.0m of intellectual properties and goodwill of £14.5m. The determination of the fair value of the acquired intangible assets relies on certain assumptions and estimates of future trading performance, which include revenue and costs. In deriving the valuation, management engaged an external valuer. We identified the valuation of the acquired intangible assets arising from the Greenbird Media acquisition as a key audit matter due to the judgements involved in determining the value of intangibles. Further details in relation to the acquisition and the valuation of acquired intangible assets are included within notes 2 and 14 to the financial statements. |
| How the scope of our audit responded to the key audit matter | We have performed the following procedures: <ul style="list-style-type: none"> • Obtained an understanding of relevant controls over the purchase price allocation, in particular the identification and measurement of acquired intangible assets; • Reviewed relevant share purchase agreements to assess whether acquisitions have been accounted for appropriately in the financial statements; • Assessed the objectivity, competence and capability of management's valuer; • Assessed management's methodology and assumptions used in the valuation of the intangible assets with the involvement of our valuation specialists and benchmarked against external market sources; • Assessed management's assessment of the presence of further intangible assets not identified; and • Assessed the disclosures made in the financial statements. |
| Key observations | Based on our procedures performed, we conclude that the valuation and allocation of acquired intangibles is appropriate. |

5.4 Carrying value of parent company investment in subsidiaries

| | |
|---|---|
| Key audit matter description | The carrying value of direct and indirect investments held by the parent company was £121.8m as at 31 December 2023 (2022: £121.8m). As required by IAS 36 <i>Impairment of Assets</i> , management performs an impairment review over investments where there is an indication of impairment. Management's conclusion is that the investment's recoverable amount is greater than its carrying value and consequently no impairment is considered necessary. The impairment assessment involves significant management judgement in the application of valuation models and assumptions. We identified a key audit matter relating to the most sensitive and judgmental assumptions, being the forecast cash flows and discount rate used in management's assessment. Further details are included within critical accounting judgements and estimates within note 2 and note 15 to the financial statements. |
| How the scope of our audit responded to the key audit matter | We have performed the following procedures: <ul style="list-style-type: none"> • Obtained an understanding of the relevant controls over the impairment review of parent company investments; • Assessed management's assessment of the future cash flows and the long-term growth rates within management's cash flow forecasts for reasonableness; • With the involvement of our valuation specialists, assessed management's methodology and assumptions used to derive the discount rate used in the cash flow forecasts; and • Assessed the disclosures made in the financial statements. |
| Key observations | Based on our procedures performed, we conclude that the carrying value of investments is appropriate and there is no impairment of these assets in the year. |

6. Our application of materiality

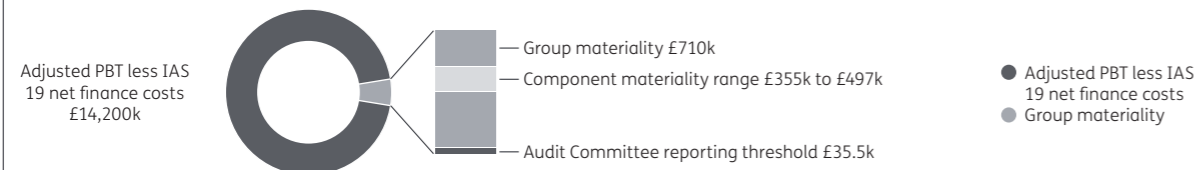
6.2 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Group financial statements | Parent company financial statements |
|--|---|---|
| Materiality | £710,000 | £355,000 |
| Basis for determining materiality | 5% of profit before tax before adjusting items but after IAS 19 net finance costs. | Parent company materiality was based on 1% of net assets, but capped at 50% of Group materiality. |
| Rationale for the benchmark applied | We have used adjusted profit before tax (before the deduction of IAS 19 net finance costs, given their recurring nature) as the benchmark for our determination of materiality as we consider this to be a critical performance measure for the Group on the basis that it is a key metric to analysts and investors and has equal prominence in the Annual Report. The adjusting items in the year are summarised within note 7 to the financial statements. | We consider that net assets is the most appropriate measure given the company is an investment holding company with no revenue. |

Independent auditors' report to the members of STV Group plc



6.3 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

| | Group financial statements | Parent company financial statements |
|--|---|-------------------------------------|
| Performance materiality | 60% of Group materiality | 60% of company materiality |
| Basis and rationale for determining performance materiality | In determining performance materiality, we considered the following factors: <ul style="list-style-type: none"> The fact that this is our first reporting period as auditor of the Group; Our risk assessment, including our assessment of the Group's overall control environment; and The nature of any misstatements identified in prior periods. | |

Error reporting threshold

We agreed with the Audit & Risk Committee that we would report to the Committee all audit differences in excess of £35,500, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit & Risk Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

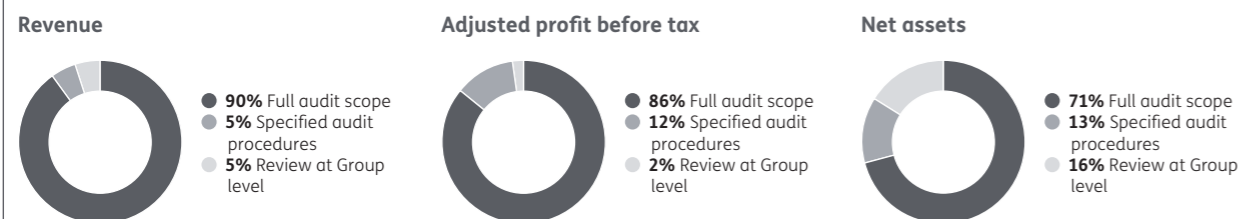
7. An overview of the scope of our audit

7.1 Identification and scoping of components

The Group operates throughout the UK and is organised into three operating divisions namely broadcast, digital and studios. Our Group audit was scoped by obtaining an understanding of the Group and its environment through discussions with finance, IT and commercial teams and performing walkthroughs of processes across these areas, including Group wide controls, and assessing the risks of material misstatements at a Group level.

For components deemed significant to the Group, full scope audit procedures were performed to materiality levels applicable to each component, which was lower than the Group materiality level and ranged from £355k to £497k.

The key broadcast operations across the regions of Scotland and the key studios and production businesses based on their contribution to the Group have been subject to a full scope audit. Other components were subject to specified audit procedures based on the materiality of individual balances. The remaining non-significant components were subject to analytical review procedures. At the Group level, we also tested the consolidation process. All the work on the significant components and the consolidation process was performed by the Group engagement team.



7.2 Our consideration of the control environment

With the involvement of our IT specialists we obtained an understanding of the relevant IT environment and tested relevant general IT controls. We obtained an understanding of the processes and relevant controls over the key business cycles, being the revenue and financial reporting cycle.

7.3 Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements. The Group has assessed the risk and opportunities relevant to climate change as highlighted in the Climate-related Financial Disclosures Report.

As a part of our audit, we have obtained management's climate-related risk assessment and held discussions with those charged with governance to understand the process of identifying climate-related risks, the determination of mitigating actions and to evaluate the impact on the Group's financial statements. We have involved our climate specialists in our assessment to consider broader industry and market-wide practice.

Our procedures included reading disclosures included in the Strategic Report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit. We also assessed the Directors' considerations of climate change in their assessment of going concern and viability, along with the associated disclosures.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

9. Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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.

10. Auditor's 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 auditor's 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.

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 auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the Directors and the Audit & Risk Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, pensions and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: manual adjustments to revenue and the recognition of production revenue. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation and tax legislation.

Independent auditors' report to the members of STV Group plc

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's Channel 3 operating licences that are regulated by Ofcom.

11.2 Audit response to risks identified

As a result of performing the above, we identified completeness and accuracy of manual adjustments to revenue at period end, and recognition of production revenue as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit & Risk committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and Ofcom;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

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 with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 121;
- the Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 44;
- the Directors' statement on fair, balanced and understandable set out on page 83;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 40 to 43;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 84; and
- the section describing the work of the Audit & Risk Committee set out on pages 82 to 86.

14. Matters on which we are required to report by exception

14.1 Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received 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
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2 Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1 Auditor tenure

Following the recommendation of the Audit & Risk Committee, we were appointed by the members on 27 April 2023 to audit the financial statements for the year ending 31 December 2023 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is one year, covering the year ending 31 December 2023.

15.2 Consistency of the audit report with the additional report to the Audit & Risk Committee

Our audit opinion is consistent with the additional report to the Audit & Risk Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.15R – DTR 4.1.18R, these financial statements will form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.



David Mitchell CA (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
Glasgow, United Kingdom
5 March 2024

Consolidated and parent company statements of changes in equity

Year ended 31 December 2023

| | Share capital £m | Share premium £m | Capital redemption reserve £m | Merger reserve £m | Other reserve £m | Restated* Accumulated (losses)/profit £m | Attributable to owners of the parent £m | Non-controlling interest £m | Total equity £m |
|--|---------------------|---------------------|----------------------------------|----------------------|---------------------|--|--|--------------------------------|--------------------|
| Group | | | | | | | | | |
| At 1 January 2023 | 23.3 | 115.1 | 0.2 | 173.4 | 1.8 | (322.7) | (8.9) | (0.3) | (9.2) |
| Profit for the year | - | - | - | - | - | 4.5 | 4.5 | 0.8 | 5.3 |
| Other comprehensive income | - | - | - | - | - | 1.5 | 1.5 | - | 1.5 |
| Total comprehensive income for the year | - | - | - | - | - | 6.0 | 6.0 | 0.8 | 6.8 |
| Net share based compensation | - | - | - | - | 0.6 | - | 0.6 | - | 0.6 |
| Dividends paid (note 10) | - | - | - | - | - | (5.2) | (5.2) | (0.2) | (5.4) |
| Changes in non-controlling interest (note 14) | - | - | - | - | - | - | - | (5.4) | (5.4) |
| At 31 December 2023 | 23.3 | 115.1 | 0.2 | 173.4 | 2.4 | (321.9) | (7.5) | (5.1) | (12.6) |
| At 1 January 2022 – restated* | 23.3 | 115.1 | 0.2 | 173.4 | 1.4 | (340.1) | (26.7) | (0.1) | (26.8) |
| Profit for the year | - | - | - | - | - | 17.5 | 17.5 | (0.2) | 17.3 |
| Other comprehensive expense | - | - | - | - | - | 4.7 | 4.7 | - | 4.7 |
| Total comprehensive income for the year | - | - | - | - | - | 22.2 | 22.2 | (0.2) | 22.0 |
| Net share based compensation | - | - | - | - | 0.4 | 0.3 | 0.7 | - | 0.7 |
| Dividends paid (note 10) | - | - | - | - | - | (5.1) | (5.1) | - | (5.1) |
| At 31 December 2022 – restated* | 23.3 | 115.1 | 0.2 | 173.4 | 1.8 | (322.7) | (8.9) | (0.3) | (9.2) |
| Company | | | | | | | | | |
| At 1 January 2023 | 23.3 | 115.1 | 0.2 | - | 1.8 | 87.8 | 228.2 | | |
| Loss for the year | - | - | - | - | - | (3.0) | (3.0) | | |
| Other comprehensive income | - | - | - | - | - | 1.1 | 1.1 | | |
| Total comprehensive loss for the year | - | - | - | - | - | (1.9) | (1.9) | | |
| Net share based compensation | - | - | - | - | 0.6 | - | 0.6 | | |
| Dividends paid (note 10) | - | - | - | - | - | (5.2) | (5.2) | | |
| At 31 December 2023 | 23.3 | 115.1 | 0.2 | - | 2.4 | 80.7 | 221.7 | | |
| At 1 January 2022 | 23.3 | 115.1 | 0.2 | - | 1.1 | 92.6 | 232.3 | | |
| Loss for the year | - | - | - | - | - | (2.6) | (2.6) | | |
| Other comprehensive expense | - | - | - | - | - | 2.6 | 2.6 | | |
| Total comprehensive loss for the year | - | - | - | - | - | - | - | | |
| Net share based compensation | - | - | - | - | 0.7 | 0.3 | 1.0 | | |
| Dividends paid (note 10) | - | - | - | - | - | (5.1) | (5.1) | | |
| At 31 December 2022 | 23.3 | 115.1 | 0.2 | - | 1.8 | 87.8 | 228.2 | | |

* Details of restatements are disclosed in note 2.

