

## STV Group plc: Remuneration Policy

Objective and link to strategy	Operation	Maximum opportunity	Performance Conditions
<b>Base salary</b>			
The Committee sets salaries as a retainer for the Executive Directors to recognise status and responsibility to deliver the strategy	<p>When determining the salary of the Executive Directors, the Committee takes into consideration a number of factors including:</p> <ul style="list-style-type: none"> <li>• the scale and complexity of the Company and the scope and responsibilities of the role</li> <li>• the skills, experience and performance of the individual</li> <li>• the Committee's assessment of the competitive environment including consideration of similar positions in organisations of broadly similar size and complexity, in particular companies within the media sector</li> <li>• pay and conditions throughout the Company. Salaries are normally reviewed annually, with any changes effective from 1 January in the financial year</li> </ul>	<p>There is no prescribed maximum salary</p> <p>In general, any salary increase for Executive Directors will be in line with other employees in the Group</p> <p>The Committee retains discretion to award larger increases where considered appropriate to reflect the factors described in this table</p> <p>Salaries are set out in the Annual Report</p>	None
<b>Benefits</b>			
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 benefits allowance is excluded from the	<p>The cash allowance paid to Executive Directors in lieu of benefits in kind is currently £15,500 per annum</p> <p>Participation in all employee share plans</p>	None

	<p>calculation of any other benefit provided by the Company</p> <p>Other reasonable benefits may be granted to Executive Directors at the discretion of the Remuneration Committee</p> <p>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</p>	is subject to HMRC plan rules and limits	
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### **Pension**

To provide competitive levels of retirement benefit	<p>The Group operates a defined benefit (DB) scheme (closed to new members), a defined contribution (DC) scheme and a group personal pension plan</p> <p>Executive Directors have the option to receive a taxable cash allowance in lieu of pension benefits</p> <p>George Watt was a participating member of the Scottish and Grampian Television Retirement Benefits Scheme, which is an approved defined benefits occupational pension scheme, until 31 March 2010, when he became a deferred member. No benefits accrued under this scheme during 2018</p>	<p>The maximum pension contribution or taxable cash allowance in lieu of pension is 20% of salary for current executive directors.</p> <p>For future executive appointments, pension allowance will be capped at 7% of base salary</p>	None
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### **Annual Bonus**

Aligns reward to the delivery of annual financial and strategic performance measures. Deferral creates long term	Provides an opportunity for additional reward (up to a maximum specified as a % of salary) based on	125% of salary	Payment is determined by reference to performance assessed over one financial year based on a range of financial and strategic
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<p>alignment with shareholders</p>	<p>annual performance against targets set and assessed by the Committee</p> <p>A proportion of any bonus (20%) is deferred into Company shares under the terms of the STV Deferred Bonus Plan (DBP) and normally vest over three years, subject to continued employment</p> <p>Recovery and dividend equivalent provisions apply (see explanatory notes)</p>	<p>performance measures</p> <p>For 2019, these measures will include:</p> <ul style="list-style-type: none"> <li>• operating profit</li> <li>• cash flow</li> <li>• personal objectives</li> </ul> <p>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</p> <p>At threshold and target performance 12.5% and 50% of base salary, respectively, is currently payable</p> <p>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</p> <p>The Committee has the discretion to adjust targets for any exceptional events that may occur during the year</p>
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**Long Term Incentive Plan**

<p>Aligns reward to the delivery of long-term financial performance delivered for shareholders</p>	<p>Awards are made under the terms of the STV Long Term Incentive Plan</p> <p>Awards are normally in the form of a right to acquire shares in the Company for a zero or nominal amount</p> <p>Awards vest over a</p>	<p>The maximum award in respect of a financial year is normally 100% of salary</p>	<p>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</p>
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	<p>period of at least three years, subject to the satisfaction of performance conditions</p> <p>A post-vesting holding period of two years will apply</p> <p>Recovery and dividend equivalent provisions apply (see explanatory notes)</p>	<p>shareholder value</p> <p>The measures for the 2019 award are:</p> <ul style="list-style-type: none"> <li>• earnings per share (EPS) 50%</li> <li>• non-broadcast operating profit 30%</li> <li>• relative total shareholder return 20%</li> </ul> <p>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</p> <p>The Committee has the discretion to adjust targets for any exceptional events that occur during the year</p> <p>The threshold for vesting is no higher than 25% of the maximum award</p>
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### Shareholding requirement

To strengthen long term alignment with shareholders	Executive Directors are required to hold shares equivalent to 150% of their annual salary	The required level of holding is 150% of salary
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### Notes to the Policy table

- **Recovery provisions**

Awards of variable remuneration made under the Policy Table 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).

- **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) 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.

- **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.

- **Differences in remuneration policy for all employees**

All employees of STV are entitled to base salary, pension and benefits. The maximum opportunity available is based on the seniority and responsibility of the role. Long-term incentive awards are only available to the leadership team and key senior staff by invitation.

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 2015 AGM (the date the Company’s first shareholder-approved directors’ remuneration policy came into effect); (ii) 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 (iii) 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 of legislation) without obtaining shareholder approval.

**Non-Executive Directors**

The table below sets out the key elements of the policy for non-Executive Directors:

<b>Objective and link to strategy</b>	<b>Operation</b>	<b>Maximum opportunity</b>
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 Officer (or, in the case of the Chairman, based on recommendations from the Senior Independent Non-Executive Director and the Chief Executive Officer)	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 2018 are set out in the Annual

	<p>The fee for Non-Executive Directors encompasses a basic fee and may also include supplementary fees for committee or other duties</p> <p>The Chairman receives a single fee for all duties</p> <p>Fees are normally reviewed annually with changes effective from 1 January</p> <p>Fees are paid in cash</p> <p>The Chairman and Non-Executive Directors do not participate in any bonus or share incentive scheme, nor do they participate in any pension arrangements</p>	Report
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