

ITV Services Limited

Strategic Report for the Year Ended 31 December 2020

The Directors present their Strategic Report for the year ended 31 December 2020.

Principal activity

The principal activity of ITV Services Limited ("the Company") continues to be to provide services for other companies within the ITV plc Group. It also acts as a holding company.

The Company is the sponsoring employer of ITV Pension scheme.

Fair review of the business

The results for the Company show a loss for the year of £4,000,000 (2019: profit £399,000,000). At the statement of financial position date the Company had net assets of £2,002,000,000 (2019: £1,974,000,000). During the year the Company received interim dividends of £15 million (2019: £415 million) from fellow group undertakings and paid a dividend of £nil million (2019: £400 million) to a fellow group undertaking.

The Company derives revenue from providing services to other Group companies.

The Company recharges other Group companies for overheads incurred on their behalf and included in revenue is rental income for properties held by the Company and let to the rest of the ITV plc Group.

Recharge of overheads is generated from the provision of services to other group companies which is recognised over the time the service is provided. Payment term is over the term of the contract.

KPI's

The Directors of the Company use the KPIs of ITV plc to manage the performance of the Company. The KPIs are included on pages 24 to 27 of ITV plc's 2020 annual report.

Subsequent events

On 3 March 2021, the UK Government announced a change in the UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The rate change was substantively enacted on 24 May 2021 and therefore is not reflected in the deferred tax assets or liabilities as at 31 December 2020. The impact on deferred tax assets and liabilities is not expected to be material.

In October 2021, the Triennial valuation of Section C of the ITV Pension Scheme at 31 December 2019 was completed. The scheme had assets of £569.2 million as at the valuation date and £559.3 million of liabilities resulting in an agreed Technical Provisions funding surplus of £9.9 million. At the previous valuation at 31 January 2017, there was a surplus of £19.1 million.

Principal risks and uncertainties

The key risk in the Company is the value and performance of its investments. The Directors review the performance of its investments regularly and provide for impairment where necessary.

A comprehensive review of the Company's strategy outlining the development, performance and position of the Company's business can be found in the Strategic Report of the group in the ITV plc Annual Report. The Annual Report of ITV plc is available to the public and may be obtained from www.itvplc.com or the Company Secretary, 2 Waterhouse Square, 140 Holborn, EC1N 2AE.

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Section 172 (1) Statement - Directors Statement in performance of their duties under section 172 (1)

The Board of ITV plc are responsible for governance and oversight across the ITV Group and the duties under Section 172(1) of the Companies Act 2006 ('s172') in respect of ITV plc. As ITV Services Limited (the 'Company') is part of the ITV Group, its directors (the "Directors") believe that certain matters they are responsible for under s172 in respect of the Company have been considered to an appropriate extent by the Board of ITV plc in relation both to the ITV Group and the Company and reference to this is made below.

The Directors are all members of the ITV Management board that met regularly during the year through a mix of weekly catch-ups and ten board meetings, to consider and approve matters that relate directly to the Company and its subsidiaries. During 2020 the challenges arising from the COVID-19 pandemic required the ITV Management board to act swiftly alongside the Board of ITV plc to approve measures to increase the resilience of the ITV Group and protect the interest of all stakeholders. This is further described in the section 172 statement on page 67 of ITV plc's 2020 report and accounts, which does not form a part of this report. To the extent necessary for an understanding of the development, performance and position of the Company, an explanation of how the Directors have specifically considered the matters set out in s172 is set out below:

- **The long term:** The Directors remain fully cognisant of the evolving competitor and viewer landscape in which the Company operates. In addition to regular board meetings, as members of the ITV Management board they attended three sessions at which they undertook a review of the strategy in light of the challenges created by COVID-19 in order to protect the long-term success of the Company and its subsidiaries. It was concluded that ITV's digital transformation continued to underpin the strategy, but it was necessary to increase the pace of execution to ensure that ITV is well placed to take advantage of the rapidly changing viewing, content production and advertising environments. The output of these strategy sessions then formed the basis of the plc Board off-site discussions further described on page 96 of ITV plc's 2020 report and accounts, which does not form part of this report. The Directors monitored business performance against a range of scenarios throughout the year to inform planning and ensure costs and cash were managed appropriately.
- **Employees:** The Directors know that the workforce are key to the Company's success and are dedicated to nurturing an inclusive working environment where everyone can reach their full potential and thrive. As the Company is embedded within the ITV Group governance structure, it is fully aligned with ITV on workforce engagement and through the Management board meetings the Directors are regularly consulted on and approve HR related policies and initiatives that affect their employees and those of the Company's subsidiaries. The Directors recognised the economic uncertainty caused by COVID-19 and the impact this had on the Company's employees in respect of financial security, mental and physical wellbeing. Extra measures were taken to ensure there were regular communications and access to programmes that support the wellbeing of employees, especially when working from home. An explanation of how ITV plc have engaged with the workforce and taken them into consideration through its discussions and decision-making is set out on page 102 of ITV plc's 2020 annual report. Further information on ITV's commitment to its workforce is set out on pages 50 to 51 of ITV plc's 2020 annual report, which does not form part of this report.
- **Business relationships - suppliers, customers:** The Directors are committed to fostering good working business relationships with their key stakeholders. As the core Central Services company that holds both the Broadcasting and Studios businesses of ITV plc, the Directors consider the key stakeholders to be aligned with its subsidiaries and as such these include: Programme Participants; Viewers, Customer and Subscribers; Partners (including Suppliers, Advertisers, other Broadcasters and Platform Owners), Citizens; Legislators and Regulators; and Colleagues. The Directors recognise that an understanding of the issues relating to these stakeholders is fundamental to building and maintaining the successful relationships, enabling ITV to take advantage of the strong and mutually beneficial opportunities needed to ensure the success of the Company. The Directors consider the Company to be fully aligned with ITV plc's engagement mechanisms and an explanation of how the Directors of ITV plc have had regard to the need to foster the Company's business relationships in the context of the significant financial and economic uncertainty caused by COVID-19 and Brexit are set out on page 97 to 102 of ITV plc's 2020 annual report which does not form a part of this report.

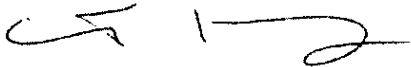
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• **Community and environment:** The Directors are constantly striving to reduce the environmental impact of the Company's activities, which is kept under regular review. Through the Social Purpose Strategy, the Directors consider that the ITV Group have given due consideration to the community, wider environmental issues and diversity and inclusion targets. Further information on ITV's Social Purpose strategy and initiatives in 2020 that were influenced by the COVID-19 pandemic - structured around better health, diversity and inclusion, environment and giving back targets - is set out on page 99 and pages 42 to 49 of ITV plc's 2020 annual report, which does not form a part of this report.

• **High standards of business conduct:** The Directors' intention is to ensure that the Company and its subsidiaries operate in an ethical and responsible way. As a part of the ITV Group, they recognise that a healthy corporate culture is the cornerstone to ensuring high standards of business conduct and governance that also pervade business dealings with stakeholders outside of the organisation. The Directors promote these facets together with the Directors of ITV plc and details on how culture was monitored and assessed during the year is set out on page 98 ITV plc's 2020 annual report, which does not form a part of this report. ITV's commitment to high standards of business contact is also enshrined in the Code of Ethics and Conduct available on the ITV plc website. ITV's culture also pervades its business dealings with stakeholders outside of the organisation, as exemplified by its work with suppliers in relation to modern slavery and membership of the Prompt Payment Code.

Approved by the Board on 17/12/2021 and signed on its behalf by:



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Christopher Kennedy
Director