Consolidated and parent company statements of cash flows

Year ended 31 December 2023

| | Note | Group | | Company | |
|--|------|---------------|--------------|--------------|--------------|
| | | 2023 £m | 2022 £m | 2023 £m | 2022 £m |
| Operating activities | | | | | |
| Cash generated by operations | 23 | 10.8 | 11.5 | 11.0 | 4.5 |
| Interest and fees paid in relation to banking facilities | | (2.3) | (1.1) | - | - |
| Corporation tax received/(paid) | | 5.0 | 0.2 | - | (1.0) |
| Pension deficit funding – recovery plan payment | | (9.7) | (9.5) | (3.6) | (3.6) |
| Contingent cash payment to pension schemes | | - | (2.4) | - | (0.5) |
| Net cash generated by/(used in) operating activities | | 3.8 | (1.3) | 7.4 | (0.6) |
| Investing activities | | | | | |
| Acquisition of subsidiary undertakings, net of cash acquired | 14 | (15.0) | - | - | - |
| Purchase of investment in associate | | (0.3) | (0.9) | - | - |
| Production finance provided to associate | | (0.4) | (2.4) | - | - |
| Production finance repaid from associate | | 3.0 | - | - | - |
| Purchase of intangible assets | | (0.4) | (0.5) | - | - |
| Purchase of property, plant and equipment | | (0.8) | (3.4) | - | - |
| Net cash used in investing activities | | (13.9) | (7.2) | - | - |
| Financing activities | | | | | |
| Payment of obligations under leases | | (1.8) | (1.8) | - | - |
| Borrowings drawn | | 36.3 | 38.0 | - | - |
| Borrowings repaid | | (21.0) | (26.0) | - | - |
| Dividends paid to non-controlling interests | | (0.2) | - | - | - |
| Dividends paid to equity holders | | (5.2) | (5.1) | (5.2) | (5.1) |
| Net cash generated by/(used in) financing activities | | 8.1 | 5.1 | (5.2) | (5.1) |
| Net (decrease)/increase in cash and cash equivalents | | (2.0) | (3.4) | 2.2 | (5.7) |
| Net cash and cash equivalents, including overdraft balances, at beginning of year | | 11.3 | 14.7 | (5.4) | 0.3 |
| Net cash and cash equivalents, including overdraft balances, at end of year | | 9.3 | 11.3 | (3.2) | (5.4) |

Notes to the financial statements

For the year ended 31 December 2023

1. General information

The consolidated financial statements of STV Group plc (the ‘Company’) and its subsidiaries (together the ‘Group’) for the year ended 31 December 2023 were approved and authorised for issue in accordance with a resolution of the Directors on 5 March 2024. The comparative information is presented for the year ended 31 December 2022.

STV Group plc is a public limited company, limited by shares, incorporated in Scotland, United Kingdom, and is listed on the London Stock Exchange.

The principal activities of the Group are the production and broadcasting of television programmes, provision of internet services and the sale of advertising airtime and space in these media.

2. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented.

Basis of preparation

The financial statements are prepared in accordance with IFRS as adopted by the UK Endorsement Board and in accordance with the UK adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

These financial statements are presented in Sterling, which is the currency of the primary economic environment in which the Group and Company operates and rounded to the nearest 0.1 million pounds (£m) except where otherwise indicated. They have been prepared under the historical cost convention and where other bases are applied these are identified in the relevant accounting policy below.

Prior year adjustments

Parent (presentation of intercompany receivables)

The Company previously presented intercompany balances receivable within current assets, as amounts due are repayable on demand. These have been presented as non-current in the year ended 31 December 2023. The balance sheets at 31 December 2022 and 1 January 2022 have been updated to disclose the full balance as non-current, of £138.5m and £136.4m respectively (note 17).

Group and parent (presentation of cash and cash equivalents and overdrafts)

The Group and Company balance sheets previously presented cash balances and overdrafts held with the same counterparty on a net basis due to there being a legal right to offset, with overdraft balances cleared down in line with trading requirements. However, as the accounts that are used to settle the overdrafts are normal trading accounts with routine activities processing through them, the overdrafts should be disclosed within current liabilities. The impact on the Group balance sheet at 31 December 2022 is to increase cash and cash equivalents from £11.3m to £18.3m and recognise a current liability of £7.0m. In the 31 December 2022 Parent Company balance sheet, the £5.4m overdraft has been restated within current liabilities. There are no adjustments to the balance sheet at 1 January 2022 (note 19).

Group (historical overstatement of trade and other receivables)

The Group identified an historic error of £0.9m relating to an over accrual of music revenue expected to be collected on its behalf by a third party. The over accrual relates to prior periods not presented in these financial statements so the correcting adjustment was disclosed as a restatement of the 1 January 2022 trade and other receivables balance, which is split between current assets (balance at 1 January 2022 of £30.1m restated to £29.6m) and non-current assets (balance at 1 January 2022 of £0.4m restated to £nil), with a corresponding adjustment to retained earnings (balance at 1 January 2022 of £(339.2)m restated to £(340.1)m). The 31 December 2022 balance sheet has also been restated for the same impact: non-current trade and other receivables restated from £1.5m to £0.7m, current trade and other receivables restated from £39.9m to £39.8m, and retained earnings restated from £(321.8)m to £(322.7)m (note 17).

Basis of consolidation

The Group financial statements incorporate the financial statements of STV Group plc and all its subsidiaries up to 31 December each year, using consistent accounting policies.

Subsidiaries are entities over which the Company has control. Control is achieved when the Company has the power over the subsidiary, is exposed, or has rights to, variable returns from its involvement with the subsidiary, and has the ability to use its power to affect its returns. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Subsidiary undertakings acquired during the year are recorded using the acquisition method of accounting and their results are included from the date of acquisition.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

An associate is an entity, other than a subsidiary or joint venture, over which the Group has significant influence. Significant influence is the power to participate in, but not control or jointly control, the financial and operating decisions of an entity. These investments are also accounted for using the equity method.

Non-controlling interests represent the portion of profit or loss and net assets/(liabilities) in subsidiaries that are not held by the Group and are presented within equity in the consolidated balance sheet, separately from the Company shareholders’ equity.

Adoption of new and revised standards

In the current year, the Group has adopted the following new amendments with no material impact:

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies – effective date 1 January 2023
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates – effective date 1 January 2023
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction – effective date 1 January 2023
- Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules – effective date 1 January 2023
- IFRS 17 Insurance Contracts – effective date 1 January 2023
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information policies – effective date 1 January 2023

Standards and amendments to standards that have been issued but are not effective for 2023 and have not been early adopted are:

- Amendments to IAS 1 Presentation of Financial Statements:
 - Classification of Liabilities as Current or Non-current – effective date 1 January 2024
 - Non-current Liabilities with Covenants – effective date 1 January 2024
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback – effective date 1 January 2024

The above standards and amendments issued but not yet effective will be adopted in accordance with their effective dates. Management do not expect any material impact from the implementation of the above standards when they become effective.

Going concern

At 31 December 2023, the Group was in a net debt position (excluding lease liabilities) of £32.3m comprising drawdowns under its banking facility of £39m, amounts drawn under a separate third party production financing facility of £3.3m, partially offset by net cash balances, including overdrafts, of £9.3m.

The Group has in place a £70m revolving credit facility, with £10m accordion, that matures in March 2026. In July 2023, the Group accessed £10m of its then £20m accordion to provide additional liquidity headroom following acquisition of Greenbird Media Limited and against the backdrop of a difficult macroeconomic environment impacting linear advertising in particular. To date, we have not accessed this incremental headroom. Our covenant package includes the key financial covenants of net debt to EBITDA (leverage), which must be less than 3 times, and interest cover, which must be greater than 4 times.

The Group is in a net current asset position and generates cash from operations that enables the Group to meet its liabilities as they fall due, and other obligations. It has undrawn facilities under its main banking facility of £31m, with a further £10m available through accessing the accordion.

As part of the regular forecasting and budgeting processes, the Group considers the outlook for the UK advertising market and the UK and global commissioning markets and uses them to inform the assumptions underpinning the business’s own financial forecasts. As well as defining a ‘base case’ set of assumptions, the Group considers a range of alternative outcomes – on the upside and the downside – and assesses liquidity headroom and covenant compliance under all scenarios. The Group’s forecasts and projections for both profitability and cash generation/debt levels, taking account of reasonably possible changes in trading performance, show that the Group will be able to operate within the level of its current available funding and financial covenants.

The Directors performed a full review of principal risks and uncertainties during the year and approved the Group’s updated three-year plan covering the period to 31 December 2026 in February 2024. As part of this process, the Board gave specific consideration and challenge to the first year of this plan and approved it as the budget for FY2024.

A severe but plausible downside scenario was identified against the base case assumptions in that budget that reflected crystallisation of a number of risks, principally in relation to advertising revenues and the number and scale of programme commissions won and delivered in the year. Under this alternative scenario, the Group modelled a reduction of more than 40% in the budgeted revenue of the Studios division combined with a continued recession in the UK advertising market.

Even under this scenario, the Group generated sufficient cash to enable it to continue in operation and remain within covenant levels under the Group banking arrangements. Therefore, the Board concluded that the Group’s forecasts and projections, taking account of reasonably possible changes in trading performance, show it will be able to operate within the level of its current available funding and covenant levels.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for at least 12 months from the date of this report. Accordingly, the Group continues to adopt the going concern basis in preparing its consolidated financial statements.

Revenue recognition

Under IFRS 15, the performance obligations promised in contracts with customers are identified and revenue recognition is based on an assessment of when control of the good or service promised in the contract is transferred to the customer. Revenue is recognised when the performance obligation in the contract is satisfied which is either at a ‘point in time’ or ‘over time’ depending on when or as control of the good or service is transferred to the customer.

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For the year ended 31 December 2023

2. Significant accounting policies continued

Key classes of revenue are recognised on the following bases:

i) Advertising and sponsorship revenues

Revenues are stated net of advertising agency commissions.

Television advertising revenue and online advertising revenue are recognised at the point of transmission of the advertisement. Revenue from sponsorship of the Group's programmes is recognised on a straight-line basis over the period of the transmission schedule for each sponsorship campaign.

ii) Programme production revenues

Revenue from third party commissions is recognised on delivery of the finished programme to the commissioning broadcaster as at that point the performance obligations are delivered and control passes to the broadcaster for the period of their licence.

Revenues from the licencing of programmes to overseas broadcasters or in the UK secondary market (usually digital channels) is recognised on the licence commencement date. An element of the original cost of production is deferred and recognised against the future revenue stream expected to be generated in the secondary and overseas sales markets. The amount to be deferred varies by programme based on future overseas and secondary sales potential and involves significant estimate (see note 3).

Dividend income

Dividend income is recognised when the right to receive payment is established.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is deducted from the related expense. When the grant relates to an asset, it is deducted from the asset's carrying value.

Taxation

Taxation expense comprises current and deferred tax. Tax is recognised in the income statement, except to the extent it relates to items recognised in other comprehensive income or directly in equity, in which case the related tax is also recognised in other comprehensive income or directly in equity.

Current tax is the amount of tax payable or recoverable in respect of the taxable profit or loss for the year, using tax rates that are in force during the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other financial years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax is calculated using tax rates that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the reversal of the temporary difference can be controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Adjusting items

Adjusting items are items that are unusual because of their size, nature or incidence and which the Directors consider should be disclosed separately to enable a full understanding of the Group's results. They are presented on the face of the Consolidated Income Statement in a column before statutory results.

Adjusting items may include but are not restricted to: profits or losses arising on disposal or closure of a business; the cost of significant business restructuring; significant impairments of intangible or tangible assets; significant gains or losses on sale of investments, intangible or tangible assets; adjustments to the fair value of acquisition-related items; amortisation of fair value adjustments in regard to intangible assets recognised in a business combination; IAS 19 finance costs; and other items due to their significance, size or nature. Details of specific adjusting items are included within note 7.

Foreign currency translation

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Currency translation differences are recognised in the consolidated income statement.

Business combinations

Business combinations are accounted for using the acquisition method of accounting. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred, and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the income statement as incurred.

At the acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the income statement as a bargain purchase gain (or loss if the liabilities assumed exceed the identifiable assets).

Goodwill in respect of an acquired business is recognised as an intangible asset. Goodwill is carried at cost less any recognised impairment losses and is tested at least annually.

Intangible assets

Intangible assets, other than goodwill, are held at cost less accumulated amortisation and any provision for impairment. Included within intangible assets are:

Web development – assets in the course of construction which comprise web development projects including directly attributable costs to bring the assets into use and may include capitalised borrowing costs.

Intellectual property – fair value of intangible assets recognised on acquisition of subsidiaries, which comprise production intellectual property and distribution intellectual property. Production intellectual property relates to the rights owned by acquired subsidiary companies to established profitable formats that are likely to be re-commissioned in future periods. Distribution intellectual property relates to the value attributable to existing and expected renewal of distribution agreements of back-catalogue productions in secondary markets.

