

1. INTRODUCTION

Southern Cross Media Group Limited (**SCA**) acknowledges that risk is inherent in its business. SCA faces a broad range of risks as a listed media organisation. SCA's risk management framework is an important tool to guide the organisation towards achieving its corporate objectives, effectively managing risks and optimising shareholder value.

2. SCA'S RISK MANAGEMENT FRAMEWORK

2.1 Overview

SCA is in a rapidly changing industry, as shown by significant changes in the advertising market with the reduction in print circulation and associated rise in online publishing and online classified businesses; the shift of outdoor advertising to digital panels; the decline of free to air television audiences; the rapid growth of video and audio streaming together with its associated digital advertising; and the growing consumption of live radio and other streaming and on-demand audio on Internet-enabled devices.

The media industry continues to evolve and be transformed by the impact of technology with the ability for content to be delivered and targeted across a range of distribution platforms and with a proliferation of on-demand content. Accordingly, SCA needs to continually evaluate its operations to take advantage of the opportunities and avoid or mitigate the pitfalls that exist.

SCA's risk management framework is an holistic approach to risk management that fosters an integrated and informed view of risk exposures across SCA's operations. The framework is the total of systems, structures, policies, processes, and people within SCA that identify, assess, mitigate, and monitor all material business risks.

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

- an integrated framework to effectively manage uncertainty and obligations, respond to risks, and to 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 SCA's operations by providing accurate and timely reporting on the profile of risks and the mitigating controls.

2.2 Key elements of the framework

- **Risk categories:** Risk categories help organise consistent identification, assessment, mitigation, and monitoring of risks. The main risk categories are Strategy and Planning; Brands and Content; Sales and Distribution; Infrastructure; and Governance, Risk, and Compliance.
- **Risk appetite:** To guide its decision-making, SCA has defined its tolerance for risk in each of the risk categories in the Risk Appetite Statement as set out in Appendix 1.

- **Risk management processes:** These processes enable the consistent management of all risks across SCA. Key risk processes include the risk assessment and treatment processes. These processes assist in identifying and assessing risks, to determine whether they are within risk tolerance, and the extent to which there is an opportunity to proactively manage risks to create value.
- **Risk governance:** The risk management framework is supported by a governance structure providing for regular review and reporting of material business risks, and escalation of risks outside the tolerance, providing senior management and the Board with assurance of the risk management framework’s effectiveness.

3. THE FRAMEWORK

3.1 Risk categories

Risk is the effect of uncertainty on objectives. This includes both the downside (potential for loss or adverse consequences) and the upside (opportunity to gain through taking risks and managing them well).

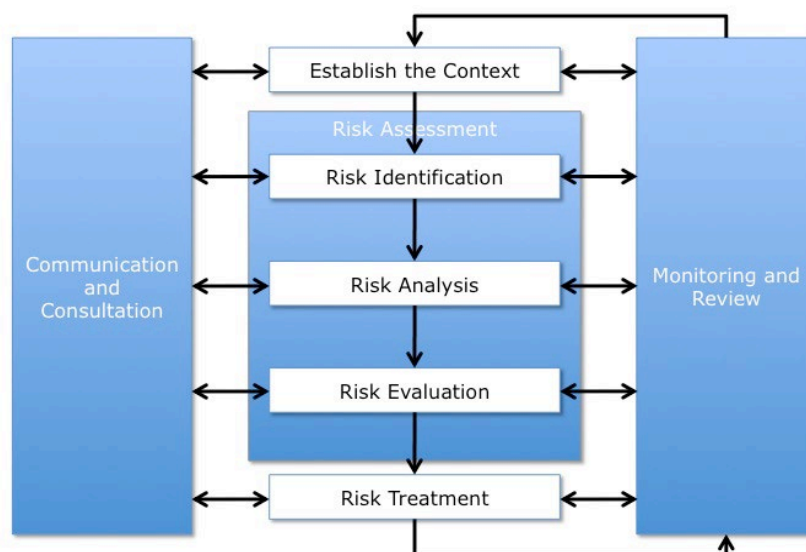
SCA has adopted the following risk categories.

