



ITV plc Policy on the Independence of External Auditors

(including the provision of non-audit services)

February 2011

Contents

Paragraph	Page
1 Introduction	1
2 Independence and the provision of non-audit services	1
3 Non-Permitted Work	4
4 Permitted Work	4

1 INTRODUCTION

The Board of ITV plc (the “Company”) is committed to ensuring that the financial statements of all Group companies and of the Company itself have an effective and independent annual audit by its external auditors. The Board has delegated to the Audit Committee responsibility for reviewing the effectiveness of the external audit and the independence of the auditors.

All companies in the ITV plc group of companies (the “Group”) are expected to conform to this policy. References to audits, auditors and Audit Committees should be construed as relating to the Company or the relevant Group company as the context suggests.

This policy has been drafted in accordance with UK regulations.

1.1 Appointment of external auditors

The Audit Committee is responsible for the selection, compensation and oversight of auditors. The Audit Committee recommends to the Board the selected auditors, which are then proposed to shareholders each year, in accordance with English law. The Audit Committee will make an annual assessment of the effectiveness of the external audit and confirm the auditors’ independence, prior to making a recommendation to the Board in respect of any reappointment or audit tender process.

1.2 Audit scope and fees

The scope of the annual audit of the financial statements will be presented to, discussed with and agreed by the Audit Committee. The Audit Committee will approve the proposed fees for the audit.

2 INDEPENDENCE AND THE PROVISION OF NON-AUDIT SERVICES

Except as engaged properly in accordance with this policy, the auditors and their staff should have no financial, employment or business relationship with ITV plc, other than in the normal course of business. Investment in the shares of ITV plc, or any subsidiary or affiliated company, is prohibited.

ITV plc wishes to have available to it the best provider of professional services where it is necessary to engage external advisors. It would therefore not wish to debar its external auditors from providing such services so long as they are not prohibited by code or regulation. This policy is written under current guidelines on the provision of non-audit services in the UK.

The auditors are precluded from engaging in non-audit services that would compromise their independence or violate any laws or regulations affecting their appointment as auditors.

In general, the auditors may not provide a service which:

- Places the auditor in a position to audit their own work; or
- A mutuality of interest is created; or
- Results in the auditor developing close personal relationships with the employees of ITV plc; or
- Results in the auditor functioning as a manager or employee of ITV plc; or
- Puts the auditor in the role of advocate for ITV plc.

The auditors may provide non-audit services that do not conflict with their independence, subject to the necessary approval procedures set out in this paper. Fees in respect of non-audit services must not be success-related.

The auditors are eligible for selection to provide non-audit services only to the extent that their skills and experience make them a competitive and most appropriate supplier of these services. Non-audit services will be subject to market tenders or tests and will be awarded to the most appropriate provider. If there is a preferred relationship, it will be subject to a market test on a regular basis, with reviews at least every three years.

2.1 Approval of the provision of non-audit services

All non-audit engagements entered into by the auditors of ITV plc are subject to the following approval policies and procedures, established by the Audit Committee, and the Audit Committee shall be informed of such engagements at each meeting.

To help provide reporting transparency, services provided by the company's auditors are categorised as follows:

- **Audit Services**
Audit services comprise:
 - The provision of statutory audit services, as well as services that generally only the auditor can reasonably provide, such as consultation concerning financial accounting and reporting standards; comfort letters, attest services and consents and assistance with and review of documents filed with regulatory bodies;
- **Non-Audit Services**
Non-audit services comprise:
 - *Audit-Related Services* – including due diligence and transaction support; internal control reviews and forensic work;
 - *Tax Services* – including tax compliance, tax consulting and tax planning; and
 - *Other Services* – including debt advisory and pension advisory work.

The Audit Committee has pre-approved the categories of non-audit services that may be performed by ITV plc's auditors. The pre-approved categories are set out in Section 4. The ITV Group Finance Director must be advised by the commissioning ITV plc employee, and by the audit firm, of all assignments undertaken by the auditors that fall within the pre-approved categories as soon as practicable.

If the ITV plc auditors are successful, approval of assignments prior to commencement of work can be given as follows:

- Assignments up to £100,000 – ITV plc management
- Assignments above these level – Chairman of the Audit Committee

In respect of each calendar year the Audit Committee will be presented half yearly with a list (by main category) of the non-audit services provided (and expected to be provided) by the auditors in that calendar year and the fees involved, for their information.