Amortisation is provided at the following rates per annum to write off the costs of intangible assets, less residual value, on a straight line basis from the date they are brought into use:

| | |
|-----------------------|---------------------|
| Web development | between 20% and 33% |
| Intellectual property | between 7% and 13% |

Property, plant and equipment

The Group's policy is to state property, plant and equipment at cost less accumulated depreciation and any recognised impairment loss. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided to write off the cost of the assets, less estimated residual values, in equal annual instalments as follows:

| | |
|--------------------------------------|---------------------|
| Leasehold improvements | between 5% and 10% |
| Plant, technical equipment and other | between 10% and 20% |

Residual values and useful economic lives are reviewed annually. Depreciation is charged on all additions to, or disposals of, depreciating assets in the year of purchase or disposal, from the date of being brought into use or to the date of disposal.

Any impairment in value is charged to the income statement.

Depreciation and amortisation are both presented within operating expenses in the consolidated income statement.

Leases

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease.

Lease liability

The lease liability is initially measured as the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or the Group's incremental borrowing rate where not readily available.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of purchase options, if the Group is reasonably certain to exercise those options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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2. Significant accounting policies continued

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the Group's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost element is charged to the income statement over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets

Right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are predominantly in relation to leasehold properties.

Right-of-use assets are depreciated over the shorter of the lease term and the useful life of the underlying asset. If the lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's ('CGU's') fair value less costs of disposal and its value-in-use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Inventories

Inventories are stated at the lower of cost or net realisable value. Net realisable value represents the estimated selling price less estimated costs of completion and the estimated selling costs.

The Group has the following items included in inventory:

- **Programme production work in progress**

Programme production work in progress for programmes being made for third parties is recorded at cost less any provision for impairment. When the programme production has been completed, and at the point of delivery to the commissioner, the inventory value is charged to the income statement to match the cost of production with the revenue recognised. Costs incurred in the development of creative ideas and the programme slate are recognised as inventory at the lower of cost and net realisable value and are reviewed at least annually. Provision is made where appropriate.

- **Deferred programme production**

Deferred programme production stock represents original costs of production that are deferred and recognised against future revenue streams expected to be generated in the secondary sales markets, or from advertising revenue generated on STV Player. This is to ensure that revenue and costs are matched as closely as possible. The amount to be deferred varies by programme based on future secondary sales potential. The estimate of future sales and deferred programme production stock is referred to in the critical accounting judgements and estimates section (note 3).

- **Recorded programmes**

Recorded programmes are programmes which the Group purchases for transmission on its broadcast and Video on Demand platforms. They are valued at direct cost including labour and overheads less appropriate provisions and are charged to the income statement after the first transmission or sale.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Financial assets are recorded at amortised cost with the exception of equity investments which are recognised at fair value through other comprehensive income (FVOCI) and derivative financial instruments which are recognised at fair value through profit and loss (FVPL). Financial liabilities are measured at amortised cost.

i) Trade receivables

Trade receivables do not carry any interest and are stated at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

A provision is established for trade receivables if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of trade.

ii) Investments

Investments are classified as fair value through other comprehensive income (FVOCI) with subsequent gains or losses arising from changes in fair value recognised in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit and loss following the derecognition of the investment.

Equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured by other means are held at cost unless the Group is deemed to hold significant influence. Investments, whereby the Group is deemed to hold significant influence, are initially recognised at cost and adjusted thereafter for the post-acquisition change in the net assets of the investment. A share of the profit or loss, based on equity holding, is recognised in the income statement for the period.

iii) Classification of financial liabilities and equity

Financial liabilities and equity instruments are classified according to the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

iv) Bank borrowings

Interest-bearing bank loans and overdrafts are initially recorded at fair value being the proceeds received, net of direct issue costs. They are subsequently measured at amortised cost. Finance costs, including premiums payable on settlement or redemption and direct issue costs, are accounted for using an effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

v) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

vi) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

vii) Derivative financial instruments

Financial liabilities in regard to put option contracts which require the Group to purchase its own equity instruments for cash or another financial asset are recognised at the present value of the estimated put option exercise price, with a corresponding charge included within non-controlling interest. Any subsequent remeasurement of the put option liability is recognised within other finance income or cost.

viii) Production financing facilities

Separate production financing facilities are entered into with third parties for individual programme production activities. These short-term facilities are available for the duration of programme production activity, and are used in circumstances when the Group is cash-flowing the production (with the commissioner paying in full on delivery of the final programme). These facilities are initially recorded at fair value being the amounts drawn down, net of direct issue costs. They are subsequently measured at amortised cost using the effective interest rate method.

Pensions

For defined benefit pension schemes, the annual service cost is calculated using the projected unit credit method and is recognised over the future service lives of participating employees, in accordance with the advice of qualified actuaries. Current service cost and administration expenses are recognised in operating costs and net interest on the net pension liability is recognised in finance costs.

The finance cost recognised in the consolidated income statement reflects the net interest on the net pension liability. This represents the change in the net pension liability resulting from the passage of time, and is determined by applying the discount rate to the opening net liability, taking into account employer contributions paid into the scheme, and hence reducing the net liability during the year.

Past service costs resulting from enhanced benefits are recognised immediately in the consolidated income statement. Actuarial gains and losses, which represent the difference between interest on scheme assets, experience on the defined benefit obligation and the effect of changes in actuarial assumptions, are recognised in full in the consolidated statement of comprehensive income in the year in which they occur.

The retirement benefit obligation recognised in the consolidated balance sheet comprises the net total for each scheme of the present value of the benefit obligation, using a discount rate based on yields at the balance sheet date on appropriate high-quality corporate bonds that have maturity dates approximating the terms of the Group's obligations and are denominated in sterling, minus the fair value of the scheme assets at the balance sheet date.

Payments to defined contribution schemes are charged to the income statement as an expense as they fall due.

Share-based payments

The Group issues equity-settled share-based payments to certain employees. A fair value for the equity-settled share awards is measured at the date of grant. The Group measures the fair value of each award using an appropriate option pricing model.

The fair value of each award is recognised as an expense over the vesting period on a straight-line basis, after allowing for an estimate of the share awards that will eventually vest. The level of vesting is reviewed at each reporting period and the charge is adjusted, where appropriate, to reflect actual and estimated levels of vesting. The other reserve within equity relates to share based payments.

Dividend distribution

Final dividends are recorded in the financial statements in the period in which they are approved by the Company's shareholders. Interim dividends are recorded in the period in which they are approved and paid.

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3. Critical accounting judgements and estimates

The preparation of the consolidated and Company financial statements, in conformity with IFRS, requires management to make judgements that affect the application of accounting policies and the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Management bases these judgements and estimates on a combination of past experience, professional expert advice and other evidence that is relevant to each individual circumstance. Actual results may differ from these judgements and the resulting estimates and are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised. Significant judgements in the current year and on a recurring basis are presented to the Audit & Risk Committee.

Judgements

In the course of preparing the financial statements, no judgements have been made in applying the Group's accounting policies that have had a significant effect on the amounts recognised in the consolidated Group or parent company financial statements, other than those involving estimation below.

Estimates

The Directors consider the following to be the key estimates applicable to the financial statements, which have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Group

Inventory

Deferred programme production stock forms part of inventory and is stated in the financial statements at the lower of cost or net realisable value. The key assumptions are estimating the likely future revenues for which associated programme costs are expensed in line with, and the discount rate applied. A detailed forecast of future secondary sales is prepared by management based on historic experience and expected future trends. The estimation process is complex due to the inherent risks and uncertainties associated with long-term forecasting. A different estimate of the projected future cash flows, or a different discount rate, could result in a material adjustment to the projected value of the cash flows of the asset, and as a consequence result in a material adjustment to the carrying value of the asset in the next financial year. £2.1m was expensed through the income statement in the year (2022: £1.4m).

Additional information is disclosed in note 16.

Group and Company

Pension obligations

The present value of the pension obligations depends on several factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost/(income) for pensions include the discount rate and mortality rate. These assumptions are reviewed and updated at least bi-annually. A small change in these assumptions could materially impact the carrying amount of pension obligations in the next financial year.

The Group determines the appropriate discount rate at the end of each year. This is the rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Regarding mortality, the base tables used are updated every three years (to coincide with triennial valuations) or more frequently when there is evidence of a change in experience. The CMI tables relating to future improvements in mortality are updated when new information is available, usually annually.

Other key assumptions for pension obligations are based in part on current market conditions. Additional information, along with details of sensitivities, is disclosed in note 24.

Company

Carrying value of parent company investments

At the end of each reporting period, the Company assesses whether there has been any internal or external indication that an asset may be impaired (i.e. its carrying amount may be higher than its recoverable amount). The market capitalisation of the Parent company was less than its net assets and therefore the recoverable amount of the investment in subsidiary companies has been calculated. In determining the recoverable amount, key assumptions are made regarding future performance of subsidiary undertakings, growth rates and discount rate. A different estimate of the projected future cash flows, or a different growth rate or discount rate, could result in a material adjustment to the projected value of the cash flows of the asset, and as a consequence result in a material adjustment to the carrying value of the asset in the next financial year. Based on the assumptions applied in the current year, the investments' recoverable amount is greater than its carrying value and consequently no impairment is considered necessary. Additional information is disclosed in note 15.

4. Business segments

Information reported to the Group's Chief Executive for the purposes of resource allocation and assessment of segment performance is by product. The Group's operating segments are Broadcast, Digital and Studios.

| | Broadcast | | Digital | | Studios | | Total | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|--------------|--------------|
| | 2023 £m | 2022 £m | 2023 £m | 2022 £m | 2023 £m | 2022 £m | 2023 £m | 2022 £m |
| Continuing operations | | | | | | | | |
| Sales | 90.4 | 107.6 | 20.2 | 19.0 | 67.2 | 23.9 | 177.8 | 150.5 |
| Inter-segment sales | (9.0) | (12.5) | – | – | (0.4) | (0.2) | (9.4) | (12.7) |
| Segment revenue | 81.4 | 95.1 | 20.2 | 19.0 | 66.8 | 23.7 | 168.4 | 137.8 |
| Segment result | | | | | | | | |
| Adjusted operating profit | 9.8 | 20.7 | 9.9 | 8.5 | 5.2 | 1.4 | 24.9 | 30.6 |
| Unallocated corporate expenses | | | | | | | (4.8) | (4.8) |
| Adjusted operating profit | | | | | | | 20.1 | 25.8 |
| Adjusting items in operating profit (note 7) | | | | | | | (6.0) | (0.5) |
| Other adjusting items (note 7) | | | | | | | (0.5) | – |
| HETV tax credits (note 7) | | | | | | | (7.7) | – |
| Finance costs | | | | | | | (5.7) | (3.0) |
| Share of loss in associates | | | | | | | (0.2) | (0.1) |
| Profit before tax | | | | | | | – | 22.2 |
| Tax credit/(charge) | | | | | | | 5.3 | (4.9) |
| Profit for the year | | | | | | | 5.3 | 17.3 |

Adjusted operating profit (as shown above) is the statutory operating profit before adjusting items, amortisation of the fair value of intangible assets acquired in a business combination and includes High-End Television (HETV) tax credits receivable. The HETV tax credits, amortisation of intangible assets acquired in a business combination and finance cost in relation to the put options, relate solely to the Studios operating segment. £7.7m HETV tax credits were claimed in the current year (2022: £nil), £0.5m of amortisation on the fair value of intangible assets has been incurred since acquiring Greenbird Media Limited and £0.5m of finance costs in relation to the put options has been recognised (please refer to note 7). This results in a statutory operating loss of £3.5m in Studios (2022: profit of £1.4m). The consolidated results of Greenbird Media Limited and subsidiary undertakings have been allocated to the Studios operating segment. There were no adjusting items disclosed within Broadcast or Digital operating profit.

Revenue includes £2.0m from sources outside the UK (2022: £1.7m). Operating profit includes £1.3m arising outside the UK (2022: £1.0m).

| | Broadcast | | Digital | | Studios | | Total | |
|---------------------------------------|-------------|-------------|------------|------------|-------------|-------------|---------------|--------------|
| | 2023 £m | 2022 £m | 2023 £m | 2022 £m | 2023 £m | 2022 £m | 2023 £m | 2022 £m |
| Segment assets and liabilities | | | | | | | | |
| Assets | 36.0 | 40.2 | 2.2 | 2.3 | 97.9 | 70.1 | 136.1 | 112.6 |
| Liabilities | (18.0) | (17.6) | – | – | (31.3) | (36.4) | (49.3) | (54.0) |
| Segment total | 18.0 | 22.6 | 2.2 | 2.3 | 66.6 | 33.7 | 86.8 | 58.6 |
| Unallocated corporate assets | | | | | | | 17.8 | 48.0 |
| Unallocated corporate liabilities | | | | | | | (117.2) | (115.8) |
| Consolidated | | | | | | | (12.6) | (9.2) |

Segment assets consist primarily of property, plant and equipment, certain leased assets, inventories, trade and other receivables and cash and bank deposits. Amounts due from HMRC in regard to HETV tax relief is disclosed within Studios. All other corporation tax balances are disclosed within corporate.

