RISK MANAGEMENT FRAMEWORK

1. INTRODUCTION

Southern Cross Media Group Limited (**Company**) acknowledges that risk is inherent in its business. The Company's risk management framework is an important tool to guide the organisation towards achieving its corporate objectives, effectively managing assets and optimising shareholder value.

2. THE COMPANY'S RISK MANAGEMENT FRAMEWORK

2.1 Overview

The risk management framework is a holistic approach to risk management that promotes an integrated and informed view of risk exposures across the Company. The framework is the total of systems, structures, policies, processes and people within the Company that identify, assess, control and monitor all sources of risk that could have an impact on the Company.

The desired result of the framework is to provide management with:

- an integrated framework to effectively manage uncertainty and obligations, respond to risks, as well as capitalise on opportunities as they arise.

- minimum standards for the governance, processes and tools required to administer the requirements of the Risk Management Policy.

- the ability to manage risks across the Company by providing accurate and timely reporting on the profile of risks and controls across the Company.

2.2 Key elements of the framework

- **Risk categories:** risk categories are defined risk groupings that help organise consistent identification, assessment, measurement and monitoring across risks. Using standardised risk categories across the Company enables risks to be aggregated to determine their overall impact. The main risk categories are: Strategy and Planning, Brands and Content, Sales and Distribution, Infrastructure, and Governance, Risk and Compliance.

- **Risk management processes**: These processes enable the consistent management of all risks across the Company. Key risk processes include the risk assessment and treatment processes. These processes assist in identifying and assessing the amount of risk, to determine whether they are within appetite, and whether there is an opportunity to take and hold more risk to create value.

- **Risk culture**: The Company's culture and values are instrumental to the Company's attitude to towards risk taking, risk management, the approach to risk appetite, and the level of risk awareness in decision-making. Accountability, ownership, and the tone from the top are key to effective risk management. Staff are expected to be aware of the risks within the business and to proactively manage these within risk appetite.

- **Risk governance**: The risk management framework is supported by a governance structure tasked with overseeing the effectiveness of the framework. The governance structure provides an escalation channel for key risk management matters, is supported by effective reporting, and provides the Board with assurance over the effectiveness of the framework.

3. THE FRAMEWORK

3.1 Risk categories

Risk is the effect of uncertainty on objectives. This includes both downside (potential for loss or hard) and the upside (opportunity to gain through taking risks and managing them well). To assist in considering risks in the context of the above, the Company has adopted the following media risk categories.

Risk Categories	Sub-categories
Strategy and planning	Corporate strategy
	Mergers & Acquisition
	Industry partnerships, alliances and outsourcing
	Planning and forecasting
	Stakeholder management – Investors, Government, Clients
Brands and content	Branding and reputation
	Acquisition and commissioning of content
	Content development and production
Sales and Distribution	Revenue generation
	Distribution
	Content marketing
Infrastructure	Corporate assets
	Finance, accounting and tax
	People and culture – safety and health
	Technology and Engineering
	Legal
Governance, risk and compliance	Corporate governance
	Risk management
	Compliance
	Corporate responsibility

Risk categories are defined risk groupings that help organise consistent identification, assessment, measurement, and monitoring across risks. Using standardised risk categories across the Company enables risks to be aggregated to determine their overall impact.