Risk Categories	Sub-categories
Strategy and planning	Corporate strategy
	Mergers & Acquisitions
	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 – physical and intangibles
	Technology and Engineering
Governance, risk, and compliance	Corporate governance
	Risk management
	Compliance
	Corporate responsibility
	People and culture – health and safety
	Finance, accounting, and tax
	Legal

3.2 Risk identification, assessment, and treatment processes

SCA uses a seven-stage process for managing risks, illustrated in the diagram below. This process provides a logical and systematic method of assessing and treating risks in a way that allows SCA to appropriately respond to risks and opportunities as they arise. The

approach is consistent with the Australian standard on risk management (AS ISO 31000:2018 Risk Management - Guidelines).



This process is on-going; however, it is formally undertaken quarterly to assess the material business risks affecting SCA. At each quarterly review, risk owners record and update the status of material business risks and mitigating actions in SCA's Risk Register and, where applicable, the Risk Watch List. The Board's Audit & Risk Committee (**ARC**) reviews risks in the Risk Watch List at its meetings.

3.2.1 Identification

Tools to identify and record risks are manually based. SCA's immediate priority is to embed the current risk management framework to ensure all risks are identified and addressed.

3.2.2 Assess

To ensure consistency across SCA, 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. The ratings scales used for inherent and residual risk are provided in Appendix 2.

3.2.3 Control and treatment

Each risk owner is responsible for implementing and enforcing controls that effectively manage and mitigate risks so that the residual risk rating is within SCA's risk tolerance. Controls may target reducing the likelihood or consequence of the risk (or both) to bring the residual risk rating within SCA's risk tolerance. An efficient and effective control will appropriately balance the cost of implementation and the impact on the likelihood and potential consequence of the risk .

3.2.4 SCA's risk register and Risk Watch List

SCA maintains a risk register detailing the material business risks in the context of SCA's strategy and operations.

SCA also maintains a Risk Watch List detailing material business risks with a residual risk rating of High or Very High, together with other material business risks that warrant active management and monitoring.

3.2.5 Risk treatment plans

If the residual rating of a risk is within SCA's risk tolerance, then the risk may be acceptable to SCA without the need for additional controls.

If the residual rating of a risk is outside SCA's risk tolerance, management will develop and implement a risk treatment plan designed to bring the risk within tolerance within an acceptable period. A risk treatment plan should include a description of the risk, the actions to be taken to mitigate the risk, the timeframe for bringing the risk within tolerance, the risk owner with responsibility for managing the risk.

The risk owner will monitor the effectiveness of risk treatment plans and, where applicable, report to the ARC and the Board on .

3.2.6 Monitoring, review and reporting and escalation

Each risk in SCA's risk register has an appropriately assigned executive owner. Risk owners must understand their risks, and implement arrangements to monitor and manage them to ensure they are within tolerance or that risk treatment plans are in place to bring them within risk tolerance. Risk owners should promptly escalate any incidents that are outside of tolerance.

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 Senior Leadership Team, 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.

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

3.2.7 Escalation hierarchy



3.3 Risk culture

The Risk Management Framework aims to embed a “risk aware” environment where employees are conscious of how their decisions affect SCA’s strategy and operations. 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 from the top’ from the Board, CEO, and the Senior Leadership Team, in communicating and demonstrating leadership in relation to risk management.

SCA 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 risks.

3.4 Governance framework

The Board is responsible for monitoring SCA’s risk management and internal controls, reporting systems, and compliance frameworks that have been developed and implemented by management, with specific guidance from the ARC.

The ARC, in relation to the risk management is responsible for:

- (a) monitoring the effectiveness of SCA's risk management framework and SCA's processes and practices for managing risk, including satisfying itself that:
 - (i) the risk management framework deals adequately with new and emerging risks; and
 - (ii) SCA is operating within the risk appetite set by the Board;
- (b) making recommendations to the Board in relation to changes that should be made to SCA's risk management framework and the risk appetite set by the Board;
- (c) monitoring the effectiveness of SCA's internal control framework;
- (d) reporting to the Board on internal control processes for identifying and managing fraud and other material risk areas;
- (e) monitoring SCA's insurance program, having regard to SCA's business and the insurable risks associated with its business; and
- (f) monitoring the effectiveness of relevant Board policies and making recommendations to the Board relating to changes in those policies, including the Risk Management Framework, Risk Management Policy, Whistleblower Policy, Securities Trading Policy, Taxation Risk and Governance Policy, Delegation of Authority Policy, and External Communications Policy.