Segment liabilities comprise operating liabilities including trade and other payables and provisions and certain lease liabilities. They exclude Group borrowings, retirement benefit obligations, tax liabilities and other non-current liabilities, including the remaining lease liabilities.

The increase in Studios assets primarily relates to the acquisition of Greenbird Media Limited.

All the net assets in 2022 and 2023 were held in the UK and therefore operate in a single geographical segment.

| | Broadcast | | Digital | | Studios | | Other | | Total | |
|----------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | 2023 £m | 2022 £m | 2023 £m | 2022 £m | 2023 £m | 2022 £m | 2023 £m | 2022 £m | 2023 £m | 2022 £m |
| Other segment information | | | | | | | | | | |
| Capital additions | 0.6 | 2.3 | 0.4 | 0.5 | 10.9 | – | 0.2 | 1.1 | 12.1 | 3.9 |
| Depreciation and amortisation | 1.8 | 1.9 | 0.6 | 0.9 | 0.8 | – | 2.0 | 2.0 | 5.2 | 4.8 |

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5. Operating expenses

| | 2023 £m | 2022 £m |
|-------------------------------|--------------|--------------|
| Programming costs | 29.8 | 35.8 |
| Production costs | 62.3 | 20.2 |
| Staff costs (note 6) | 33.4 | 28.8 |
| Other operational costs | 25.7 | 22.4 |
| Depreciation and amortisation | 4.8 | 4.8 |
| | 156.0 | 112.0 |
| Adjusting items (note 7) | 6.0 | 0.5 |
| | 162.0 | 112.5 |

Services provided by the Group's auditors

During the year the Group obtained the following services from the Company's auditors:

| | 2023 £000 | 2022 £000 |
|--|--------------|--------------|
| Group | | |
| Fees payable to Company auditors for the audit of the parent company and consolidated financial statements | 252 | 250 |
| Fees payable to the Company's auditors and their associates for other services: | | |
| – The audit of the Company's subsidiaries pursuant to legislation | 65 | 45 |
| – Audit-related assurance services | 27 | 35 |
| | 344 | 330 |

Included in the audit fees payable is £10,000 (2022: £6,000) paid in respect of the parent company.

6. Staff

Group

Aggregate remuneration

| | 2023 £m | 2022* £m |
|---|-------------|-------------|
| Wages and salaries | 34.2 | 29.1 |
| Share based payments | 0.6 | 0.8 |
| Social security costs | 3.6 | 3.5 |
| Other pension costs | 1.0 | 0.9 |
| Total aggregate remuneration | 39.4 | 34.3 |
| Less: staff costs allocated to productions, adjusted items or capitalised | (6.0) | (5.5) |
| Aggregate remuneration within operating expenses | 33.4 | 28.8 |

Average monthly number of employees (including Executive Directors)

| | 2023 Number | 2022 Number |
|--|----------------|----------------|
| Studios | 147 | 106 |
| Broadcast | 329 | 335 |
| Digital | 61 | 52 |
| Group/Corporate | 61 | 58 |
| Total average number of employees | 598 | 551 |

* The presentation of the remuneration note has been updated for year ended 31 December 2023 to split out costs allocated to productions, adjusted items or that have been capitalised. The 2022 comparatives have been updated to reflect the same presentation.

Contract staff numbers consist of employees on fixed-term contracts and does not include those on freelance contracts. Details of Directors' remuneration is provided in the Remuneration Report on pages 88 to 105.

Company

The Company had no employees during the current or preceding year.

The only element of Director remuneration recognised in the Company income statement in the year is the estimated charge associated with share-based payments of £0.6m (2022: £0.8m). No Director received any other remuneration from the Company during the year (2022: £nil). The emoluments of the Directors are paid by another Group company which makes no recharge to the parent company.

7. Adjusting items and reconciliation of statutory results to adjusted results

In reporting financial information, the Group presents alternative performance measures (APMs) which are not defined or specified under the requirements of IFRS. The Group believes that these APMs, which are not considered to be a substitute for or superior to IFRS measures, provide stakeholders with additional helpful information on the performance of the business.

The Group makes certain adjustments to the statutory profit measures to exclude the effects of material amounts that it believes are distortive to the underlying trading performance of the Group. By presenting these alternative performance measures, the Group believes it is providing additional insight into the performance of the business that may be useful to stakeholders.

The table below sets out a reconciliation of the statutory results to the adjusted results:

| | 2023 | | | 2022 | | |
|--|------------------------|-------------------------|--------------------|------------------------|-------------------------|--------------------|
| | Operating profit £m | Profit before tax £m | Basic EPS pence | Operating profit £m | Profit before tax £m | Basic EPS pence |
| Statutory results | 6.4 | – | 9.7p | 25.3 | 22.2 | 38.3p |
| Material contract implementation costs (i) | 3.1 | 3.1 | | 0.5 | 0.5 | |
| Acquisition and integration costs(ii) | 2.4 | 2.4 | | – | – | |
| Amortisation of intangible assets (iii) | 0.5 | 0.5 | | – | – | |
| IAS 19 net finance costs (iv) | – | 2.8 | | – | 1.4 | |
| Other finance costs (v) | – | 0.5 | | – | – | |
| High-end television tax credits (vi) | 7.7 | 7.7 | | – | – | |
| Adjusted results | 20.1 | 17.0 | 28.2p | 25.8 | 24.1 | 42.3p |

- On 8 December 2022, the Group announced an extended partnership with ITV for digital content and advertising sales. The agreement was effective from 1 January 2023 and one-off costs associated with the negotiation and implementation of the agreement were £3.1m (2022: £0.5m).
- On 6 July 2023, the Group acquired the independent production network of companies headed by Greenbird Media Limited for total amounts payable of £24.2m (note 14). The associated attributable costs, totalling £2.4m, have been expensed as incurred in the year. This includes legal and advisory fees, amounts attributable to earns outs payable to founding members, and restructuring costs.
- Following the acquisition of Greenbird Media Limited in July 2023, the Group has undertaken a provisional fair value assessment of the assets acquired and liabilities assumed. The provisional fair value attributable to intellectual property acquired was £10.0m, with an associated amortisation charge of £0.5m incurred since acquisition. Amortisation of assets acquired through business combinations and investments are included within adjusted results. As these costs are acquisition related, and in line with our treatment of other acquisition related costs, we consider that they do not reflect the underlying trading performance of the Group.
- IAS 19 related items, principally the net finance cost included in the consolidated income statement, are excluded from non-statutory measures as they are non-cash items that relate to legacy defined benefit pension schemes.
- The Group recognised liabilities of £9.6m payable to minority shareholders under put options already in force at the date of acquisition of Greenbird Media Limited, which was estimated based on discounted profit forecasts. Since the date of acquisition, £0.5m has been recognised as a finance cost in relation to the unwinding of the associated discount.
- The Group meets the eligibility criteria to claim HETV tax relief through the production of certain dramas created in its Studios division. This incentive was introduced in the UK to support the creative industries and is a critical factor when assessing the viability of investment decisions in the production of high-end drama programmes. These production tax credits are reported within the total tax charge in the Consolidated Income Statement in accordance with IAS 12. However, STV considers the HETV tax credits to be a contribution to production costs and therefore more aligned to working capital in nature. Therefore, the adjusted results for the Group reflect these credits as a contribution to operating cost and not a tax item. Post year end, HETV tax credits are being replaced by 'above the line' Audio-Visual Expenditure credits and will be accounted for in a similar way to the alternative performance measure presented above.

8. Tax credit/(charge)

| | 2023 £m | 2022 £m |
|---|------------|--------------|
| Corporation tax | | |
| Current year charge | (0.8) | (1.8) |
| High-end television tax credit | 7.7 | – |
| | 6.9 | (1.8) |
| Deferred tax (note 21) | (1.6) | (3.1) |
| Tax credit/(charge) for the year | 5.3 | (4.9) |

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8. Tax credit/(charge) continued

The credit/(charge) for the year can be reconciled to the profit per the income statement as follows:

| | 2023 £m | 2022 £m |
|---|------------|--------------|
| Profit before tax | – | 22.2 |
| Tax at the UK corporation tax rate of 23.5% (2022: 19%) | – | (4.2) |
| Tax effects of: | | |
| Other expenses not deductible for tax purposes | (0.8) | – |
| Losses not recognised | (1.2) | – |
| High-end television tax credits | 7.7 | – |
| Impact of changes in tax rates | (0.1) | (0.7) |
| Changes in estimates related to prior years | (0.3) | – |
| Tax credit/(charge) for the year | 5.3 | (4.9) |

9. Earnings per share

The calculation of earnings per share is based on earnings after tax and the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company and held for use by the STV Employee Benefit Trust.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has one type of dilutive potential ordinary shares namely share options granted to employees.

The adjusted earnings per share figures that have also been calculated are based on earnings before adjusting items that are significant in nature and/or quantum and not expected to recur every year and are therefore considered to be distortive. The adjusting items recognised in the current and prior years are detailed in note 7 and presented below net of the related tax effect. Adjusted earnings per share have been presented to provide shareholders with an additional measure of the Group's year on year performance.

| | 2023 pence | 2022 pence |
|-------------------------------------|---------------|---------------|
| Earnings per share | | |
| Basic earnings per share | 9.7p | 38.3p |
| Diluted earnings per share | 9.4p | 36.6p |
| Adjusted basic earnings per share | 28.2p | 42.3p |
| Adjusted diluted earnings per share | 27.2p | 40.4p |

The following reflects the earnings and share data used in the calculation of earnings per share:

| | Ref | 2023 £m | 2022 £m |
|---|-------|------------|------------|
| Earnings | | | |
| Profit for the year attributable to equity shareholders | | 4.5 | 17.5 |
| Adjusting items in operating profit (net of tax) | (i) | 5.2 | 0.4 |
| IAS 19 net financing cost | (ii) | 2.8 | 1.4 |
| Other finance costs | (iii) | 0.5 | – |
| Adjusted profit | | 13.0 | 19.3 |

Number of shares

| | 2023 million | 2022 million |
|---|-----------------|-----------------|
| Weighted average number of ordinary shares for the purposes of basic earnings per share | 45.8 | 45.6 |
| Dilution due to share options | 1.6 | 2.2 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | 47.4 | 47.8 |

Details of the adjustments to earnings are as follows:

i) Adjusting items in operating profit (net of tax) £5.2m (2022: £0.4m)

Charge of £6.0m (2022: £0.5m), net of related tax credit of £0.8m (2022: £0.1m). See note 7 for more details.

ii) Adjustment for IAS 19 financing cost £2.8m (2022: £1.4m)

The IAS 19 financing cost is adjusted as it is a non-cash item that relates to historical defined benefit pension schemes; there is no tax associated with this amount as it is non-deductible for corporation tax purposes.

iii) Adjustment for other finance costs £0.5m (2022: £nil)

Other finance costs relate to put options acquired in a business combination.

10. Dividends

| | 2023 per share | 2022 per share | 2023 £m | 2022 £m |
|--|-------------------|-------------------|------------|------------|
| Dividends on equity ordinary shares | | | | |
| Paid final dividend | 7.4p | 7.3p | 3.4 | 3.3 |
| Paid interim dividend | 3.9p | 3.9p | 1.8 | 1.8 |
| Dividends paid | 11.3p | 11.2p | 5.2 | 5.1 |

A final dividend of 7.4p per share (2022: 7.4p per share) has been proposed by the Board of Directors and is subject to approval by shareholders at the 2024 AGM scheduled for 1 May 2024. The proposed dividend would be payable on 31 May 2024 to shareholders who are on the register at 19 April 2024. The ex-dividend date is 18 April 2024. This final dividend, amounting to £3.4m has not been recognised as a liability in these financial statements.

