

Village Roadshow Limited

(‘VRL’ or ‘Company’)

Group Risk Management Policy

1. Scope and Aim of this Risk Policy

The scope of this policy is to create a Village Roadshow Limited group (“Group”) wide environment in which risk management is subject to consistently good practice across the Group, where management can make informed decisions that optimise the risk return ratio, and where unexpected outcomes are kept to a minimum.

The aim of this policy document is to formalise and communicate the Group’s approach to the management of risk. It includes:

- Clear roles and responsibilities for the management of risk for the VRL Board, VRL Audit and Risk Committee and for management in the Group’s businesses and in Group functions.
- The mechanisms by which the business determines its risk appetite, considers and accepts new risks.
- Reporting requirements for risk assessments and actions and their escalation to appropriate levels within the Group.

This policy is intended to demonstrate that, as part of good business practice, VRL understands and manages risk.

2. VRL’s Attitude to Risk

2.1 Principles

VRL’s attitude to risk is based on the following key principles:

- **Philosophy** - the Group will take on a level of risk in line with its appetite for risk. As profits result from successful risk-taking, the aim is to manage and control risk appropriately rather than eliminate it. The stronger the Group’s risk management processes the more risk the Group can take on to maximise return.
- **Culture** - to foster a culture that accepts risk taking as fundamental to VRL’s business but appreciating that risk identification and control are indispensable for the continuing strength of VRL.
- **Education** - to promote risk awareness among all employees. VRL is committed to embedding risk management practices in the day-to-day management of the business through increasing the awareness of risk in employees.
- **Standards** - a common approach to risk management and reporting within all divisions of the Group (‘Business Units’) is adopted to promote consistency and best practice in the managing, monitoring and reporting of risk. VRL is committed to employing the most appropriate market practices in the management of the risks faced by the Group.

- **Risk ownership** – ultimate responsibility for the management of risk lies with senior management but to support this responsibility the Group has established functions with roles in the management, monitoring and reporting of risk exposure.
- **Independent assurance** – the Group will seek to obtain independent assurance through Internal Audit functions, external audit and the use of other specialist consultants as required from time to time that the systems of internal controls and risk management framework are operating effectively in all material respects.

2.2 The Group’s Risk Appetite

A certain level of risk is inherent in the Group’s business activities and it is for the Board or its designated representative to determine the level that is acceptable to the Group.

The level of risk accepted constitutes the Group’s risk appetite and will be one that trades off a level of risk against underlying shareholder value.

The Group sets this appetite in two ways:

- A “Top-down” approach by communicating policies on standards, limits and authorities through a Delegation of Authority document and other Group policies. The Group’s policy framework sets the levels of risk that can be the subject of the decision-making of line management with appropriate escalation to the Executive Committee, Audit and Risk Committee and the Board as required.
- A “Bottom-up” methodology through the periodic review by Business Units and management of the Group’s risk profile through VRL’s bi-annual Risk Assessment process and Corporate Governance and Compliance program (“CGC Program”).

3. Roles and Responsibilities

VRL has established a framework of responsibilities which is consistent with the following generally recognised basic principles of sound risk management practice:

- Appropriate oversight by committees of directors and senior management;
- Adequate risk management processes that provide for continuous risk monitoring by management;
- The embedding of risk management into the activities of each Business Unit as an integral part of the business;
- Appropriate internal controls and assurance processes linked to key business risks as documented in the CGC Program.

This section describes high-level roles and responsibilities in VRL’s management of risk. The descriptions are not intended to cover all of the respective function’s responsibilities, just key responsibilities in the context of the Group’s risk management framework.

3.1 The Board

The Board considers that effective identification, assessment and management of the risks facing the Group are key elements of its responsibilities and those of Executive Management. Effective risk management is a fundamental part of good management practice.

The Board is committed to maintaining sound risk management systems to safeguard stakeholders' interests and the Group's assets and to prevent breaches in applicable legislation or regulation. The Group's system of internal controls is part of the wider system of risk management.

