

REMUNERATION REPORT

We remain committed to an open and ongoing dialogue with investors. Therefore, ahead of finalising proposals, I wrote to our top ten shareholders, who represent 65% of our issued share capital. I am pleased to say that the feedback we received indicates a strong level of support for the proposed changes. On behalf of the Committee, I would like to thank those shareholders who engaged with us and look forward to continuing this open dialogue in the future.

Implementation of Policy for 2021

For 2021, the Committee has agreed that there will be no increase in Executive Director salaries.

The annual bonus and LTIP will operate in line with the proposed Policy, subject to approval at the AGM on 29 April 2021.

The annual bonus will continue to be based on a combination of Operating profit, Cash flow, and Personal objectives, with stretching performance targets for each. Personal objectives will relate to key success factors in progressing and delivering the new three-year strategic growth plan, including embedding ESG priorities into all areas of the business. Further details of key objectives are set out on page 77.

For the 2021 LTIP award, the three performance measures (EPS, Non-Broadcast Operating Profit, and Relative TSR) will also remain unchanged, as these continue to align with our strategic growth plan and the creation of shareholder value. The Committee has set stretching performance targets for each metric, based around the execution of our long-term plan. For EPS, we have changed the target range from 5% to 9% p.a. growth in last year's award to 4% to 13% p.a. growth this year, which results in both an increase in the stretch of the targets to reflect our growth ambitions and a broadening of the range to reflect ongoing uncertainty in the trading environment. For non-broadcast operating profit, we have also increased the target range from last year, again reflecting our strategic growth commitment. The Committee considers that the target ranges are appropriately stretching, in the context of the current external climate and the Group's strategic growth plan. Full details of the targets are set out on page 78.

Wider workforce

As noted, our main priority throughout the last year was the wellbeing and safety of our colleagues. In order to thank colleagues for their contribution to the business during this challenging period and to provide an incentive to continue driving the success of the Group going forward, all employees will be granted a one-off share award in 2021 with a face value on grant equal to £1,000. This award is intended to focus and align all colleagues on achieving the Group's operating profit target for 2021, whilst also promoting a sense of share ownership.

In conclusion

Once again, I would like to thank shareholders for their engagement and support throughout this challenging period. Our Directors' Remuneration Policy will be subject to a binding shareholder vote at our 2021 AGM and the Annual Report on Remuneration, including this Annual Statement, will be subject to an advisory vote. I look forward to your support and would be happy to answer any questions you may have on our executive remuneration arrangements.

Anne Marie Cannon

Chairman of the Remuneration Committee

16 March 2021

Summary of how our Policy will be implemented in 2021

Pay element	Approach	Implementation in 2021		
		Simon Pitts, CEO	Lindsay Dixon, CFO	
Fixed pay	Base salary	Fixed pay levels set at competitive levels with role-appropriate benefits arrangements.	£419,000 (unchanged from 2020)	£235,000 (unchanged from 2020)
	Pension		20% of salary*	7% of salary
	Benefits allowance		£25,000	£18,000
Pay linked to performance	Annual bonus	Incentive linked to short-term targets, including business performance and growth, and ESG measures. Portion of award is deferred.	Maximum opportunity – 150% of salary	Maximum opportunity – 125% of salary
	LTIP		Subject to operating profit, cash flow and personal targets	
	Shareholding requirements	Incentive linked to long-term priorities.	Maximum opportunity – 100% of salary Subject to EPS, non-broadcast operating profit and relative TSR targets	150% of salary, to be maintained for two years post-cessation of employment

* Will reduce to 7% of salary in line with wider workforce at end of 2022

How we measure performance and link to strategy

Measure	Bonus	LTIP	Rationale and link to strategy
Operating profit	✓		Measures profitability of our operating activity
Cash flow	✓		Measures operational gearing
EPS		✓	Measures earnings growth driven by continued operational excellence
Non-broadcast operating profit		✓	Aligns to strategic objective to diversify earnings
Personal objectives	✓		Focuses executives on the delivery of strategic goals linked to key business priorities, including growth and ESG targets
Relative TSR		✓	Measures the delivery of long-term sustainable value growth for shareholders

REMUNERATION REPORT

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 2021 Annual General Meeting.