11. Intangible assets

| | Goodwill £m | Intellectual property £m | Web development £m | Total £m |
|--|----------------|--------------------------------|--------------------------|-------------|
| Cost | | | | |
| At 1 January 2022 | – | – | 6.1 | 6.1 |
| Additions | – | – | 0.5 | 0.5 |
| At 1 January 2023 | – | – | 6.6 | 6.6 |
| Additions | – | – | 0.4 | 0.4 |
| Acquisitions (note 14) | 14.5 | 10.0 | – | 24.5 |
| Disposals | – | – | (0.3) | (0.3) |
| At 31 December 2023 | 14.5 | 10.0 | 6.7 | 31.2 |
| Accumulated amortisation and impairment | | | | |
| At 1 January 2022 | – | – | 4.5 | 4.5 |
| Amortisation | – | – | 0.9 | 0.9 |
| At 1 January 2023 | – | – | 5.4 | 5.4 |
| Amortisation | – | 0.5 | 0.6 | 1.1 |
| Disposals | – | – | (0.3) | (0.3) |
| At 31 December 2023 | – | 0.5 | 5.7 | 6.2 |
| Net book value at 31 December 2023 | 14.5 | 9.5 | 1.0 | 25.0 |
| Net book value at 31 December 2022 | – | – | 1.2 | 1.2 |

In 2023, acquisitions of £24.5m related to the acquisition of Greenbird Media Limited on 6 July 2023, as outlined in note 14. Intellectual property relates to production intellectual property and distribution intellectual property acquired which each had a net book value of £4.7m and £4.8m respectively at the balance sheet date. The remaining average useful life of production intellectual property and distribution intellectual property is 7.6 years and 14.5 years respectively.

Web development primarily relates to the development of STV Player, which is STV's online streaming platform.

Impairment review

The Group recognised goodwill of £14.5m in relation to the acquisition of Greenbird Media Limited in July 2023. The full value has been attributed to the STV Studios cash-generating unit (CGU). The recoverable amount of the CGU has been determined by calculating its value in use. This is based on five-year cash flow projections, which are grounded in the three-year plan for the Studios CGU, prepared by the Divisional leadership team and subsequently approved by the Board of STV Group plc. Consideration has also been given to the severe but plausible downside scenario identified in the viability modelling as it relates to the Studios CGU.

The key assumptions on which the forecasts are based include revenue generation (including growth in new commissions and returning series), production and operating margin achievable, and the discount rate. These assumptions have been determined by using a combination of extrapolation of historical trends within the business, internal and industry estimates, and long-term growth rates in the primary markets in which the CGU operates. A long-term growth rate of 2.0% has been applied.

A discount rate of 10.3% has been used in discounting the projected cashflows. No reasonably possible change in assumptions or discount rate would lead to an impairment.

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12. Property, plant and equipment

| | Leasehold improvements £m | Plant, technical equipment and other £m | Assets under construction £m | Total £m |
|--|------------------------------|--|---------------------------------|-------------|
| Cost | | | | |
| At 1 January 2022 | 0.4 | 33.8 | 0.8 | 35.0 |
| Additions | - | - | 3.4 | 3.4 |
| Transfers | - | 2.3 | (2.3) | - |
| At 1 January 2023 | 0.4 | 36.1 | 1.9 | 38.4 |
| Additions | - | 0.4 | 0.4 | 0.8 |
| Acquisitions (note 14) | 0.1 | 0.1 | - | 0.2 |
| Transfers | - | 2.0 | (2.0) | - |
| Disposals | (0.1) | (13.7) | - | (13.8) |
| At 31 December 2023 | 0.4 | 24.9 | 0.3 | 25.6 |
| Accumulated depreciation and impairment | | | | |
| At 1 January 2022 | 0.2 | 25.0 | - | 25.2 |
| Charge for year | - | 2.6 | - | 2.6 |
| At 1 January 2023 | 0.2 | 27.6 | - | 27.8 |
| Charge for year | 0.1 | 2.6 | - | 2.7 |
| Disposals | (0.1) | (13.7) | - | (13.8) |
| At 31 December 2023 | 0.2 | 16.5 | - | 16.7 |
| Net book value at 31 December 2023 | 0.2 | 8.4 | 0.3 | 8.9 |
| Net book value at 31 December 2022 | 0.2 | 8.5 | 1.9 | 10.6 |

The Group and Company did not have any capital commitments at 31 December 2023 (2022: £nil).

In 2023, acquisitions of £0.2m related to the acquisition of Greenbird Media Limited on 6 July 2023, as outlined in note 14.

13. Right-of-use assets

The balance sheet shows the following amounts relating to leases:

| | Property £m | Vehicles £m | Total £m |
|---|----------------|----------------|-------------|
| Cost | | | |
| At 1 January 2022 and 31 December 2022 | 24.9 | 0.3 | 25.2 |
| Acquisitions (note 14) | 0.7 | - | 0.7 |
| At 31 December 2023 | 25.6 | 0.3 | 25.9 |
| Depreciation | | | |
| At 1 January 2022 | 5.1 | 0.2 | 5.3 |
| Charge for the year | 1.3 | - | 1.3 |
| At 1 January 2023 | 6.4 | 0.2 | 6.6 |
| Charge for the year | 1.3 | 0.1 | 1.4 |
| At 31 December 2023 | 7.7 | 0.3 | 8.0 |
| Net book value at 31 December 2023 | 17.9 | - | 17.9 |
| Net book value at 31 December 2022 | 18.5 | 0.1 | 18.6 |

In 2023, acquisitions of £0.7m related to the acquisition of Greenbird Media Limited on 6 July 2023, as outlined in note 14.

14. Business combinations

On 6 July 2023, the Group acquired 100% of the issued share capital of unscripted television production group Greenbird Media Limited ('Greenbird') for total cash amounts payable of £24.2m, of which £21.4m was paid on completion. The initial payment made was allocated £9.9m for the acquisition of shares and £11.5m invested to settle convertible loan instruments provided by the previous majority shareholder.

Deferred consideration of £1.2m relates to surplus cash balances held by the majority subsidiary companies acquired at completion with £0.5m paid in December 2023, leaving a balance of £0.7m payable in the future.

Deferred earn-out payments, estimated to be c£1.6m, are payable to the founders based on agreed EBITDA targets over the two years ending 31 December 2024. These payments are linked to the founders' ongoing employment with the Group and will therefore be accounted for as an expense. At 31 December 2023, £0.9m has been accrued in respect of the first earn-out payable in Q2 2024. This has been recognised as an adjusting item in the consolidated income statement (note 7).

The Group has completed the majority of its work in relation to assessing the fair values of identifiable assets and liabilities acquired with only a small number of minor points to be finalised. Therefore, we have presented the fair values as provisional in the table below but do not anticipate any material changes between the provisional and final position, which will be finalised within 12 months from the date of acquisition, as required by the relevant accounting standard.

| Provisional fair value of identifiable assets and liabilities of Greenbird Media Limited and subsidiary companies | 2023 £m |
|---|------------|
| Intangible assets | 10.0 |
| Property, plant and equipment | 0.2 |
| Right of use assets | 0.7 |
| Investments | 1.5 |
| Inventory | 1.8 |
| Trade and other receivables | 2.0 |
| Contract assets | 1.9 |
| Cash and cash equivalents | 6.9 |
| Deferred tax liabilities | (2.6) |
| Trade and other payables | (15.4) |
| Lease liabilities | (0.8) |
| Contract liabilities | (3.5) |
| Fair value of net identifiable assets | 2.7 |
| Non-controlling interest measured at proportionate share of identifiable net assets | (4.2) |
| Adjustments to non-controlling interest regarding derivative put options | 9.6 |
| Goodwill | 14.5 |
| Consideration | 22.6 |
| Total net cash outflow relating to acquisition of Greenbird Media Limited and subsidiary companies | £m |
| Cash consideration paid for equity shares | 9.9 |
| Additional cash invested to settle convertible loan instruments | 11.5 |
| Deferred consideration paid | 0.5 |
| Consideration paid | 21.9 |
| Cash and cash equivalents acquired | (6.9) |
| Total cash outflow | 15.0 |
| | £m |
| Present value of the expected liability on put options | 9.6 |

The goodwill of £14.5m represents the value placed on the opportunity to materially enhance the future growth prospects of STV Studios creatively, commercially, and internationally. This has been calculated as the fair value of the consideration transferred, plus the amount of non-controlling interest adjusted for derivative put options relating to subsidiaries acquired, less the net of the fair value of the identifiable assets acquired and liabilities assumed.

From the date of acquisition, Greenbird Media Limited and subsidiary undertakings contributed £15.0m of revenue and £3.2m of operating profit to the Group's results.

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15. Investments

| | 2023 £m | 2022 £m |
|--------------|------------|------------|
| Group | | |
| Associates | 3.9 | 2.4 |
| Other | 0.2 | 0.1 |
| | 4.1 | 2.5 |

| | 2023 £m | 2022 £m |
|-------------------|------------|------------|
| Associates | | |
| At 1 January | 2.4 | 1.5 |
| Additions | 1.7 | 1.0 |
| Share of loss | (0.2) | (0.1) |
| At 31 December | 3.9 | 2.4 |

The investments in associates are initially recognised at cost and have subsequently been updated to reflect the Group's share of post-acquisition profits or losses in accordance with the equity method of accounting.

The additions in associates during 2023 relates to the acquisition of a further 15% stake in quiz show producer, Mighty Productions Limited, for a total consideration of £0.3m in July 2023, taking the total investment held by the Group to 40%. As part of the acquisition in Greenbird Media Limited (as detailed in note 14), the Group acquired six associates for total consideration of £1.4m, ranging from an ownership stake of 25% to 40%.

The Group also owns a 25% shareholding in the unscripted production company, Hello Mary, and a 25% stake in Two Cities Television. Refer to note 29 for subsequent events relating to Two Cities Television.

No dividends have been received from any associate undertaking. The class of shares held in associates are all ordinary.

The Group also holds shares in Mirriad Advertising plc which has a nominal fair value at the balance sheet date. This investment is measured at fair value through the Consolidated Statement of Comprehensive Income.

| | 2023 £m | 2022 £m |
|-----------------------------|------------|------------|
| Company | | |
| Share in Group undertakings | 121.8 | 121.8 |
| | 121.8 | 121.8 |

Impairment of investments in subsidiary undertakings

At the end of each reporting period the Company assesses whether there is any indication that its investments in subsidiary undertakings may be impaired. Where such indications exist, the recoverable amount of the associated investment is calculated by determining the higher of its fair value less cost of disposal and value in use, which is then compared to the carrying value of the investment. Where the fair value less cost of disposal cannot be determined, the value in use is deemed to be the recoverable amount. The value in use is calculated based on the five year cash flow projections which are grounded in the three year plan, prepared by the Management Board and subsequently approved by the Board. Overall, the forecast demonstrated strong revenue and profit growth in Studios and Digital in particular, albeit offset in the early part of the period by declines in advertising as a result of an anticipated recession in the UK. A terminal value was determined thereafter based on growth of 2.0% (2022: 2.0%). The resulting valuation provided headroom against the investment carrying value.

Further sensitivities were modelled to provide management with comfort that no impairment would be required, namely a +/- 1% change in discount rate and also an operating profit reduction of 10% for all years included in the forecast. Both scenarios still left the Group with headroom. The post-tax discount rate applied was 10.3% (2022: 8.8%).

Based on the above the Directors consider that the investments' recoverable amount is greater than their carrying value and consequently no impairment is considered necessary.

Subsidiary undertakings

A full list of subsidiary undertakings as at 31 December 2023 is as follows:

| Undertaking | Principal activity | Registered address |
|---|--------------------------------|--------------------|
| STV News Services Limited* | Investment holding undertaking | (1) |
| STV Television Limited | Investment holding undertaking | |
| STV Central Limited | Television broadcasting | |
| STV North Limited | Television broadcasting | |
| STV Studios Limited | Programme production | |
| STV Drama Productions Limited | Programme production | |
| STV Drama Productions 2 Limited | Programme production | |
| STV Drama Productions 3 Limited | Programme production | |
| STV Tod Productions Limited | Programme production | |
| Primal Media Limited (52%) | Programme production | (1) |
| Greenbird Media Limited† | Investment holding undertaking | (1) |
| Teal Media Limited† | Advertising inventory trading | (1) |
| Crackit Productions Limited (75%)† | Programme production | (2) |
| Tuesday's Child Television Limited (50.8%)† | Programme production | (2) |
| Interstellar Television Limited (25.9%)† | Programme production | (2) |
| Show Me The Honey Limited (25.9%)† | Programme production | (2) |
| KPL Craft Party Limited (50.8%)† | Programme production | (3) |
| Master or Servant Limited (50.8%)† | Programme production | (2) |
| Ginger Television Productions Limited | Dormant | (1) |
| SKA Ginger Productions Limited (50%) | Dormant | (1) |
| Altissimo Music Limited | Music rights | |
| stv.tv Limited | Dormant | |
| Solutions.tv Limited | Dormant | |
| Grampian Television Limited | Dormant | |
| STV Services Limited* | Group services undertaking | |
| Scottish News Network Limited | Dormant | |
| Rise & Shine (Television) Limited* | Dormant | |
| Peoples champion.com Limited | Dormant | |
| The Ginger Media Group Limited | Dormant | (1) |

* Directly held.