SCA has three lines of defence in relation to risk management:



- **First line – management:** Line management is responsible for identifying and managing risks directly (design and operational controls). Risk management is a crucial element of their everyday jobs.

- **Second line – 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 external auditors and external advisers, such as those for IT, HR, and tax matters.

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 SCA. 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	Monitors the effectiveness of the Risk Management Framework and assists the Board in its understanding of SCA's material business risks
Chief Executive Officer	<ul style="list-style-type: none"> - Receives notification of any material breaches - Authorises investigation of any material breaches
Senior Leadership Team	<ul style="list-style-type: none"> - Oversees adherence to the risk management framework - Ensures an appropriate risk-based control environment is in place - Reviews material non-compliance on behalf of the CEO prior to escalation to the ARC or Board - Updates the ARC and Board as appropriate in relation to material business risks, risks with residual rating outside tolerance, and any incidents of non-compliance with the risk management policy and framework
Chief Financial Officer	<ul style="list-style-type: none"> - Escalation point for risk owners of material non-compliance with SCA's Risk Management Policy and Framework - Decisions to optimise the level of risk/return within defined risk appetite - Assist Risk Manager and Risk Owners to develop corrective actions and to optimise the balance of risk and return
Risk Manager	<ul style="list-style-type: none"> - Co-ordinates the regular formal updating of SCA's Risk Register, Risk Watch List, and Risk Treatment Action Plans - Maintains Corporate Risk and Risk Control information - Oversees material business risks and their position relative to SCA's risk appetite

Stakeholder	Key Risk Management Responsibilities
	<ul style="list-style-type: none"> - Assists with the development and execution of monitoring and risk treatment activities by Risk Owners - Escalates matters to the relevant level where risk exceeds tolerance.
Risk Owners	<ul style="list-style-type: none"> - Manage day-to-day risks and actively use the risk management framework in decision-making and risk-taking activities - Develop and implement risk treatment plans to ensure risk levels are within tolerance and opportunities are pursued where appropriate - Ensure appropriate monitoring is in place to determine risk position and consider all relevant risk areas including those emanating from the services of external providers and contractors - Be accountable for ensuring that risks with a residual risk rating of 'high' or very high or otherwise outside tolerance are appropriately managed
Specific risk auditors and advisers	<ul style="list-style-type: none"> - Appointed on an ad hoc basis, to provide risk assurance services regarding a specific process, function, or control of material impact or concern - Report to management. Management will provide the service provider's report to the ARC and, if required by the ARC, will ensure the service provider is available to present the report to the ARC.

5. REVIEW

The ARC will review the effectiveness of this Framework annually to ensure that it remains relevant and appropriate to SCA. Any changes identified by the ARC will be recommended to the Board for approval.

Most recently reviewed: 6 December 2023.

RISK APPETITE STATEMENT

SCA considers each risk from a financial, legal, reputational and a health and safety perspective when considering its overall risk appetite. The following terms are used below to describe SCA's tolerances to risk.

- **No tolerance:** SCA strives to ensure that no such risks arise and mitigating controls are in place to nullify their impact as much as possible. To the extent they still occur, SCA thoroughly investigates the causes with a view to changing policies, procedures, or systems to eliminate repeat occurrences and takes disciplinary actions where necessary.
- **Low tolerance:** SCA manages the risk to limit the likelihood of occurrence and consequence so that the consequence of any occurrence is expected not materially to affect SCA's operations or the achievement of SCA's strategy and objectives. This would generally correlate to a Low residual risk rating.
- **Moderate:** SCA manages the risk to limit the consequence so that any occurrence is expected to have a short-term or modest impact on SCA's operations and achievement of SCA's strategy and objectives. This would generally correlate to a Medium residual risk rating.

Category	Risk tolerance
<p>Strategy and planning</p>	<p>SCA takes calculated risks in developing new products and revenue streams, which may supplement, progressively replace, or disrupt existing products or revenue streams. Proposed investments are assessed on a comparable basis before decisions are made. These investments will vary in size and may impact on short term profitability in the pursuit of sustainable future growth. SCA has a moderate tolerance for such investments as part of a portfolio. While SCA is seeking to optimise its key audio assets, it also has a strategy to invest in suitable audio adjacencies and has a moderate tolerance for such investments.</p> <p>Examples of the tolerance for risk include the following.</p> <ul style="list-style-type: none"> • SCA will invest in new products that are expected to deliver profitable revenue streams within a reasonable time once audience or demand has been established. SCA is prepared to incur operating losses on a new product in the short to medium term (up to three years) provided longer term expected returns justify the investment. • SCA is willing to partner with, or invest in, businesses in audio adjacencies to gain experience and understanding of the related industry, or to develop the capabilities needed for future growth. <p>SCA is prepared to invest in acquisitions where there is consistency within the portfolio of investments and a belief that synergies are reasonably realisable and that the enlarged business will deliver improved shareholder returns in the medium to long term.</p>