3.2   Risk identification, assessment and treatment processes

The Company uses a seven-stage process for managing risks, as per the diagram below. This process provides a logical and systematic method of identifying, analysing and treating risks in a way that allows the Company to appropriately respond to risks and opportunities as they arise. The approach is consistent with the Australian standard on risk management (AS/NZS 31000:2009 Risk Management).
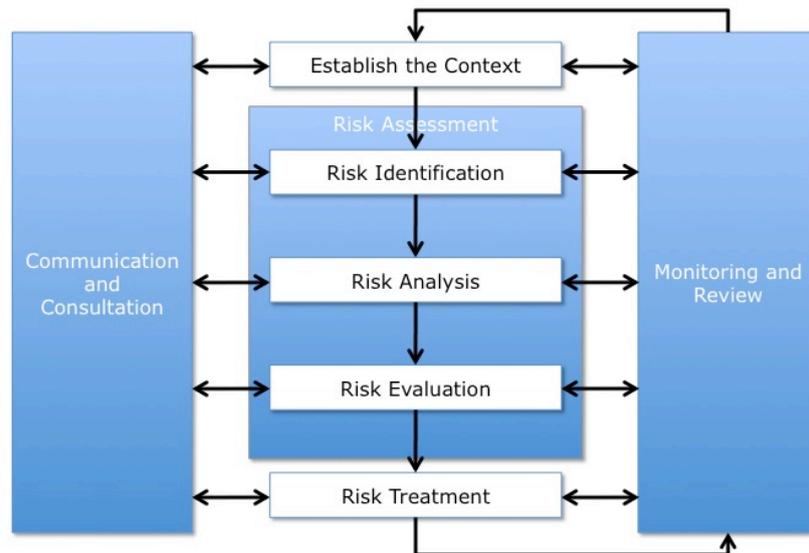
The seven stage process is an on-going process, however, it is formally undertaken annually to identify the key risks that are impacting the Company. The main outcome of the annual undertaking is the documentation of key risks in the Company's Risk Register and the documentation of remediation actions, where applicable.

3.2.1   Identification

Tools to identify and record risks are manually based. The Company's immediate priority is to work on embedding the current risk management framework to ensure all risks are accurately identified and addressed.

3.2.2   Assess

To ensure consistency across the Company, risks identified must be assessed and measured in accordance with the inherent and residual risk ratings tables. This is based on a defined likelihood and consequence matrix system. The ratings scales used for inherent and residual risk are provided in Appendix 1.

3.2.3   Control and treatment

Each risk owner is responsible for implementing and enforcing controls that effectively manage and mitigate risks identified to an acceptable level. Controls implemented must be effective in minimising the likelihood and impact of the risk. An efficient and effective control will have appropriate balance between (i) the cost of implementation and (ii) the likelihood and potential impact of the risk event if it occurred and the residual risk level.

3.2.4 The Company's risk register

A risk register detailing the key risks for the Company will be maintained and reviewed at least annually. The risks on the register will be determined in the context of the strategy and operations of the Company. Lower priority risks may be accepted and monitored. For other risks, the Company may be required to develop and implement a specific risk management treatment plans.

3.2.5 Risk treatment plans

The risk assessment process should identify where further management action is required. If the level of a risk is low, then the risk may be acceptable to the Company without the need for additional controls. For risks where remediation actions are required to reduce the level of risk that the Company is exposed to, Treatment Plans will be required.

Treatment plans enable the monitoring and reporting of agreed upon actions to management, the Audit and Risk Committee (ARC) and the Board. It contains details including (i) description of the risk; (2) agreed upon actions and (3) details of those charged with ensuring implementation and the necessary timeframe.

3.2.6 Integration with other types of risk

The risk management process should incorporate all risk types including Workplace, Health and Safety and Project Risk.

3.2.7 Monitoring, review and reporting and escalation

Each risk identified is the Company's risk register has an appropriately assigned executive owner. Risk owners are to have appropriate monitoring arrangements in place to understand and monitor the level of risk exposure. The expectation is that where a risk is outside the desired risk exposure level, the change will be considered, and an assessment made as to the appropriateness of the position. Where this position is not considered tolerable, appropriate actions to manage the risk back will be required.

Processes exist to identify, assess and report issues of non-compliance with policies, processes, legal and regulatory obligations and the Risk Management Policy. While regular reporting to the Executive, the ARC and the Board is in place, the timely escalation (and, where appropriate treatment) of exceptions is expected. Escalation should not be delayed while appropriate actions are being determined.

Risk owners will be responsible for monitoring key risks, many of which are part of existing business processes, and will be required to escalate any incidents that are outside of tolerance.

The Risk Manager will be responsible for monitoring compliance against the Risk Management Policy and Framework.

3.2.8   Escalation hierarchy

SCMG Board

Audit and Risk Committee

Chief Executive Officer

Executive Leadership Team

Chief Financial Officer

Risk Manager

The conduit for reporting, monitoring, and escalation

Risk Owner

3.3   Risk Culture

The Risk Management Framework aims to embed a "risk aware" environment where employees are conscious of how their decisions impact on Company's ability to achieve its objective. Successful risk management is dependent upon a culture that is transparent and risk aware.