† Acquired in the year.

The registered address for all companies (except where noted) is Pacific Quay, Glasgow, G51 1PQ.

- (1) 6th Floor, 236 Grays Inn Road, London, United Kingdom, WC1X 8HB
- (2) 71 Queen Victoria Street, London, England, EC4V 4BE
- (3) Lincoln House, 296-302 High Holborn, London, England, WC1V 7JH

The investments are stated in the balance sheet at cost less amounts written off for impairment in value. All the above investments are 100% shareholdings except where stated. All subsidiary undertakings are incorporated in the United Kingdom. All shares held are classed as ordinary shares.

All subsidiary undertakings have a financial year end of 31 December 2023 except for STV Drama Productions 3 Limited and STV TOD Productions Limited, which have a year end of 31 July 2023 and 31 August 2023, respectively. The reason that the financial years are non-coterminous with the Group is due to the timing of production commissions and deliveries.

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16. Inventories

| | Group | |
|---------------------------------------|-------------|------------|
| | 2023 £m | 2022 £m |
| Deferred programme production | 12.7 | 12.0 |
| Programme production work in progress | 11.1 | 34.7 |
| Recorded programmes | 0.6 | 0.3 |
| | 24.4 | 47.0 |

Deferred programme production stock represents costs of original production which are deferred and recognised against future revenue streams expected to be generated in the secondary sales market. This asset is classified as current, even though it will be realised into cash over several years, due to the homogeneous nature of the inventory which would result in an arbitrary split between the current and non-current categories, and to be consistent with normal industry practice. It is anticipated that £1.3m (2022: £1.1m) is likely to be realised within 12 months.

At 31 December 2023, the net present value (NPV) of the future sales, estimated over a maximum period of 15 years for drama and 10 years for other genres of programming, was £14.4m (2022: £15.1m), with the net book value of £12.7m (2022: £12.0m). A discount rate of 10.3% (2022: 8.8%) was applied. Revenues in 2024 are expected to be £2.3m.

The sensitivities regarding the principal assumptions used to support the carrying value of the deferred programme production stock are set out below:

| Assumption | Change in assumption | Impact on NPV |
|-------------------------------|----------------------------|----------------------------|
| Discount rate | Increase/decrease by 0.25% | Decrease/increase by £0.1m |
| Rate of price inflation (RPI) | Increase/decrease by 0.25% | Increase/decrease by £0.2m |
| Sales | Increase/decrease by 10.0% | Increase/decrease by £1.5m |

17. Trade and other receivables

| Group | Current | | | Non-current | | |
|------------------------|---------------------------|----------------------------|--------------------------|---------------------------|----------------------------|--------------------------|
| | 31 December 2023 £m | 31 December 2022* £m | 1 January 2022* £m | 31 December 2023 £m | 31 December 2022* £m | 1 January 2022* £m |
| Trade receivables | 13.9 | 22.6 | 18.6 | - | - | - |
| Prepayments | 8.2 | 4.1 | 1.7 | - | - | - |
| Contract assets | 12.9 | 8.6 | 5.8 | - | - | - |
| Other receivables | 1.8 | 4.0 | 1.0 | 1.0 | 0.7 | - |
| Income tax recoverable | 2.1 | 0.5 | 2.5 | - | - | - |
| | 38.9 | 39.8 | 29.6 | 1.0 | 0.7 | - |

1 Restated, refer to note 2.

| Parent | Current | | | Non-current | | |
|------------------------------------|---------------------------|----------------------------|--------------------------|---------------------------|----------------------------|--------------------------|
| | 31 December 2023 £m | 31 December 2022* £m | 1 January 2022* £m | 31 December 2023 £m | 31 December 2022* £m | 1 January 2022* £m |
| Trade receivables | - | - | - | - | - | - |
| Amounts owed by Group undertakings | - | - | - | 125.4 | 138.5 | 136.4 |
| Prepayments | - | - | 0.1 | - | - | - |
| Contract assets | - | - | - | - | - | - |
| Other receivables | 0.6 | 1.2 | 1.1 | - | - | - |
| Income tax recoverable | - | - | 0.6 | - | - | - |
| | 0.6 | 1.2 | 1.8 | 125.4 | 138.5 | 136.4 |

* Restated, refer to note 2.

A reconciliation of the contract assets balance is included in note 18.

The Amounts owed by Group undertakings are unsecured with no interest chargeable.

Group

At 31 December, the ageing analysis of the trade receivables, net of any provisions for impairment, is as follows:

| | 2023 £m | 2022 £m |
|--------------------------------|-------------|------------|
| Not past due | 10.7 | 18.6 |
| Up to 30 days overdue | 2.5 | 3.2 |
| Between 30 and 90 days overdue | 0.4 | 0.4 |
| Over 90 days overdue | 0.3 | 0.4 |
| | 13.9 | 22.6 |

The Group engages in a number of contra deals whereby advertising is provided in exchange for goods and services instead of cash consideration.

The Group applies the simplified approach to measuring expected credit losses, and so uses a lifetime expected loss allowance. At 31 December 2023, trade receivables with an initial carrying value of £nil (2022: £0.1m) were impaired and fully provided for. The movements in the provision were as follows:

| | 2023 £m | 2022 £m |
|-------------------------|------------|------------|
| At 1 January | 0.1 | 0.1 |
| Charge for the year | - | 0.1 |
| Amounts utilised | (0.1) | (0.1) |
| Unused amounts reversed | - | - |
| | - | 0.1 |

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. Except for those trade receivables that have been provided for, all trade receivables are expected to be recovered.

Contract assets (accrued income) primarily relate to the Group's right to consideration for work completed but not billed at the reporting date.

Company

The expected credit losses on the Amounts due from subsidiary undertakings is not material to the financial statements. All amounts owed by Group undertakings are unsecured, interest free and have no fixed date of repayment. These are trade related and disclosed within current receivables as they are repayable on demand.

18. Trade and other payables

| | Group | | | | | |
|--|-------------|------------|-------------|------------|------------|------------|
| | Current | | Non-current | | Company | |
| | 2023 £m | 2022 £m | 2023 £m | 2022 £m | 2023 £m | 2022 £m |
| Trade and other payables | 14.7 | 8.1 | 5.9 | - | - | - |
| Accrued expenses | 14.0 | 11.3 | - | - | - | - |
| Contract liabilities | 6.0 | 31.1 | - | - | - | - |
| Amounts owed to Group undertakings (payable on demand) | - | - | - | - | 3.8 | 6.2 |
| Social security and other taxes | 3.2 | 3.2 | - | - | - | - |
| | 37.9 | 53.7 | 5.9 | - | 3.8 | 6.2 |

The Directors consider that the carrying amount of trade and other payables approximates their fair value.

Contract liabilities (deferred income) primarily relate to the consideration received from customers in advance of transferring a good or service.

The Amounts owed to Group undertakings are unsecured with no interest chargeable.

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18. Trade and other payables continued

| | 2023 | | 2022 | |
|---|-----------------------|----------------------------|-----------------------|----------------------------|
| | Contract assets £m | Contract liabilities £m | Contract assets £m | Contract liabilities £m |
| Balance at 1 January | 8.6 | (31.1) | 5.8 | (2.4) |
| Acquisitions | 1.9 | (3.5) | - | - |
| Decrease due to balance transferred to trade receivables | (8.6) | - | (4.0) | - |
| Increases as a result of the changes in the measure of progress | 11.0 | - | 6.8 | - |
| Decreases due to revenue recognised in the period | - | 33.6 | - | 2.3 |
| Increase due to cash received | - | (5.0) | - | (31.0) |
| Balance at 31 December | 12.9 | (6.0) | 8.6 | (31.1) |

The contract liabilities balance will all be recognised within one year of the balance sheet date.

19. Borrowings

Non-current liabilities

| | Group | |
|------------|------------|------------|
| | 2023 £m | 2022 £m |
| Bank loans | 41.6 | 26.4 |

At the balance sheet date, the Group had a £70m revolving credit facility (RCF) in place, with a £10m accordion, maturing in March 2026. The principle financial covenants are the ratio of net debt to EBITDA (which must be below 3 times) and interest cover (which must be higher than 4 times). The facility was increased by £10m to £70m (through accessing its accordion) in July 2023, to provide additional liquidity headroom on completion of the Greenbird acquisition. There has been no requirement to call on this additional debt in the subsequent period.

The Group has a £7.1m loan facility relating to production financing of which £3.3m was drawn down at the balance sheet date. The commissioned programme to which the facility relates is expected to deliver in April 2024 with all amounts drawn down settled. The interest rate charged on the facility is 2.1% margin on the Bank of England base rate.

The effective interest rate was:

| | 2023 % | 2022 % |
|-----------------------|-----------|-----------|
| Bank loans (floating) | 6.6 | 3.7 |

Current liabilities

| | Group | | | Company | | |
|----------------|---------------------------|----------------------------|--------------------------|---------------------------|----------------------------|--------------------------|
| | 31 December 2023 £m | 31 December 2022* £m | 1 January 2022* £m | 31 December 2023 £m | 31 December 2022* £m | 1 January 2022* £m |
| Bank overdraft | 4.6 | 7.0 | - | 3.2 | 5.4 | - |

* Restated, refer to note 2.

20. Lease liabilities

| | Group | |
|-------------|------------|------------|
| | 2023 £m | 2022 £m |
| Current | 1.2 | 0.9 |
| Non-current | 17.9 | 18.7 |
| | 19.1 | 19.6 |

The income statement shows the following amounts relating to leases:

| | Group | |
|--|------------|------------|
| | 2023 £m | 2022 £m |
| Interest expense (included in finance costs) | 0.5 | 0.5 |

Maturity analysis

| | Minimum payments | | Present value of payments | |
|--|------------------|------------|---------------------------|------------|
| | 2023 £m | 2022 £m | 2023 £m | 2022 £m |
| Not later than 1 year | 1.7 | 1.4 | 1.2 | 0.9 |
| Later than 1 year but not later than 5 years | 5.7 | 5.6 | 4.1 | 4.0 |
| Later than 5 years | 16.4 | 17.7 | 13.8 | 14.7 |
| | 23.8 | 24.7 | 19.1 | 19.6 |
| Less: future finance charges | (4.7) | (5.1) | | |
| Present value of lease obligations | 19.1 | 19.6 | | |

21. Deferred tax

The analysis of the deferred tax balance is as follows:

| | Group | | Company | |
|--------------------------|------------|------------|------------|------------|
| | 2023 £m | 2022 £m | 2023 £m | 2022 £m |
| Deferred tax assets | 19.8 | 21.9 | 6.4 | 7.3 |
| Deferred tax liabilities | (2.6) | - | - | - |
| Net deferred tax assets | 17.2 | 21.9 | 6.4 | 7.3 |

The movement in deferred tax assets and liabilities during the year, taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

| | Tax trading losses £m | Other temporary differences £m | Accelerated tax depreciation £m | Retirement benefit obligations £m | Total £m |
|---|--------------------------|-----------------------------------|------------------------------------|--------------------------------------|-------------|
| Group | | | | | |
| At 1 January 2022 | 5.4 | 0.5 | 0.8 | 19.8 | 26.5 |
| Credit/(charge) to income | - | 0.1 | (0.7) | (2.5) | (3.1) |
| Credit/(charge) to equity/OCI | - | 0.1 | - | (1.6) | (1.5) |
| At 1 January 2023 | 5.4 | 0.7 | 0.1 | 15.7 | 21.9 |
| Credit/(charge) to income | 0.2 | - | (0.3) | (1.5) | (1.6) |
| Credit/(charge) to equity/OCI | - | - | - | (0.5) | (0.5) |
| Liability recognised on acquisition (note 14) | - | (2.6) | - | - | (2.6) |
| At 31 December 2023 | 5.6 | (1.9) | (0.2) | 13.7 | 17.2 |
| Company | | | | | |
| At 1 January 2022 | - | - | - | 9.0 | 9.0 |
| Charge to income | - | - | - | (0.8) | (0.8) |
| Charge to equity/OCI | - | - | - | (0.9) | (0.9) |
| At 1 January 2023 | - | - | - | 7.3 | 7.3 |
| Charge to income | - | - | - | (0.5) | (0.5) |
| Charge to equity/OCI | - | - | - | (0.4) | (0.4) |
| At 31 December 2023 | - | - | - | 6.4 | 6.4 |

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2021 on 10 June 2021. These included an increase in the UK corporation tax rate to 25% effective from 1 April 2023. The Finance Act 2023 which received Royal Assent on 10 January 2023, had no impact on the corporation tax figures. The deferred tax balances at 31 December 2023 have been stated at a rate of 25% (2022: 25%), which is the rate at which the temporary differences are expected to unwind. A deferred tax asset has been recognised in respect of certain temporary differences as it is probable that the Group will generate sufficient taxable profits in the future against which these temporary differences can be offset.

