

SECTION 172 STATEMENT

The Board and its individual Directors consider that, in the decisions taken during 2020, 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.

Section 172 of the Companies Act 2006 requires the Directors to act in a way that they consider would most likely promote the success of the Company for the benefit of its members as a whole and the matters they are required to take into account are set out on page 57. In addition to these matters, Directors are also cognisant of other factors which they consider relevant to the decisions being made and these include the interests and views of STV's employees and viewers, and the relationship with Ofcom.

This success must be for the benefit not only of STV's shareholders but also for all of its other stakeholders and this has never been more relevant than during the on-going Covid-19 pandemic. The following table provides some insight into how the Board discharges its duties under S.172, in particular with its stakeholder groups. The Directors believe this demonstrates how seriously the Board takes these responsibilities.

Investors

Why important to us?

- Our shareholders provide funds which aid the growth of our business and are vital to our future success.

Key priorities of the stakeholder group

- Strong financial performance.
- Good governance practices.
- Transparency and openness.
- Trust and a good relationship with management.

Engagement with stakeholder group

- Meetings between Executive Directors and major shareholders are held immediately following publication of the interim and final results. During the current Covid-19 environment, these were conducted via video conference.
- There is a dedicated Investor section of the corporate website where RNS announcements, reports and publications and general shareholder information can be found.
- A comprehensive consultation exercise is carried out with major shareholders on any significant changes to remuneration practices.
- Meetings are held between the Executive Directors and current and potential significant shareholders.
- The Annual General Meeting, which all Directors attend, offers the opportunity for shareholders to directly engage with the Board. While the 2020 AGM was held as a closed meeting due to lockdown measures in place at that time, investors were able to submit questions in advance, via our corporate website.

Impact on Board decisions

- All comments made by major shareholders are carefully considered by the full Board.
- Shareholder input has helped to shape the proposed remuneration policy.
- The views of major shareholders on the key actions to take during the pandemic were considered, specifically in relation to the Placing and interim dividend for 2020 and also on the appointment of the new Chair and Non-Executive Director.

Colleagues

Why important to us?

- Our colleagues are vital to STV and nurturing them is essential to the success of the business.

Key priorities of the stakeholder group

- Development and training of our colleagues.
- Safety and wellbeing of our people, including their mental health.
- Good employment conditions, culture and opportunities.
- Transparency and openness.

Engagement with stakeholder group

- There is a designated employee director who is STV's Senior Independent Director.
- Significant employee communication particularly during 2020 including the 'Monday Minute', an all company informal discussion led by the CEO that covered what's happening within STV and its financial and operational performance; regular 'check-ins' with line managers; and several company/departmental social events, all undertaken in compliance with social distancing measures in force at the time.
- Annual employee surveys.
- Share ownership is promoted through the Save As You Earn scheme.
- Provision of many resources to promote general wellbeing, including mental health, available through the 'Wellbeing from STV' programme of activities.
- Broad range of benefits provided including discounted gym membership and cinema tickets and a car salary exchange scheme where employees can lease a car through salary sacrifice.

Impact on Board decisions

- Topped up furlough payments so all employees received 100% of salary, and additional holidays for those not furloughed.
- In response to the most recent employee survey, a number of measures have been introduced to support employees during the pandemic, including a curfew on emails after 7pm, meeting-free periods from 12.30 until 2pm, home workstation assessments, access to wellbeing and resilience training and confidential meetings with healthcare professionals on request.
- Establishment of a 24/7 telephone counselling service and additional Mental Health First Aiders trained.
- Continually enhanced range of benefits.

Suppliers

Why important to us?

- Having good relationships with our suppliers provides comfort over the continuity of our supply chain and is therefore important to our long-term success.