During 2020, the Committee undertook a 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. The Committee is nonetheless proposing a number of changes to ensure that management is appropriately incentivised to deliver the next three-year phase of the Company's strategic growth plan. A summary of the key changes are:

- Alignment of incumbent Executive Director pensions with the workforce rate;
- Increase in discretion available to the Committee such that it can override formulaic incentive outcomes if considered appropriate;
- Introduction of post-employment shareholding guidelines;
- Expanded malus and clawback provisions; and
- Realignment of quantum to market levels – increase in the maximum annual bonus opportunity from 125% to 150% of salary for the Chief Executive Officer and increase in the maximum taxable cash allowance.

A number of other minor changes have been made to reflect and aid current operation as well as increase clarity.

In developing this Policy, the Committee followed a robust process taking into account the views of our shareholders, 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.

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.

The Committee considers that the Policy and its implementation appropriately address the following factors, as set out in the UK Corporate Governance Code.

Clarity	The Committee is committed to providing open and transparent disclosures with regards to executive remuneration arrangements. In formulating the new Policy, the Committee Chair wrote to our 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, which have been expanded from 2021, 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. The Policy also includes an illustration of the remuneration payable to Executive Directors in four different performance scenarios (minimum, target, maximum and maximum plus share price growth).
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 strategic growth plan.

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.	<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"> the scale and complexity of the Company and 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, in particular companies within the media sector pay and conditions throughout the Company. <p>Salaries are normally reviewed annually, with any changes effective from 1 January in the financial year.</p>	<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. 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 2021 are set out on page 77.</p>	None
Benefits			
To provide competitive levels of employment benefits consistent with role.	<p>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.</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>	<p>The maximum cash allowance paid to Executive Directors in lieu of benefits in kind is £25,000 per annum for the Chief Executive Officer and £18,000 per annum for the Chief Financial Officer.</p> <p>Participation in all employee share plans is subject to HMRC plan rules and limits.</p>	None
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. Executive Directors have the option to receive a taxable cash allowance in lieu of pension benefits.</p> <p>Neither the Chief Executive Officer nor the Chief Financial Officer are members of the DB scheme.</p>	<p>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.</p> <p>The Chief Executive Officer receives a pension allowance of 20% of base salary, which will be reduced to a level in line with the wider workforce (currently 7% of base salary) at the end of 2022.</p>	None

REMUNERATION REPORT

Objective and link to strategy	Operation	Maximum opportunity	Performance conditions
Annual bonus			
<p>Aligns reward to the delivery of annual financial and strategic performance measures.</p> <p>Deferral creates long term alignment with shareholders.</p>	<p>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.</p> <p>A proportion of any bonus (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.</p> <p>Recovery and dividend equivalent provisions apply (see explanatory notes).</p>	<p>Annual maximum bonus opportunity is:</p> <ul style="list-style-type: none"> • 150% of salary for the Chief Executive Officer • 125% of salary for other Executive Directors 	<p>Payment is determined by reference to performance assessed over one financial year based on a range of financial and strategic performance measures.</p> <p>For 2021, these measures are:</p> <ul style="list-style-type: none"> • operating profit • cash flow • personal objectives <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 10% and 50% of maximum, 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 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.</p> <p>The Committee has the discretion to adjust targets for any exceptional events that may occur during the year.</p>
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 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>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 shareholder value.</p> <p>The measures for the 2021 award are:</p> <ul style="list-style-type: none"> • earnings per share (EPS) • non-broadcast operating profit • relative total shareholder return <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 threshold for vesting is no higher than 25% of the maximum award.</p> <p>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.</p> <p>The Committee has the discretion to adjust targets for any exceptional events that occur during the period.</p>

Objective and link to strategy	Operation	Maximum opportunity	Performance conditions
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. Non-Executive Directors are required to build holdings of 20,000 shares for the Chairman and 5,000 shares for other Non-Executive Directors.	The required level of holding is 150% of salary.	