A deferred tax asset of £14.8m has not been recognised (2022: £13.5m), calculated with reference to the headline rate of 25%. There are no associated expiry dates applicable.

Notes to the financial statements

For the year ended 31 December 2023

21. Deferred tax continued

| Company | Loss category | Gross amount £m | Deferred tax asset not recognised £m |
|-----------------------------|------------------------------|--------------------|---|
| STV Group plc | Capital | 42.7 | 10.7 |
| STV News Services Ltd | Non-trade loan relationships | 8.7 | 2.2 |
| STV Central Ltd | Trading | 1.8 | 0.4 |
| STV TOD Productions Limited | Trading | 5.1 | 1.3 |
| STV Television Ltd | Management expenses | 0.7 | 0.2 |

22. Ordinary shares and share premium

| | Number of shares (thousands) | Ordinary shares £m | Share premium £m | Total £m |
|--|---------------------------------|-----------------------|---------------------|--------------|
| Group and Company | | | | |
| At 1 January and 31 December 2023 | 46,723 | 23.3 | 115.1 | 138.4 |

The total authorised number of ordinary shares is 63 million shares (2022: 63 million shares) with a par value of £0.50 per share (2022: £0.50 per share). All issued shares are fully paid.

23. Notes to the consolidated and parent statement of cash flows

| | Group | | Company | |
|--|-------------|-------------|-------------|------------|
| | 2023 £m | 2022 £m | 2023 £m | 2022 £m |
| Operating profit/(loss) for the year | 6.4 | 25.3 | (1.2) | (1.2) |
| Adjustments for: | | | | |
| Depreciation and amortisation (note 5) | 5.2 | 4.8 | - | - |
| Share based payments | 0.6 | 0.8 | 0.6 | 0.8 |
| Decrease/(increase) in inventories | 24.3 | (29.3) | - | - |
| Decrease/(increase) in trade and other receivables | 3.4 | (10.6) | - | - |
| (Decrease)/increase in trade and other payables | (29.1) | 20.5 | 0.3 | 0.4 |
| Decrease in intra Group balances | - | - | 11.3 | 4.5 |
| Cash generated by operations | 10.8 | 11.5 | 11.0 | 4.5 |

Non-cash investing and financing activities

Right-of-use assets of £0.7m (2022: £nil) were acquired during the year.

Net debt reconciliation

| | Long-term borrowings £m | Net cash and cash equivalents, including overdrafts £m | Net (debt)/cash £m | Lease liabilities £m | Adjusted net debt including lease liabilities £m |
|----------------------------|----------------------------|---|-----------------------|-------------------------|---|
| At 1 January 2022 | (14.4) | 14.7 | 0.3 | (20.9) | (20.6) |
| Cash flows | (11.8) | (3.4) | (15.2) | 1.8 | (13.4) |
| Non-cash flows* | (0.2) | - | (0.2) | (0.5) | (0.7) |
| At 31 December 2022 | (26.4) | 11.3 | (15.1) | (19.6) | (34.7) |
| Cash flows | (15.0) | (2.0) | (17.0) | 1.8 | (15.2) |
| Non-cash movements* | (0.2) | - | (0.2) | (1.3) | (1.5) |
| At 31 December 2023 | (41.6) | 9.3 | (32.3) | (19.1) | (51.4) |

* Non-cash movements relate to the amortisation of borrowing costs (for long-term borrowings), the acquisition of right-of-use assets and lease interest.

24. Retirement benefit schemes

Defined contribution schemes

The Group operates two money purchase schemes, the STV Pension Scheme and the Pearl & Dean Cinemas Pension Scheme. Total employer contributions expensed by the Group in the year was £1.0m (2022: £0.9m).

Defined benefit schemes

The Group operates two defined benefit pension schemes, the benefits of which are related to service and final salary. The schemes are trustee administered and the schemes' assets are held independently from those of the Group. Pension costs are assessed in accordance with the advice of an independent professionally qualified actuary. Details on the principal risk identified in relation to defined benefit pension scheme liabilities is on page 43.

The schemes are the Scottish and Grampian Television Retirement Benefit Scheme and the Caledonian Publishing Pension Scheme. Both are closed schemes and accounted for under the projected unit method.

The net deficit of the schemes is recognised in the consolidated balance sheet, with the deficit of the Caledonian Publishing Pension Scheme recognised in the Company balance sheet, as STV Group plc is the sponsoring employer. In both the Group and Company balance sheets, the net deficits are presented within non-current liabilities, as follows:

| | Group | | Company | |
|------------------------------------|---------------|---------------|---------------|---------------|
| | 2023 £m | 2022 £m | 2023 £m | 2022 £m |
| Defined benefit scheme obligations | (350.2) | (352.9) | (137.3) | (139.0) |
| Defined benefit scheme assets | 295.4 | 289.8 | 111.8 | 110.0 |
| Net pension deficit | (54.8) | (63.1) | (25.5) | (29.0) |

A related, offsetting deferred tax asset for the Group of £13.7m (2022: £15.7m) and the Company of £6.4m (2022: £7.3m) is included within non-current assets. Therefore, the pension scheme deficit net of deferred tax for the Group was £41.1m at 31 December 2023 (2022: £47.4m) and the Company was £19.1m (2022: £21.7m).

Assumptions used to estimate the scheme obligations

The significant actuarial assumptions used for accounting purposes reflect prevailing market conditions in the UK and are as follows:

| | Group and Company | |
|---|-------------------|-----------|
| | 2023 % | 2022 % |
| Rate of increase in salaries | nil | nil |
| Rate of increase of pensions in payment | 3.15 | 3.45 |
| Discount rate | 4.50 | 4.85 |
| Rate of price inflation (RPI) | 3.15 | 3.45 |

Assumptions regarding future mortality experience are set based on advice, published statistics and experience in each scheme and are reflected in the table below (average life expectations of a pensioner retiring at age 65).

| | Group | | Company | |
|--|---------------|---------------|---------------|---------------|
| | 2023 Years | 2022 Years | 2023 Years | 2022 Years |
| Retiring at balance sheet date: | | | | |
| Male | 20.5 | 20.9 | 20.0 | 20.4 |
| Female | 22.7 | 23.1 | 22.3 | 22.7 |
| Retiring in 25 years: | | | | |
| Male | 21.7 | 22.1 | 21.5 | 21.9 |
| Female | 24.0 | 24.4 | 23.7 | 24.1 |

Notes to the financial statements

For the year ended 31 December 2023

24. Retirement benefit schemes continued

The sensitivities regarding the principal assumptions used to measure the defined benefit obligation are set out below:

| Assumption | Change in assumption | Impact on scheme liabilities |
|-------------------------------|----------------------------|------------------------------|
| Group | | |
| Discount rate | Increase/decrease by 0.25% | Decrease/increase by 3% |
| Rate of price inflation (RPI) | Increase/decrease by 0.25% | Increase/decrease by 1% |
| Rate of mortality | Decrease by 1 year | Decrease by 5% |
| Company | | |
| Discount rate | Increase/decrease by 0.25% | Decrease/increase by 2% |
| Rate of price inflation (RPI) | Increase/decrease by 0.25% | Increase/decrease by 1% |
| Rate of mortality | Decrease by 1 year | Decrease by 6% |

These sensitivities have been calculated to show the movement in the defined benefit obligations in isolation, and assuming no other changes in market conditions at the balance sheet date.

Defined benefit scheme assets

The movement in the fair value of the defined benefit scheme's assets is analysed below:

| | Group | | Company | |
|---|--------------|--------------|--------------|--------------|
| | 2023 £m | 2022 £m | 2023 £m | 2022 £m |
| Fair value of scheme assets at 1 January | 289.8 | 440.0 | 110.0 | 166.1 |
| Interest income | 13.7 | 8.2 | 5.2 | 3.1 |
| Return on plan assets excluding interest income | 7.2 | (146.1) | 3.4 | (52.8) |
| Contributions from the employer | 10.0 | 12.5 | 3.8 | 4.4 |
| Administrative expenses paid from plan assets | (0.9) | (1.3) | (0.5) | (0.7) |
| Benefits paid from plan | (24.4) | (23.5) | (10.1) | (10.1) |
| Fair value of scheme assets at 31 December | 295.4 | 289.8 | 111.8 | 110.0 |

At 31 December 2023, the assets were invested in a diversified portfolio that consisted primarily of investment funds and debt instruments. One of the schemes also holds insurance policies that pay an income into the scheme. The corresponding assets are included within the fair value of the scheme assets. The fair value of the Scheme's assets is shown below:

| Group | At 31 December 2023 | | | At 31 December 2022* | | |
|----------------------------|---------------------|----------------|--------------|----------------------|----------------|--------------|
| | Quoted £m | Unquoted £m | Total £m | Quoted £m | Unquoted £m | Total £m |
| Equity and equity options | 15.4 | 65.7 | 81.1 | - | 70.7 | 70.7 |
| Alternative return seeking | 20.9 | 41.9 | 62.8 | 25.5 | 33.5 | 59.0 |
| Cashflow matching credit | 1.8 | 53.1 | 54.9 | - | 49.1 | 49.1 |
| LDI and cash | 119.6 | (37.0) | 82.6 | 151.4 | (57.2) | 94.2 |
| Currency hedge | - | 1.0 | 1.0 | - | 2.1 | 2.1 |
| Annuity policies | - | 13.0 | 13.0 | - | 14.7 | 14.7 |
| | 152.2 | 143.2 | 295.4 | 176.9 | 112.9 | 289.8 |

| Company | At 31 December 2023 | | | At 31 December 2022* | | |
|----------------------------|---------------------|----------------|--------------|----------------------|----------------|--------------|
| | Quoted £m | Unquoted £m | Total £m | Quoted £m | Unquoted £m | Total £m |
| Equity and equity options | 6.0 | 26.2 | 32.2 | - | 28.6 | 28.6 |
| Alternative return seeking | 8.0 | 16.8 | 24.8 | 10.6 | 13.3 | 23.9 |
| Cashflow matching credit | 0.7 | 21.6 | 22.3 | - | 19.4 | 19.4 |
| LDI and cash | 48.8 | (16.7) | 32.1 | 62.3 | (25.1) | 37.2 |
| Currency hedge | - | 0.4 | 0.4 | - | 0.9 | 0.9 |
| | 61.3 | 50.5 | 111.8 | 72.9 | 37.1 | 110.0 |

* The prior year comparative has been updated to bring the presentation in line with the categories of assets that have been identified for year end 31 December 2023, which gives greater transparency.

Defined benefit scheme obligations

The movement in the present value of the defined benefit obligation is analysed below:

| | Group | | Company | |
|--|--------------|--------------|--------------|--------------|
| | 2023 £m | 2022 £m | 2023 £m | 2022 £m |
| Defined benefit obligation at 1 January | 352.9 | 519.4 | 139.0 | 202.0 |
| Experience loss | 2.8 | 10.9 | 0.9 | 3.5 |
| Interest cost | 16.5 | 9.6 | 6.5 | 3.7 |
| Remeasurement loss/(gain) | 2.4 | (163.5) | 1.0 | (60.1) |
| Benefits paid from the schemes | (24.4) | (23.5) | (10.1) | (10.1) |
| Defined benefit obligation at 31 December | 350.2 | 352.9 | 137.3 | 139.0 |

The defined benefit obligation at 31 December 2023 includes an amount of £13.0m relating to the benefits payable to the holders of the annuity contracts.

Amounts recognised through the income statement

Amounts recognised through the consolidated income statement are as follows:

| | 2023 £m | 2022 £m |
|---|--------------|--------------|
| Amount charged to operating expenses: | | |
| Administration expenses | (0.9) | (1.3) |
| Amount charged to finance costs: | | |
| Net interest expense | (2.8) | (1.4) |
| Total charged in the consolidated income statement | (3.7) | (2.7) |

Amounts recognised through the statement of comprehensive income

The amounts recognised in the consolidated statement of comprehensive income are:

| | 2023 £m | 2022 £m |
|---|------------|------------|
| Return on plan assets excluding interest income | 7.2 | (146.1) |
| Actuarial losses on liabilities arising from change in: | | |
| - demographic assumptions | 6.5 | 11.0 |
| - financial assumptions | (8.9) | 152.5 |
| - experience adjustments | (2.8) | (10.9) |
| Total recognised in the consolidated statement of comprehensive income | 2.0 | 6.5 |

Funding arrangements

Contribution rates to the scheme are determined by a qualified independent actuary on the basis of a triennial valuation using the projected unit method. The most recent triennial valuation was carried out as at 31 December 2020. This valuation resulted in a deficit of £116m on a pre-tax basis at 30 September 2021 compared to £127.0m on a pre-tax basis at the previous settlement date of 28 February 2019. The next triennial valuation will take place as at 31 December 2023 with work currently ongoing between the Group and the trustees.