Category	Risk tolerance
	<p>SCA may invest in emerging technology companies to support and accelerate development of new digital products. Investments in emerging technology companies are inherently risky. SCA will mitigate these risks by:</p> <ul style="list-style-type: none"> • limiting the size of investment to avoid failure having a material adverse impact on business performance • adopting the following guidelines to ensure that failure of an investment would not have long term operational impact: <ul style="list-style-type: none"> – preparedness to adopt superior technology if it emerges – considering the likelihood of follow-on investment being required – limiting the number of investments – where appropriate examine in the context of the portfolio of investments that are being made to limit exposure – avoiding venture debt instruments (because these do not match SCA’s investment expertise or partnering approach).
<p>Brands and content</p>	<p>SCA has a reputation for pushing the boundaries and considers taking reasonable risks is necessary to its programming. SCA has a moderate tolerance in relation to its programming content – be it produced by SCA, commissioned, or represented. However, SCA is conscious of its responsibilities as a broadcaster and publisher and has no tolerance for content that leads to physical or psychological injury to listeners or would breach licence conditions.</p> <p>SCA protects its intellectual property by registration and enforcement.</p>
<p>Sales and distribution</p>	<p>SCA believes in taking considered, calculated risks in developing new products and revenue streams, which may supplement, progressively replace, or disrupt existing products or revenue streams.</p> <p>SCA has a goal to expand and monetise digital audio listening. This requires a moderate risk tolerance, with investment required to develop SCA’s knowledge of its audience; provide appealing content on the platform; enable appropriate functionality and personalisation on the platform; and to automate sales platforms.</p>
<p>Infrastructure</p>	<p>Physical security</p> <p>SCA provides a highly secure environment for its people and assets by ensuring its physical security measures meet high standards. SCA has a low tolerance for the failure of physical security measures.</p>

Category	Risk tolerance
	<p>People and culture</p> <ul style="list-style-type: none"> • Work health & safety: SCA has no tolerance for harm, either physical or psychological, to our employees or other people because of SCA’s operations. SCA actively manages workplace health and safety risks with a view to eliminating the risk of harm and, if harm occurs, to minimise it and improve our management of similar risks in the future. • Conduct of people: SCA has no tolerance for material breach of its Code of Conduct, such as such as workplace bullying, fraud, or corruption. SCA will investigate any potential breach and take appropriate disciplinary actions where necessary. • Calibre of people: SCA relies on motivated and appropriately skilled people to perform its functions. It aims to create an environment where employees are empowered to the full extent of their abilities. SCA aims to create an environment where justified risk taking is encouraged, supported by a control environment that measures the outcomes of new initiatives. <p>Climate – physical</p> <p>SCA’s office, studio, and communications infrastructure could be adversely affected by extreme weather events. Local communities and businesses could also be adversely affected. SCA has a medium tolerance for allowing climate events to affect SCA’s business and operations.</p>
	<p>Technology and engineering</p> <ul style="list-style-type: none"> • Technology service availability: SCA has a low tolerance for risks to the availability of systems which support its critical business functions. • Security including cyber-attack: SCA recognises that no system of defences is infallible but has a low tolerance for threats to its assets arising from external malicious attacks. To address this risk, SCA aims for strong internal control processes; robust recovery capabilities and the continual development of resilient technology solutions. • Ongoing development: The implementation of new technologies creates new opportunities, but also new risks. SCA has a low tolerance for IT system-related incidents which are generated by poor change management practices. <p>Information management</p> <p>SCA is committed to ensuring that its information is authentic, appropriately classified, properly protected and managed in accordance with legislative and business requirements including privacy laws. It has a low tolerance for the compromise of processes governing the capture, retention, and use of</p>