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 (for awards made from 2021)
- corporate failure (for awards made from 2021).

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 2014 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 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 leadership team and key senior staff by invitation.

REMUNERATION REPORT

Non-Executive Directors

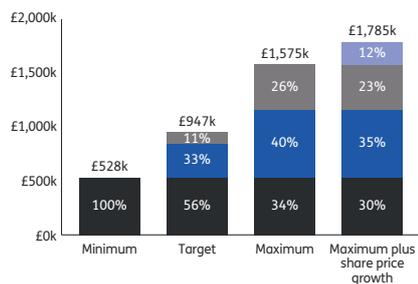
The table below sets out the key elements of the policy for Non-Executive Directors.

Objective and link to strategy	Operation	Maximum opportunity
To attract Non-Executive Directors with the requisite skills and experience.	<p>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).</p> <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>	<p>Fees are set at a level which reflects skills, experience, time commitment and appropriate market data.</p> <p>Fees are set within the limits set by the Articles of Association.</p> <p>Fees with effect from 1 January 2021 are set out on page 78.</p>

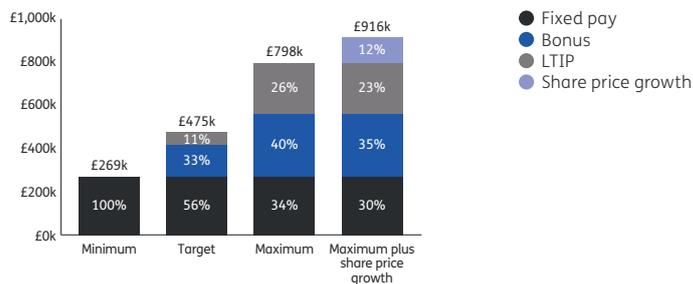
Illustrations of application of remuneration policy

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

Chief Executive Officer



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 2021, 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 Officer 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 principle is that the pay of any new recruit would be assessed following the same principles as for the Executive Directors. The structure of the remuneration package would therefore 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 for the year 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 a 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 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. Notice periods will not be greater than 12 months.

Director	Date of contract/ letter of appointment	Unexpired term	Notice period by Company/Director
Executive			
S Pitts	3 January 2018	Rolling contract	12 months/6 months
L Dixon	4 December 2018	Rolling contract	12 months/6 months

Director	Date of contract/ letter of appointment	Date(s) of (re) appointment	Unexpired as at March 2021
Non-Executive			
Baroness Ford	1 June 2013	28 May 2020	2 years 2 months
S Miller	2 December 2016	28 May 2020	2 years 2 months
A M Cannon	1 November 2014	28 May 2020	2 years 2 months
I Steele	1 November 2015	28 May 2020	2 years 2 months
D Bergg	1 May 2018	28 May 2020	2 years 2 months

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, there will be no compensation for loss of office due to misconduct or normal resignation. In other circumstances Executive Directors may be entitled to receive compensation for loss of office which will be paid monthly for a maximum of twelve months. Such payments will be equivalent to the monthly salary, pension supplements, and benefits that the Executive would have received if still in employment with the Company. Executive Directors will be expected to mitigate their loss within a 12-month period of their departure from the Company.

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. It is the Committee's policy to only apply its discretion to determine an individual is a 'good leaver' where the circumstances at the time are, in its opinion, sufficiently exceptional, and to provide a full explanation to shareholders where discretion is exercised.

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.
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	Unvested LTIP awards will usually continue, unless the Committee determines that the award should be released as soon as reasonably practicable following the date of cessation. The Committee will decide the extent to which an unvested 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.

REMUNERATION REPORT

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.

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 Executive leadership team, 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 or structure. In developing this Policy, the Committee Chair wrote to our major shareholders outlining proposals and the rationale for these. Feedback received was taken on board when finalising our arrangements.