

ITV Rights Limited

Strategic Report for the Year Ended 31 December 2019

The Directors present their strategic report for the year ended 31 December 2019.

Principal activity

The principal activity of ITV Rights Limited (“the Company”) continues to be that of the rights holding entity of ITV plc’s UK Broadcasting and Online businesses. Pursuant to the “Networking Arrangements” that were agreed between the Channel 3 licensees, and approved by Ofcom, with effect from 1st July 2012, the Company is the primary vehicle through which ITV plc meets its programming supply obligations to the non-ITV controlled Channel 3 licensee. Other operational support required pursuant the Networking Arrangements are provided by fellow subsidiaries, notably ITV Broadcasting Limited and ITV Network Limited. The Company also supplies programmes to ITV2 Limited and ITV Digital Channels Ltd (“the Digital Channels”).

Fair review of the business

The results for the Company show a profit for the year of £16,292,000 (2018: profit of £18,871,000) and revenue of £1,027,778,000 (2018: £994,112,000). At the statement of financial position date the Company had net assets of £252,107,000 (2018: £235,815,000). The decrease in profit is driven by lower profit shares received from other Group companies around the exploitation of programme rights.

KPIs

The Directors of the ITV plc Group manage the Group’s operations on a divisional basis with this Company being included within the Broadcast & Online division. For this reason, the Company’s Directors use the ITV plc Group Broadcast & Online division’s operating and performance review in managing and understanding the development, performance and position of the Company. The KPIs section is included on pages 37 to 43 of ITV plc’s 2019 annual report.

Future developments

The Company's operational and financial performance in the first half of 2020 has been impacted by the COVID-19 pandemic. While the future is still uncertain due to the pandemic, we are seeing some signs of improvement in demand. The actions we have taken in response to the pandemic, along with the resilience of our colleagues and strength of our business has all helped to mitigate some of the impact of COVID-19, and puts us in a good position to continue to invest in our strategy.

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

The Directors of ITV plc are responsible for the governance of, and oversight over, the ITV Group as a whole and have their respective duties under Section 172(1) of the Companies Act 2006 ('s172') in respect of ITV plc. As the Company is part of the ITV Group, 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 Directors of ITV plc in relation both to the ITV Group and the Company and reference to this is made below as appropriate.

The Directors consider and approve matters that relate to the Company. To the extent necessary for an understanding of the development, performance and position of the Company, an explanation of how the Directors have 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 the Company's role in the Group strategy to transform the Broadcast business. They have considered both the opportunities and challenges of structural change on the Company's programme supply obligations to the Channel 3 licensees not owned by ITV, and how they can continue to drive mass audiences that remain highly valuable to advertisers.

- **Business relationships - suppliers, customers:** The Directors are committed to fostering good working business relationships with their key stakeholders which include suppliers, other broadcasters, legislators and regulators. The Directors recognise that an understanding of issues relating these to stakeholders is fundamental to building and maintaining the successful relationships that enable 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 is set out in ITV plc's 2019 annual report which does not form a part of this report. Detail on suppliers and other broadcasters is set out on page 91; and detail on legislators and regulators on page 92 of that report.

- **Community and environment:** The Directors have regard to the impact of the Company's operations on the environment and consider that as part of the ITV Group, due consideration is given to the community and wider environmental issues. Further information on ITV's Social Purpose strategy - structured around better health, diversity and inclusion, environment and giving back targets - is set out on page 62 and pages 44 to 49 of ITV plc's 2019 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 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 94 ITV plc's 2019 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 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.

- **Employees:** The Company does not have any employees.

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Principal risks and uncertainties

The principal risks of the Company relate to non-payment of balances by group and non group members and to the operational activities of Channel 3. The Directors carried out a review of amounts owed to the Company and no recoverability issues existing relating to amounts outstanding at December 2019. The principal risks and uncertainties of operating Channel 3 are managed as part of the activities of ITV plc, subject to the terms and conditions of the Networking Arrangements. The principal risks and uncertainties of the ITV plc group are discussed on pages 66 to 79 of the group's 2019 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, 2 Waterhouse Square, 140 Holborn, London, EC1N 2AE.

Approved by the Board on 22/12/2020 and signed on its behalf by:



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Christopher Swords
Director