2.2 Rotation of audit partners and staff

For the audit of the Group's financial statements, there are two senior audit partners; the "signing" partner, who takes the lead or co-ordinating role and has primary responsibility for the audit and the issuance of the audit opinion on the Group's financial statements; and an independent review partner appointed in accordance with UK Auditing Standards, who has responsibility for reviewing key subjective decisions made during the audit process. Additionally, there may be other partners who are "key" members of the audit team as a result of their responsibilities.

The signing and independent review partners should serve no more than five years continuously in either role. Other than in exceptional circumstances, and with the advance agreement of the Audit Committee, other key partners should serve no more than seven consecutive years.

The signing partner and the independent review partner may have no active role in the audit for a period of five years from the date of his rotation following the completion of his five-year term. Any other partner rotated off audit responsibilities may not resume any partner role for a period of two years.

The length of audit service of the partners engaged on the audit and their status of rotation should be presented to the Audit Committee annually.

No member of the audit staff should serve more than ten consecutive years in a position of managerial or partner responsibility.

2.3 Auditor relationships

Relationships with auditors should be professional and respect the need for objectivity on the part of the auditor in the conduct of their audit responsibilities. Whilst it is recognised that a cordial relationship should foster open communication, which should assist the effectiveness of the audit, it is important that relationships remain businesslike. Reasonable levels of corporate hospitality, common in other professional relationships, are permissible.

2.4 Employment of auditor staff and former auditors

A former signing partner or independent review partner may not be recruited by ITV plc in any capacity unless a period of at least two years has expired since he/she held such a position.

Except with the agreement of the Audit Committee, no staff employed by the external auditor may be seconded to ITV plc or otherwise work for ITV plc in any role where the activity would be prohibited if undertaken directly by the external auditor.

The Audit Committee will monitor the number of former employees of the external auditor currently employed in senior positions in the Company, and consider whether there has been any impairment, or appearance of impairment, of the auditor's independence and objectivity as a result.

2.5 Meetings between auditors and the Audit Committee

The auditors should raise directly with the Chairman or members of the Audit Committee any matters of concern that they have in relation to their audit responsibilities where they believe that the concerns have not been adequately addressed through the regular processes established with management.

Separate meetings of the auditors and Audit Committee members, without executive management present, will be held not less than twice a year. The auditors may also request at any time such a separate meeting with the Audit Committee.

2.6 Auditor confirmation of independence

The external auditor will maintain appropriate records to provide reasonable assurance that its independence from ITV plc is not impaired. The auditors are required each year to confirm in writing to the Audit Committee that they have complied with the independence rules of their profession and regulations governing independence, and that they have complied with the requirements of this policy.

2.7 Report to shareholders

The Audit Committee should confirm to the Board each year that it has reviewed the scope of the annual audit and the independence of the auditors and is satisfied that the integrity of the audit has not been compromised. It should also recommend whether a report should be given to shareholders.

The annual financial statements should disclose the amounts paid to the auditors both for audit and non-audit services, with a description of the services provided and, where thought

appropriate, the reason for the services to have been provided by the auditors rather than another supplier.

3 NON-PERMITTED WORK

The following are the categories of work that may not be undertaken by ITV plc's auditors in accordance with its auditor independence policy.

The auditors may not provide any of the following services:

- Book-keeping or other services related to accounting records or financial statements;
- Financial information systems design and implementation;
- Providing fairness opinions or preparing contribution in kind reports as part of an appraisal or valuation service;
- Actuarial advisory services in connection with the determination of amounts included in the financial statements;
- Internal audit out-sourcing or co-sourcing services;
- Management functions or human resources services in connection with the search for or appointment of management to posts within ITV plc and remuneration advice for senior management and the Board;
- Broker or dealer, investment advisor or investment banking services;
- Expert services – expert opinions or other services provided directly to the Group or to a legal representative of the Group for the purpose of advocating ITV plc's interest in litigation or regulatory, or administrative investigations or proceedings;
- Legal services - services which could be provided only by someone licensed, admitted or otherwise qualified to practise law in the jurisdiction in which the service is provided;
- Any other service that, locally, is prohibited through regulation.