Key priorities of the stakeholder group

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

Engagement with stakeholder group

- STV's largest supplier is ITV: a significant proportion of the broadcast schedule is produced or procured by ITV and made available to STV through long term agreements, and ITV is also the Group's sales agent for national airtime and sponsorship. The relationship with ITV is managed closely, with weekly revenue reporting and discussions between ITV and STV

Commercial Directors, regular updates on programme and schedule developments and meetings with the ITV Council held at least quarterly, attended by the Director of Change, Director of Policy & Regulatory Affairs, Head of CRR Compliance & Third Party Sales, Commercial and Online, Director of Viewer Marketing and the Content, Media and Entertainment Director from ITV together with the CEO, MD of Broadcast, Head of Consumer Insights, Director of Programme Strategy & Marketing and the Head of Legal from STV.

- The Digital division has sought content suppliers with titles which reflect the audience of STV Player and built solid relationships with the distributors and producers which has resulted in them all coming back for further deals.

Impact on Board decisions

- The Board is regularly updated on the working relationship with ITV in order that this operates smoothly and that any issues can be discussed and resolved efficiently.

Customers

Why important to us?

- Our viewers, subscribers, advertisers and commissioners are all key to STV's continued success.
- STV must deliver quality content on air, online and on demand to ensure viewers and subscribers continue to want to watch STV and in turn, strong viewing figures and a strong commercial proposition encourages advertisers to the channel which is vital for STV's growth as a business.

Key priorities of the stakeholder group

- Broadcasting and producing programmes that appeal to a wide variety of viewers.
- A trusted and impartial news service.
- Providing awareness of key social and topical issues.

Engagement with stakeholder group

- The Viewer Enquiries team deals with viewer queries and escalates any issues.
- Customer surveys are carried out through Scotpulse.
- Provision of a rich variety of content.

Impact on Board decisions

- Strategic decision to acquire more programmes and box sets, with significantly more Player-only content.
- The Board receives regular compliance reports as well as viewing figures and channel performances.
- Investment in new creative labels within Studios, to widen appeal and enable the Group to place more creative bets with a broader range of commissioners.

Community and environment

Why important to us?

- As Scotland's public service broadcaster, a strong sense of social purpose is fundamental in all we do.
- STV is committed to continuous improvement of its environmental performance and to becoming a net-zero carbon business by 2030.

Key priorities of the stakeholder group

- Support for local causes and community projects.
- Supporting local business and local high streets.
- Reduce waste and protect the environment in all activities.

Engagement with stakeholder group

- Online campaigns targeting mental health, exercise, healthy eating and public health.
- £1 million campaign to celebrate local business and charity heroes.
- Range of new STV Growth Fund partnerships to boost the local economy.
- On screen Black Voices campaign in response to Black Lives Matter movement.
- The STV Children's Appeal team has distributed over £2.7 million to help children and young people living in poverty who have been hit hardest by the pandemic.

Impact on Board decisions

- Doubling of STV Growth Fund to £20 million to make advertising more affordable and accessible for Scottish SMEs and support their recovery from Covid-19.
- Commitment to ring fence £1 million for diverse advertising campaigns.
- New target to double BAME colleagues by 2023 plus on screen representation targets.
- Establishment of the STV Sustainability Group and the resultant sustainability strategy with the over arching target to achieve net zero carbon emissions by 2030.

Government and regulators

Why important to us?

- Active engagement with government bodies and regulators is important to allow us the opportunity to input on matters relating to our industry and to ensure we are able to put in place appropriate measures to comply with laws and regulations.

Key priorities of the stakeholder group

- Compliance with laws and regulations.
- Ethical operations and practices.
- Strong governance credentials.
- Provide good quality employment opportunities.

Engagement with stakeholder group

- Participation in a range of consultations affecting our industry and practices.
- Attendance at meetings and forums to engage with policy makers relevant to our operations, e.g. Department of Digital, Culture, Media & Sport (DCMS).
- Discussions with Ofcom regarding renewal of our licences and our PSB obligations.
- Engaging with the London Stock Exchange regarding the listing of shares.
- Government lobbying in relation to matters impacting public service broadcasting.

Impact on Board decisions

- Involvement with other UK broadcasters and PACT to design industry wide guidelines for producing television safely during Covid-19.
- Decision on which government initiatives available to the company during the pandemic should be applied for.
- The Board is regularly updated on discussions with regulators and government bodies.