Deficit recovery plans, which end on 31 October 2030, have been agreed with aggregate monthly payments unchanged from the previous recovery plans. The 2023 deficit recovery payments totalled £9.7m, with annual payments then increasing at the rate of 2% per annum over the term of the recovery plans. A contingent cash mechanism is also in place, which triggers contingent funding payments equivalent to 20% of any outperformance above a benchmark of available cash to be paid to the schemes.

The recovery plans are designed to enable the schemes to reach a fully funded position, using prudent assumptions about the future, by 2030.

The Group is aware of a case involving Virgin Media and NTL Pension Trustee, which could potentially lead to additional liabilities for some pension schemes and sponsors, including (if applicable) the Group. This case is subject to appeal and the impact (if any) is not known and will be assessed as relevant in the future.

Notes to the financial statements

For the year ended 31 December 2023

25. Share-based compensation

The purpose of the share-based compensation plans is to align the interests of management and employees with those of shareholders by providing incentives to improve the Company's performance on a long-term basis, thereby increasing shareholder value.

The Company has the following plans currently operating:

- i) Long-term incentive plans
- ii) Employee share plans

Total share-based compensation costs were £0.6m (2022: £0.8m).

i) Long-term incentive plans (LTIP)

The Group has a long-term incentive plan for Executive Directors and other senior executives. Awards are normally granted in the form of a right to acquire shares in the Company for a zero or nominal amount. Awards vest over a period of at least three years, subject to the satisfaction of performance conditions.

The performance measures are agreed by the Remuneration Committee based on what they consider to be aligned with the delivery of strategy and creation of long term shareholder value. The Committee has discretion to use different or additional measures or weightings to ensure that the LTIP remains appropriately aligned to the business strategy and objectives. The performance measures are based on a combination of earnings growth and total shareholder return and are valued based on an appropriate option pricing model.

The assumptions used for the 2023 LTIP valuation are:

| | % |
|----------------------------------|------|
| Risk-free interest rate expected | 3.3 |
| Dividend yield expected share | 2.5 |
| Price volatility | 40.5 |

Awards granted under the Company's long term incentive plan that were outstanding at the end of the year had the following market prices at the date of award:

| Year awarded | Market price on grant date £ | 2023 Number | 2022 Number |
|--------------|---------------------------------|----------------|----------------|
| 2015 LTIP | 4.25 | 1,607 | 1,607 |
| 2016 LTIP | 3.67 | 3,755 | 3,755 |
| 2017 LTIP | 3.65 | 7,118 | 7,118 |
| 2019 LTIP | 3.55 | 209,565 | 209,565 |
| 2020 LTIP | 2.85 | 192,285 | 542,413 |
| 2021 LTIP | 3.30 | 468,448 | 468,448 |
| 2022 LTIP | 3.20 | 471,267 | 471,267 |
| 2023 LTIP | 2.52 | 609,473 | - |

ii) Employee share plans

The employee share plans are open to all employees. They provide for a grant price approximately equal to 90% of the middle market quotation of a share on the dealing day last preceding the relevant date of invitation, as derived from the London Stock Exchange daily office list, and can be purchased once a year. There are currently 2 employee share plans outstanding and the exercise prices for options under these plans range from £2.47 to £2.72. At 31 December 2023 there were 306,319 (2022: 537,320) options outstanding under the plans. The employee share plans are valued using the Black-Scholes model.

Employee Benefits Trust

The Group has investments in its own shares as a result of shares purchased by the STV Employees' Benefit Trust ('EBT'). Transactions with the Group-sponsored EBT are included in these financial statements and consist of the EBT's purchases of shares in STV plc, which is accounted for as a reduction to retained earnings. The table below shows the number of STV plc shares held in the EBT at 31 December 2023 and the purchases/releases from the EBT made in the year to satisfy awards under the Group's share schemes disclosed above and in relation to shares awarded to certain employees for the achievement of long term service milestones (Loyalty awards):

| Scheme | Shares held at | Number of shares (released)/purchased | Nominal value £ |
|------------------|-------------------------|---------------------------------------|--------------------|
| Loyalty releases | 1 January 2023 | 1,182,032 | 591,016 |
| | | (8,110) | |
| | 31 December 2023 | 1,173,922 | 586,961 |

The total number of shares held by the EBT at 31 December 2023 represents 2.5% (2022: 2.5%) of STV's issued share capital. The market value of own shares held at 31 December 2023 is £2.3m (2022: £3.2m). The weighted average exercise price of share options outstanding was £3.02 (2022: £3.16).

26. Financial risk management

Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Company consists of debt, which includes the bank loans disclosed in note 19, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt. The gearing ratios at 31 December 2023 and 2022 were as follows:

| | 2023 £m | 2022 £m |
|----------------------------|-------------|-------------|
| Total borrowings (note 19) | 41.6 | 26.4 |
| Overdraft | 4.6 | 7.0 |
| Cash and cash equivalents | (13.9) | (18.3) |
| Net debt | 32.3 | 15.1 |
| Total equity | (12.6) | (9.2) |
| Total capital | 19.7 | 5.9 |
| | 164% | 256% |

Covenants

The Group is subject to two financial covenants in respect of its committed borrowing facilities. The terms of the Facility Agreement contain the following covenants (i) the ratio of average net debt to adjusted earnings (pre adjusting) before interest, tax, depreciation and amortisation (EBITDA) and (ii) the ratio of adjusted EBITDA to cash interest, both of which are tested quarterly. The Group complied with all the covenants in each of the test periods to the balance sheet date.

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: currency risk, credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the Board with financial risks being identified, evaluated and hedged in close co-operation with the Group's operating divisions. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as currency risk, interest rate risk, credit risk, use of financial instruments and investing excess liquidity.

a. Currency risk

The Group operates almost wholly within the UK and is exposed to minimal currency risk. The Group's borrowings are denominated in Sterling which is also the Group's intra-UK net currency flow. Currency risk arises primarily with respect to the Euro and the US dollar and from future commercial transactions and trade assets and liabilities in foreign currencies. No further active management of currency risk is required. The Group has minimal exposure to currency risk and it is Group policy to ensure that all material payments or receipts are fully hedged. At 31 December 2023 the Group had no forward foreign currency contracts in place (2022: £nil).

b. Credit risk

Credit risk is the risk of losses due to the failure of the Group's customers to meet their payment obligations towards the Group. In prior years, the only significant concentration of credit risk related to monies due from the Scottish Children's Lottery. The Group disposed of its lottery operation in 2021 and therefore is no longer exposed to this risk. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. Independent credit ratings are sought for all potential customers and based on the outcome of the feedback from the ratings agency, a judgement is made on the appropriate level of credit to be given.

c. Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations. Prudent liquidity management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the nature of the underlying business, the aim is to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising the undrawn borrowing facility (note 19) and net cash and cash equivalents) on the basis of expected cash flow. This is generally carried out at a Group level. In addition, the Group's liquidity management policy includes projecting cash flows and considering the level of liquid assets necessary to meet these: monitoring balance sheet liquidity ratios against internal targets and bank facility requirements; and maintaining debt financing plans.

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26. Financial risk management continued

d. Cash flow interest rate risk

As the Group has no significant interest bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from long-term borrowings.

Borrowings issued at short-term floating rates expose the Group to cash flow interest rate risk.

Regular sensitivity analysis is carried out, and on the level of borrowings of the Group at 31 December 2023, a movement of 1.00% in interest rates would change the level of interest paid in the year by +/- £0.3m (2022: £0.3m). 1.00% is considered a reasonably possible change from significant increase in the bank of England base rate already incurred in the year.

27. Transactions with related parties

Key management compensation

Key management personnel are deemed to be the Executive and Non-Executive Directors of the Group, as they have authority and responsibility for controlling the Group's activities. Key management remuneration is detailed as follows:

| | 2023 £m | 2022 £m |
|-------------------------------|------------|------------|
| Short-term employee benefits* | 1.6 | 1.8 |

* See the Directors' Remuneration Report on pages 88 to 105 for details.

Other related party transactions

As disclosed in the prior year, the Group provided programme production financing of £3.0m to Two Cities Television Limited to cash flow the production of Blue Lights, a drama series commissioned by the BBC. A working capital loan of £0.2m was also provided to the associate in 2022. All amounts have been fully repaid in the year.

The Group provided advertising with an estimated fair value of £0.6m (2022: £0.5m) for nil consideration to the charity organisation STV Appeal. The charity purchased advertising from the Group for a total of £0.1m (2022: £0.2m).

Amounts paid to the Group's retirement benefit plans are set out in note 24.

£0.2m of a dividend was paid to the managing Director and minority shareholder of subsidiary company Crackit Productions Limited during the period since acquisition.

28. Contingent liabilities and other commitments

Company

Under a group registration for Value Added Tax, the companies within the Group are jointly and severally liable for Value Added Tax due by any member of the group registration. At 31 December 2023, the Value Added Tax payable by other members of the group registration amounted to £1.5m (2022: £2.3m).

29. Post balance sheet events

Group

On 31 January 2024, the Group announced it had increased its stake in the high-end drama production company, Two Cities Television to a majority holding of 51% (from 25%). STV acquired a minority stake in Two Cities in January 2020, with an option to increase its initial stake to a majority position upon Two Cities becoming profitable. Following the initial investment, the Belfast-based company has made significant progress, producing two series of the critically acclaimed police drama *Blue Lights* for BBC One, with the second series due to air in 2024.

Due to the recent timing of the acquisition, the Group is in the early stages of its fair value assessment of the assets acquired and liabilities assumed and has not yet finalised the accounting for the business combination, but expects to complete its assessment in the second half of 2024.

The carrying value of the net assets acquired at the date of acquisition was £0.2m. Goodwill represents the value placed on the opportunity to materially enhance the future growth prospects of STV Studios drama division. This will be calculated as the fair value of the consideration transferred, plus the amount of non-controlling interest, less the net of the fair value of the identifiable assets acquired and liabilities assumed. The value of goodwill will be adjusted by a corresponding amount for the value of intangible assets identified and the difference between the market and book values of the assets and liabilities.

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Annual Report on internet

The 2023 Annual Report of STV Group plc including the financial statements is available at: www.stvplc.tv

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* Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Lines are open between 9am-5:30pm, Monday to Friday excluding public holidays in England and Wales.

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Share price information

The share price of STV Group plc is published in most newspapers and the current price of the Company's shares (delayed by up to 15 minutes) can be obtained from the Company's website www.stvplc.tv

Individual Savings Accounts (ISAs)

The Company has Maxi and Mini ISAs which offer United Kingdom resident shareholders a simple, low-cost and tax efficient way to invest in the Company's shares. Full details and an application form are available from Stocktrade, a division of Brewin Dolphin Securities Limited, on 0131 240 0441.

Shareholder queries

If you have any questions in relation to your shareholding, please contact Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL; email: shareholderenquiries@linkgroup.co.uk; telephone +44 (0) 371 664 0300*.

Shareholder portal

You can register online to view your holdings using the Shareholder Portal, a service offered by Link Group at www.signalshares.com. The Shareholder Portal is an online service enabling you to quickly and easily access and maintain your shareholding online – reducing the need for paperwork and providing 24 hour access for your convenience. Through the Shareholder Portal you may:

- Cast your proxy vote online
- View your holding balance and get an indicative valuation
- View movements on your holding
- View the dividend payments you have received
- Update your address
- Register and change bank mandate instructions so that dividends can be paid directly to your bank account
- Elect to receive shareholder communications electronically
- Access a wide range of shareholder information including the ability to download shareholder forms

Dividend payment options

UK shareholders: STV normally pays dividends twice each year and we would like to encourage you to elect to have your dividends paid directly into your bank account. This is a more secure method of payment and avoids delays or cheques being lost. You can sign up for this service on the Shareholder Portal www.signalshares.com. This will allow you to receive all future dividends direct to your chosen account.

Non-UK shareholders: If you are resident outside the UK you can have any dividends in excess of £10 paid into your bank account directly via Link Group international payments service. Details and terms and conditions may be viewed at <https://ww2.linkgroup.eu/ips>

* Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Lines are open between 9am-5:30pm, Monday to Friday excluding public holidays in England and Wales.