

ITV Studios Limited

Strategic Report for the Year Ended 31 December 2022

The Directors present their Strategic Report for the year ended 31 December 2022.

Principal activities

The principal activity of ITV Studios Limited ("the Company") continues to be that of the production of television programmes and the provision of facilities services.

Fair review of the business

The results for the Company show a profit for the year of £110,335,000 (2021: £10,538,000). At the Statement of Financial Position date, the Company had net assets of £2,245,374,000 (2021: £1,992,081,000).

The key drivers for the increase in profit for the year include strong operational performance and dividend income of £170.4m. The increase in profit has been partially offset by the investments impairment charge of £100.9m that has arisen due to an adverse movement in discount rates within the valuation models. The increase in net assets includes the issue of one share for £143.7m.

KPI's

The Directors of the ITV plc Group manage the Group's operations on a divisional basis with this Company being included within the ITV Studios division. For this reason, the Company's Directors use the ITV plc ITV Studios 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 28 to 43 of ITV plc's 2022 Annual Report.

- Revenue - ITV Studios revenue is key to ITV's strategy, reducing the Group's reliance on television advertising revenues. The Company's revenue was up 8% on 2021 due to an increase in programme deliveries.
- Number of commissions - ITV Studios continues to build a portfolio of successful series and formats that return and travel internationally. A key indicator of the creative renewal pipeline is the number of new commissions won, which includes programmes shown both on ITV and on other channels and platforms. Several new commissions secured during the year include new drama series Rivals, Fool Me Once, Missing You and Maternal, as well as new Entertainment show Scared of the Dark. The Company also secured a number of key recommissions including The Voice, The Chase, Beat the Chasers, Love Island, Dancing On Ice, The Bay and Vera.
- Total production hours - This is an important measure of the scale and success of our studios business. It measures the number of hours produced across all genres for ITV and other broadcasters and platform owners. The Company delivered 2,161 hours in 2022 (2021: 2,124 hours).

Future developments

The Company will continue to follow its strategy to work proactively with UK and overseas broadcasters and develop ideas for new and returning series which can be exploited globally. The external environment is expected to remain competitive in the future but the directors remain confident that the Company is well placed with broadcasters to exploit the opportunities that become available.

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Strategic Report for the Year Ended 31 December 2022 (continued)

Principal risks and uncertainties

The management of the business and execution of the Company strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are:

- A rapidly changing marketplace for content rights could result in us failing to identify or obtain optimal rights packages. In order to mitigate this risk the Company is focused on both protecting and exploiting existing rights and ensuring that future rights generated accrue to ITV. 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.

- Failure to create and own sufficient number of hit shows/formats. This risk is mitigated by investment in the creative pipeline and focus on programmes and genres which can return and travel internationally ie drama, entertainment and factual entertainment. There is also a focus on hiring and retaining the right key creative talent as well as promoting an environment where creative ideas can be nurtured and developed.

- Failure to continue to evolve our organisational structure and culture could prevent us attracting or retaining key creative, commercial and management talent to deliver our strategy. Employing and retaining the best creative, commercial and management talent in a competitive market is key to our success. The risk is mitigated by ensuring engagement across the business with our More than TV strategy, maintaining a culture of relative autonomy within ITV Studios and capturing lessons learned from recent investments through post-acquisition reviews.

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.

Anti-bribery and corruption

A comprehensive review of the Company's policies relating to anti-bribery and corruption can be found in the Strategic Report of the group in the ITV plc annual report (page 70).

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Strategic Report for the Year Ended 31 December 2022 (continued)

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 Studios 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 Studios Divisional board that met ten times during the year to consider and approve matters that relate directly to the Company and its subsidiaries. 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 media landscape in which the Company operates and that the production environment remains competitive. The long-term strategy continues to be a leading force in the creation and ownership of intellectual property (IP), global content production and distribution. The business is increasingly scaled and diversified business, by genre, geography and customer, in the key creative markets around the world. This has been achieved by focusing on our four strategic pillars as follows: growing our scripted business, growing our global formats business, and further diversifying our customer base, all of which is underpinned by our ability to attract and retain leading talent. The focus in 2022 was on execution of our four strategic pillars. In line with the Company's investment strategy, in July 2022, the Company acquired a majority stake in Plimsoll Productions, the largest independent producer of natural history programmes in the world and a growing premium factual producer; and in November 2022 the Company also acquired a majority stake in Australian producer, Lingo Pictures, an international scripted label. In order to diversify our customer base by strengthening relationships with global and local streamers for both scripted and unscripted programming, during the year there were projects in production or under development globally with all of the major streamers. A targeted area is to grow our scripted business, with further success in the US with *Snowpiercer* for TNT, *Hell's Kitchen* for 25 territories and *My Mum Your Dad* for UK, Australia and Sweden. The Company has also remained focus on innovation and technology to drive efficiencies by embracing new digital processes with more productions being managed remotely using tools such as cloud-based editing. The Directors also considered and approved the launch of the ITV Together Programme, a hugely significant global programme for our business and transforming how we all work.

- **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 divisional board meetings the Directors are consulted on and approve the HR related policies and initiatives that affect their employees. The Directors are kept fully briefed on the health and safety and wellbeing of the Company's employees, contractors and those participating in its productions, and continue to promote and maintain adherence to its Duty of Care guidelines. 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 112 of ITV plc's 2022 annual report. Further information on ITV's commitment to its workforce is set out on pages 54 to 56 of ITV plc's 2022 annual report, which does not form part of this report.

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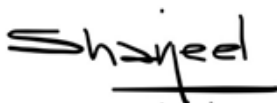
Strategic Report for the Year Ended 31 December 2022 (continued)

• **Business relationships - suppliers, customers:** The Directors are committed to fostering good working business relationships with their key stakeholders which include programme participants, free to air Broadcasters, pay TV providers and streamers. 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 its success. As ITV Studios 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 are set out on page 105 to 111 of ITV plc's 2022 annual report which does not form a part of this report, with detail on programme participants set out on page 109, other broadcasters and citizens on pages 106.

• **Community & environment:** The Directors are constantly striving to reduce the environmental impact of the Company's productions which is regularly reviewed. The Company is an affiliate member of Albert and the Directors and senior management team work closely with the production community and other broadcasters as part of the BAFTA Albert consortium to support the creative sector in transitioning to low-carbon productions by reducing carbon emissions and waste, and sourcing responsibly. Through the Studios divisional board, the directors regularly review progress against environmental targets (quarterly) and against diversity targets (bi-annually). The Directors further 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 2022 initiatives structured around better health, diversity and inclusion, environment and giving back targets - is set out on pages 44 to 53 of ITV plc's 2022 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 114 ITV plc's 2022 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.

Approved by the board on 1 August 2023 and signed on its behalf by:



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S Suleman
Director