

ITV Consumer Limited

Strategic Report for the Year Ended 31 December 2021

The Directors present their Strategic Report for the year ended 31 December 2021.

Principal activity

The principal activity of ITV Consumer Limited ("the Company") continues to be that of exploiting content both in the free to air and pay environments to promote engagement and meet emerging video demand.

Fair review of the business

The results for the Company show a profit before tax for the year £238,234,000 (2020: £171,669,000) and revenue of £371,604,000 (2020: £277,987,000). At the statement of financial position date, the Company had net assets of £267,437,000 (2020: £275,378,000).

KPIs

The Directors of the ITV plc Group manage the Group's operations on a divisional basis with this Company being included within Media and Entertainment division. For this reason, the Company's Directors use the ITV plc Media and Entertainment division's Operating and Performance Review in managing and understanding the development, performance and position of the Company. The business review is included on pages 26 to 31 of ITV plc's 2021 Annual Report.

Further to the divisional key performance indicators, the Directors would consider the key financial performance indicators of the Company during the year to include:

- Revenues which are up 34% in the year to £371,604,000 (2020: £277,987,000) driven by increases in Video on Demand (VOD) advertising revenues following the continued growth of the ITV Hub and an increase in Hub + revenue driven by increased subscribers.
- Online viewing measures how long viewers are spending online watching long-form content. It is calculated as the total number of hours ITV VOD content is viewed on owned and operated ad-funded platforms and ITV Hub+ viewing. Online viewing was up 31% in 2021. We have focused on strengthening the content offering by doubling the number of hours on the service, particularly in drama and reality; and have extended the catch up window; increased the number of drama series available in full on the ITV Hub when the first episode launches on linear - such as Finding Alice, The Bay and Angela Black; increased the volume of short-form content; extended the availability of dynamic advertising insertion; and improved the curation of content using our vast archive. During the Euros, for the first time, we put all episodes of Coronation Street and Emmerdale for the week ahead on the ITV Hub, giving audiences the option to watch at their convenience. Our newly redesigned ITV News website is now available through Facebook News and Apple News, and it recently won National News Site of the Year with The Drum. Our investment has helped to drive an increase in online viewing and monthly active users in the year. Simulcast viewing hours were up 38% year-on-year.
- ITV Hub registered users which are now 34.7 million (2020: 32.6 million).

ITV Consumer Limited

Strategic Report for the Year Ended 31 December 2021

Future developments

In 2022 we supercharged our streaming viewing and revenues, with the formation of a new integrated streaming service ITVX in Q4 2022. It is an AVOD led service with a compelling SVOD proposition, providing a simplified and seamless viewer experience with a digital-first content supply, attracting those audiences who do the majority of their viewing on digital services. It combines the ITV Hub, ITV Hub+ and BritBox UK into a free and premium content offering, capitalising on the investments we have made to date.

We will significantly increase our overall content investment for ITVX. This will deliver valuable addressable audiences for advertisers at scale and our established data and analytics capabilities will drive higher-value, data-driven pricing models. It will be a data-driven viewing model with one content budget across all our platforms and channels. This will enable flexibility to optimise viewing and revenue across AVOD and SVOD in order to maximise total digital viewing and revenues. To measure success within Streaming we have redefined our KPIs and have set ambitious targets to 2026 aligned with our priorities. Refer to the ITV plc 2021 Annual Report and Accounts for further detail.

ITV Consumer Limited

Strategic Report for the Year Ended 31 December 2021

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 Consumer 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 consider and approve relevant matters during the year. 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 are fully cognisant of the evolving competitor and viewer landscape in which the Company operates and the main focus during the year has been helping to drive ITV's Group strategy to transform the Broadcast business over the longer term. As the business continued to mitigate the long-term impact of changing viewing patterns, the directors recognised the need to retain and attract audiences that are increasingly moving away from linear viewing to digital platforms. The launch of ITVX in 2022, combining ITV Hub, ITV Hub+ and BritBox UK into a simplified and seamless integrated AVOD and streaming platforms is key to this. The Directors agreed that a digital-first content strategy will significantly strengthen the offer to viewers over the longer term. They have continued to: grow interactive revenues through the competitions portal ITV Win; focus on driving growth within Direct to Consumer products; and to engage with key programme brands.
- **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 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 115 of ITV plc's 2021 annual report. Further information on ITV's commitment to its workforce is set out on pages 56 to 58 of ITV plc's 2021 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 which include Partners, other Broadcasters and Platform Owners. The Directors recognise that an understanding of the issues relating to these stakeholders is fundamental to building and maintaining the successful relationships, enabling the Company to take advantage of the strong and mutually beneficial opportunities needed to ensure the success of the Company. As the Company is fully embedded within the ITV Group governance structure, the Directors seek to align themselves 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 107 to 112 of ITV plc's 2021 annual report which does not form a part of this report, with detail on Partners, other Broadcasters and Platform Owners set out on page 109.
- **Community & environment:** The Directors have regard to the impact of the Company's operations on the environment and consider that as a result of being embedded within the ITV Group governance structure, the Directors of ITV plc have taken the lead in carrying out the duties in respect of the community, wider environmental issues and diversity and inclusion targets. Further information on ITV's Social Purpose strategy and 2021 initiatives - structured around better health, giving back, climate action and diversity and inclusion, environment and giving back targets - is set out on pages 48 to 55 of ITV plc's 2021 annual report, which does not form a part of this report.

ITV Consumer Limited

Strategic Report for the Year Ended 31 December 2021

• **High standards of business conduct:** The Directors' intention is to ensure that the Company operates 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 consider that as a result of being embedded within the ITV Group governance structure, the Directors of ITV plc have taken the lead in promoting these facets and details on how it monitored and assessed culture during the year is set out on page 116 in ITV plc's 2021 annual report, which does not form a part of this report. ITV's commitment to high standards of business conduct 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.

Principal risks and uncertainties

The principal risks and uncertainties of the Company will relate to the growing businesses of exploiting new media, largely online and international content. These are considered on pages 72 to 87 of the Group's 2021 annual report.

Covid-19 has had and may continue to have a strategic, operational and financial impact on the business. In particular, interruption to production and sport events restricting access to online content. The ITV Group has developed a Covid-19 response governance structure with responsibility for managing the response to the risks of the pandemic. Detailed information on the Group's response to the pandemic is discussed on page 87 of the ITV plc 2021 Annual Report.

A comprehensive strategic 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, ITV White City, 201 Wood Lane, London, W12 7RU.

Approved by the Board on 04/05/2023 and signed on its behalf by:

William van Rest

William van Rest (May 4, 2023 17:40 GMT+1)

.....
William van Rest
Director