

Andrew Ninian
Director, Stewardship and Corporate Governance
The Investment Association
Camomile Court
23 Camomile Street
London EC3A 7LL

13 May 2019

Dear Andrew,

Investment Association's Public Register

Thank you for your email of 10 May sent to Jane Tames, Company Secretary.

STV held its AGM on Tuesday 23 April 2019 at which 13 resolutions were put before shareholders, one of which, the approval of the Remuneration Report, Resolution 2, received 70.46% of votes cast in favour.

83.49% of the issued share capital was voted on at the 2019 AGM with Resolution 2 receiving 70.46% votes in favour and 29.54% against – 528 votes were withheld. The AGM results announcement can be found here: <http://www.stvplc.tv/blog/2019/04/result-of-agm-23-04-2019>

Both PIRC and ISS recommended a vote against this resolution. There were various telephone discussions and email exchanges with both prior to their final reports being published at which time STV presented additional information for each to consider in reaching their conclusions.

While PIRC acknowledged there was good disclosure in the Remuneration Report, they took issue with CEO pay over the past five years as their view was that changes in CEO pay over the past five years were not in line with changes in TSR during the same period. They also considered that CEO total variable pay for 2018 was excessive at 251% of salary and that a ratio of 29:1 for CEO pay compared to average employee pay was too high.

In response, we noted that 2018 was a year of significant and transformative change across the business initiated by the appointment of a new CEO. As such, the review, development and implementation of a new strategic vision for the company was the most heavily weighted personal objective assigned to the CEO.

We pointed out that comparisons with previous years were therefore irrelevant in this context since the principal deliverable was in relation to a strategic review of the business. This plan was successfully implemented during 2018 with extensive change undertaken across all areas of the business and the plan was endorsed and supported by shareholders. All key measures in progression of the plan as assigned by the Board and Remuneration Committee were delivered by the calendar/financial year end, hence the award of a pay out against personal objectives of 85%.

ISS was of the view that as bonus outcomes had increased in comparison to the previous year, they felt a vote against the Remuneration Report was warranted.



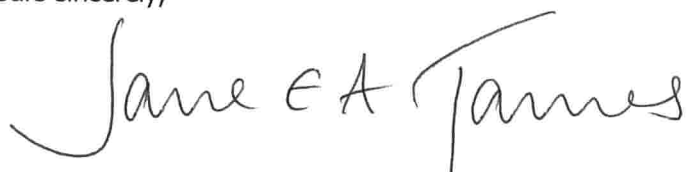
We made the same comments to ISS as we did to PIRC in relation to 2018 being an exceptional year and also noted that the Remuneration Committee Chairman, Anne Marie Cannon, has implemented further changes during 2018 that will increase the level of disclosure to be made regarding decisions determining bonus payments.

In seeking to provide as full disclosure as possible, whilst always having regard to commercial sensitivities, the personal objectives (with a weighting of 25% of maximum potential bonus) of bonus plan participants will be fully disclosed in the 2019 Remuneration Report and a weighting assessment process will be applied.

Despite making these points to both PIRC and ISS, both recommended a vote against this resolution.

Ms Cannon has now written to the three institutions who voted against the Remuneration Report urging them to engage with us and provide feedback in order that this can be factored into our future decision making. However, two of the three institutions voted against the Remuneration Policy at the 2018 AGM and despite Ms Cannon proactively seeking to engage with these shareholders by writing on two occasions to each, no response or feedback was ever received from either. We hope for a more positive level of engagement in response to our latest request.

Yours sincerely,



PP

Baroness Margaret Ford
Chairman, STV Group plc