Category	Risk tolerance
	information, its management and publication. SCA has no tolerance for deliberate misuse of its information.
Governance, risk, and compliance	<p>General</p> <p>SCA is committed to a high level of compliance with relevant legislation, regulation, industry codes and standards as well as internal policies and sound corporate governance principles. Identified breaches of compliance will be remedied as soon as practicable and policies and procedures altered to prevent recurrence.</p> <p>Privacy</p> <p>SCA has no tolerance for breach of privacy requirements in relation to personal information collected in the course of SCA’s business.</p> <p>Climate - transition</p> <p>If SCA fails to address the impact on its business of climate change, SCA could become less attractive to media buyers and advertisers, communities, employees, and investors, leading to reduced profitability and market capitalisation. SCA has a medium tolerance for these impacts.</p> <p>Deliberate violations</p> <p>SCA has no tolerance for deliberate violations of legislative or regulatory requirements.</p>

RISK CONSEQUENCE AND LIKELIHOOD MATRICES

Consequence		Impact Types			
		Health & Safety	Reputation	Legal	Financial
5 Catastrophic	Impacts that cause SCA to be unable to sustain ongoing operations over the longer term - would cause a standalone business to cease trading.	One or more fatality in the workplace. Severe irreversible disability or impairment (>30% of body) or Severe irreversible psychological damage to one or more persons in the workplace or course of duties	Prolonged (>2 months) national media condemnation. SCA directly responsible for desecration of a world heritage site. Infringement and disregard of cultural heritage or other minority group impacting social license to operate	Hostile takeover, public shareholder discontent resulting in loss of Chairman/CEO/Board, bankruptcy, closure of operations in multiple sites. Loss of major metro licence due to regulatory breach.	Profit > \$50m Equity > \$125m
4 Major	Impacts that reduce ability of SCA to achieve business objectives.	Major irreversible disability or impairment (<30% of body) or major irreversible psychological damage. to one or more persons in the workplace or course of duties	Major adverse national media/attention. 20-100 people protest, people restrained with force, arrests, and injuries. Reputation severely impacted. Damage to structures/items of national cultural significance. Major infringement and disregard of cultural heritage or minority group interests	Major civil litigation including class actions. Significant breach of industry code / guidance / ACMA regulation.	Profit = \$10m to \$50m Equity = \$25m to \$125m

Consequence		Impact Types			
		Health & Safety	Reputation	Legal	Financial
3 Moderate	Impacts that disrupt normal operations with a limited effect on achievement of business strategy and objectives.	Moderate irreversible disability or impairment (<30% of body) or moderate irreversible psychological damage to one or more persons in the workplace or course of duties	<p>Extended attention from regional media and/or heightened concern by local community. Criticism by community, Reputation adversely affected.</p> <p>Moderate damage to structures/items of local cultural significance.</p> <p>Moderate infringement of cultural heritage/sacred locations or other minority group interests</p>	Moderate breach of industry code / guidance / ACMA regulation.	<p>Profit = \$1m to < \$10m</p> <p>Equity = \$4m to < \$25m</p>
2 Minor	No material impact on the achievement of business strategy and objectives	Objective but reversible disability/physical or psychological injury to one or more persons in the workplace or course of duties	<p>Adverse local public or media attention and complaints. Reputation is adversely affected with a small number of people.</p> <p>Minor repairable damage or disturbance to property, structures, or items. Minor infringement of cultural heritage or other minority group interests.</p>	Minor legal issues, non-compliances, and breaches of regulation.	<p>Profit = \$0.1m to < \$1m</p> <p>Equity = \$0.8m to < \$4m</p>
1 Insignificant	No or negligible impact	Low level short-term subjective inconvenience or symptoms. No medical treatment.	<p>Public concern restricted to local complaints. Low level interest from local media.</p> <p>Low-level infringement of cultural heritage or minimal disturbance to heritage structures or other minority group interests.</p>	Low-level legal issue	<p>Profit < \$0.1m</p> <p>Equity < \$0.8m</p>

Likelihood	
Common	The risk is almost certain to occur more than once within the next 12 months / >75% likely
Likely	The risk is almost certain to occur once within the next 12 months / 50-75% likely
Possible	The risk could occur at least once in the next 2-4 years / 25-50% likely
Unlikely	The risk could occur at least once in the next 4-20 years / 5-25% likely
Rare	The risk probably will not occur, i.e. Less than once in 20 years / <5% likely