Certain types of activity precluded in the above list may be required under local laws. Any such conflicts will require resolution through application to the relevant regulatory bodies, under the supervision of the Audit Committee.

4 PERMITTED WORK

The following categories of non-audit services may be undertaken by ITV plc's external auditors in accordance with its auditor independence policy.

4.1 Audit-Related Services

4.1.1 Services relating to accounting activities:

- Advice and consultations in connection with changes to or the application of generally accepted accounting principles in any of the territories in which the Group operates or in respect of US GAAP or International Accounting Standards.
- Advice and consultations in connection with the application of generally accepted accounting principles in any of the territories in which the Group operates or in respect of US GAAP or International Accounting Standards to any transaction proposed by or entered into by the Group.
- Training support in respect of any accounting related projects or the continuing education of ITV plc staff in relation to accounting or accounting process activities.
- Preparation of local statutory accounts which do not form the basis for ITV plc's consolidated annual or other periodic reporting.
- Assistance in the preparation and analysis of financial information in connection with an insurance or similar claim.

4.1.2 Services relating to internal audit and related activities:

- Provision of internal audit services to ITV plc's Internal Audit department, that does not relate to ITV plc's internal accounting controls, financial systems, or financial statements (unless it is reasonable to conclude that the results of these services will not be subject to audit procedures) whereby they provide manpower on certain Internal Audit assignments, as and when requested. A key benefit of this arrangement is to leverage off their local expertise such as languages, local tax, etc.

4.1.3 Services relating to business development and transaction related activities:

- Preparation of due diligence reports on potential acquisition targets including tax diligence and planning – reports will cover financial and business issues.
- Preparation of due diligence reports on a business that may be sold, with the intention that these reports will be made available (on a recourse basis) to the purchaser (known as "Sell-side due diligence").
- Assistance in the process of selling a business including review of information to be provided to prospective purchasers, review and audit of carve-out accounts for businesses to be sold. This would not involve the preparation of accounts or management of the process.
- Assistance in business development projects including review of strategic options, either with respect to existing operations or potential M&A activities.
- Assistance in bid support work, in conjunction with other advisers, including defence planning and work on prospective targets or predators.
- Assistance with post-deal integration planning and performance improvement and cost reduction programmes within acquired or portfolio businesses.

4.2 Tax Services

4.2.1 Services related to the Group's tax affairs:

- Corporate tax compliance – including preparation and submission of corporate tax returns and assistance and advice in connection with subsequent tax audits and investigations arising out of those returns. For the avoidance of doubt, the auditors may not be involved in the preparation of, the computation of or disclosure relating to the tax provision in the accounts of ITV or any of its material subsidiaries.
- Payroll tax and social security – including planning advisory work, preparation and submission of payroll and social security tax returns and assistance and advice in connection with subsequent tax audits and investigations arising out of those returns.
- Indirect tax – including planning advisory work, preparation and submission of indirect tax returns and assistance and advice in connection with subsequent tax audits and investigations arising out of those returns.
- Corporate tax consulting work, including group-wide tax planning in relation to UK Controlled Foreign Companies issues, double tax relief planning, dividend repatriation, issues relating to the structure of the Group, tax issues relating to inter-group financing, mitigation of taxes arising on capital gains, and transfer pricing issues. This shall include corresponding or negotiating with the relevant authorities.

4.2.2 Services related to employees' tax affairs:

- Tax compliance assistance for the Company's internationally assigned employees including the preparation of tax returns, certificates of social security coverage, arrival and departure documents, and other tax forms that are legally required as a result of an international assignment.
- Advice to internationally assigned employees on issues related to personal taxation including income and social security taxation.

4.3 Other Services

- Advice and consultancy on internal/external benchmarking, offshore and outsourcing evaluations, process/best practice reviews relating to business and financial processes and administration.
- Advice and assistance in the analysis of financial and administrative processes and recommendation of improvements as appropriate.
- Advice and assistance on treasury matters and debt.
- Provision of general employee advice.
- Advice and assistance on pension matters.
- Provision of certain company secretarial and administration support services relating to the drafting of documents, but excluding the maintenance of registers, minutes, etc.
- Provision of advice in relation to litigation to the extent permissible without breaching the laws and regulations of the US or other jurisdictions.
- These lists are not intended to be exhaustive – such other services as may be required can be provided by the external auditors, so long as their independence is not impaired.