

# Risk appetite

STV's risk appetite can best be demonstrated through the following table:

Risk category	Unacceptable to take risks					Higher willingness to take risks				
	1	2	3	4	5	6	7	8	9	10
Reputation	←	→								
Compliance and regulatory	← →									
Returns and profitability		←		→						
Technology	←		→							
Opportunities						←			→	
TV market			←		→					
Operational			←				→			
Pensions	←	→								
People and culture	← →									
Corporate sustainability	←	→								

## Reputation

STV places great importance on upholding its reputation and therefore has a low appetite for risk in conducting any activities that put its reputation in jeopardy, could lead to undue adverse publicity or could lead to loss of confidence by the Scottish and UK political establishments, regulatory bodies or by its shareholders and other stakeholders.

## Compliance and regulatory

It is critical that STV conducts itself in a compliant manner at all times, particularly in relation to its broadcasting licences and it has no appetite for any breaches of statute or regulation.

## Returns and profitability

STV aims to deliver strong, sustainable growth through the strategic options it identifies, ensuring that these deliver 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. 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.

## Technology

STV is reliant upon various forms of technology for the transmission of its programmes and for the operation of the STV Player and has a low appetite for risk in these areas.

## Opportunities

New opportunities, projects, collaborations, joint ventures, and mergers and acquisitions are periodically considered, as is technology innovation, if they are aligned with our strategic direction towards creating sustainable value. These inevitably involve an element of risk. STV has a strong appetite for the development of such opportunities provided always that the potential benefits and risks are fully understood and that appropriate mitigation measures are in place.

## TV market

Various aspects of the TV market are, to an extent, beyond the control of STV, such as national airtime advertising revenue and the increasing number of SVoD services now available to consumers, but are vital to STV's success. Accordingly, STV has a modest appetite for risk in activities within this area.

## Operational

STV faces various operational risks (inadequate or failed procedures, systems or policies) in the running of its business and accepts a medium level of risk around such areas provided that potential benefits and risks are fully understood and sensible measures are put in place to mitigate these.

## Pensions

There are funding deficits in STV's two defined benefit pension schemes and while the investment strategy is determined to reduce the impact of material market movements and thereby protect members' benefits, various measures are being taken to reduce the deficit. STV has a low risk appetite in respect of its pension obligations.

## People and culture

STV's Directors and staff are the driving force behind its progress and prospects and accordingly it aims to build a diverse workforce with a focus on developing the full potential of all staff. STV 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. STV 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.

## Corporate sustainability

STV is striving to become a sustainable business, creating long-term value by taking into consideration how it operates in the ecological, social and economic environment. It has integrated sustainability into its business and operations and at the start of 2021 launched its sustainability strategy, STV Zero, with regular and formal reporting to the Board. Using its current carbon footprint as a backdrop, a series of targets have been established in order to become a net zero carbon business by 2030, and its short term target of becoming carbon neutral by 2021 has been achieved. STV has a low appetite for risk in this area.