A positive cultural awareness of risk contributes to efficient decision making where the organisation has the capability to manage risk as and where it occurs. Key to the success of building a strong risk aware culture is a strong 'tone at the top' from the Board, CEO, and the Executive Team, in communicating and demonstrating leadership in relation to risk management.

The Company is committed to and supports a transparent risk aware culture. This is demonstrated through:

- the governance and operating structures in place for the management of risk

- a focus on continuous improvement in risk management practices

- ownership and regular discussion on all risk

3.4   Governance framework

The Board is responsible for reviewing, ratifying and monitoring the systems of risk management and internal control, reporting systems and compliance frameworks that have been developed and implemented by management, with specific guidance from the Audit and Risk committee.

The Audit & Risk Committee, in relation to the risk management is responsible for:

- reviewing the effectiveness of the Company's risk management framework at least annually

- reviewing and monitoring the adequacy of the Company's processes and practices for managing risk

- any incident involving fraud or other breakdown of the Company's internal controls

- reviewing the Company's insurance program, having regard to the Company's business and the insurable risks associated with its business

The Company has three Levels of risk management:

3 External Audit
Independent advisors
External bench-marking reviews
Targeted internal audits
Reports to Audit & Risk Committee/SCMG Board

Line of defence

2 Enterprise-wide risk management
Financial control
Safety and security
Reports to Executive Team

1 Management responsible for managing their own processes
Implement internal processes and control
Reports to Executive Team

- **First line – operations in market**: Line management are responsible for identifying and managing risks directly (design and operational controls); risk management is a crucial element of their everyday jobs

- **Second line – corporate risk management and compliance function**: This group is responsible for on-going monitoring of the design and operation of controls in the first line of defence, as well as advising and facilitating risk management activities. The compliance function monitors various specific risks such as non-compliance with applicable laws and regulations

- **Third line – independent assurance**: This group is responsible for independent assurance over risk management activities – it includes internal and external auditors, external advisors and applicable regulators.

4.   **ROLES AND RESPONSIBILITIES**

The Risk Manager is responsible for the co-ordination of risk management activities. Responsibility for maintaining and driving an effective risk management framework rests

with individuals across the Company. Outlined below are the key internal risk management stakeholders and their broad risk management responsibilities:

Stakeholder	Key Risk Management Responsibilities
Board	Overall responsibility for Corporate Governance
Audit & Risk Committee	Monitoring the effectiveness of the Risk Management Framework and to assist the Board in its understanding of the risks faced by the Company
Chief Executive Officer	- Receive notification of any material breaches - Authorises investigation of any material breaches
Senior Leadership Team	- Oversight of adherence to the risk management framework - Provide updates of any matters of divergence from the risk management policy and framework to the ARC and Board as appropriate - Ensure an appropriate risk based control environment is in place - Review material non-compliance on behalf of the CEO prior to escalation to the ARC / Board
Chief Financial Officer	- Escalation point for risk owners of material non-compliance with the Company's Risk Management Policy and Framework - Decisions to optimise the level of risk/return within defined risk appetite - Assist risk owners to develop corrective actions or optimisation of risk/return
Risk Manager	- Co-ordinating the regular formal updating of the Company's Risk Register and Risk Treatment Action Plans - Maintaining Corporate Risk and Risk Control information - Maintain oversight of material risks and their position relative to the Company's risk appetite - Assist with the development of monitoring activities by Risk Owners - Elevate matters to the relevant level where risk exceeds defined limits and/or tolerances.
Risk Owner	- Manage day-to-day risks - Ensure that appropriate monitoring is in place to determine risk position - Actively use the risk management framework as part of relevant decision making and risk taking activities - Develop and implement corrective action plans to ensure that risk levels are within tolerance and opportunities are pursued where appropriate - Be accountable for ensuring that risks with a 'high' residual risk rating are managed - Ensuring that all relevant risk areas are considered including those emanating from the services of external providers and contractors.
Internal Audit	- Appointed on an ad hoc basis, to provide risk assurance services - Reports to the ARC

5.   REVIEW

The Audit & Risk Committee will review the effectiveness of this Framework annually to ensure that it remains relevant and appropriate to the Company. Any changes identified by the Audit & Risk Committee will be recommended to the Board for approval.