The Board acknowledges that sound risk management systems reduce, but cannot eliminate the possibility of human error, poor judgement in decision making, the deliberate override of controls or the occurrence of unforeseeable circumstances.

The Board is responsible for approving the risk policy, reviewing the effectiveness of the risk management process and confirming the appetite of the Group for risk.

The Board also sets appropriate policies on internal controls and seeks regular assurance from the Audit and Risk Committee that enables it to satisfy itself that the system of internal control is functioning effectively in managing risks.

3.2 Audit and Risk Committee

The members of the Audit and Risk Committee are appointed by the Board from amongst the Independent Directors of the Company and shall consist of no less than three members.

The Chairperson of the Audit and Risk Committee is appointed by the Board and shall not be the Chairman of the Board.

The Audit and Risk Committee's key responsibilities are described in its Charter. In the area of management of risk, these responsibilities include:

- Receive and review reports from the external auditor on significant issues arising from the audit of financial statements and on the Group's internal control environment;
- Receive reports from the Corporate Governance and Compliance Committee and to assess the adequacy and effectiveness of the system of internal controls and risk management framework including the CGC Program;
- Review and consider the annual assurance from the VRL Group CEO and CFO and report to the Board on the effectiveness of the Group's management of risk, including system of internal controls, covering financial and operational risks, non-financial and strategic risks and compliance controls;
- Ensure co-ordination between the internal and external auditors and co-ordinate with the Group CFO to ensure the internal audit functions are adequately and appropriately resourced and have suitable standing within the Group and, through the Group CFO, approve the internal audit plan;
- Approve and review any significant amendments to the Company's Delegation of Authority arrangements;
- Note any significant legal actions commenced against the Group and to note and ensure adequate and appropriate steps are taken to remedy any significant breaches of regulations, legislation and associated industry codes of practice.

3.3 Corporate Governance and Compliance Committee

The Corporate Governance and Compliance Committee ('CGC Committee') is chaired by the Group Company Secretary and comprises representatives drawn from VRL's Executive Committee and other senior corporate officers.

In addition senior Business Unit or corporate executives (as Process Owners within the CGC Program) are invited as required.

The CGC Committee's key responsibilities are described in its Charter. These responsibilities include:

- Co-ordinate and monitor key existing aspects of the CGC Program and supplement with such new programs as are required or considered desirable;
- Consider the effectiveness of the business risk management process;
- Formulate bi-annual reviews of the CGC Program and obtain written sign-off for all areas of material compliance from the relevant corporate and Business Unit executives;
- Ensure that the CGC Program is implemented on a timely basis;
- Review results of any material audits or compliance reviews and to direct further internal or external reviews (if necessary);
- Recommend to the VRL Audit and Risk Committee any material independent external reviews (if necessary);
- Report each Half Year to the VRL Audit and Risk Committee, and to VRL's Managing Director and Chief Financial Officer, on the status of the CGC Program;
- Provide written confirmation to VRL's Managing Director and Chief Financial Officer at the end of each Financial Year on the compliance status of the Group;
- Review the Group's response to meeting the requirements and expectations of the latest governance and risk management requirements.

The CGC Committee's role in the management of risk is to lead risk management within VRL at a Group-wide level, including:

- Devising and updating as required the Group Risk Policy (this document) for approval by the Board;
- Monitoring and continuously enhancing the Group's risk management and reporting processes;
- Analysing and consolidating the results of the Group wide risk reporting process for review by the Audit and Risk Committee.

3.4 Business Unit Management

It is essential that management see the management of risk as an integral part of the business, and embed risk management practices in the day-to-day management of the business. In addition it is recognised that as this Risk Management program includes a holistic assessment of risk including strategic, operational and compliance risks and should involve all key departments within the relevant Business Unit and not be delegated to the finance function alone.

As part of their management of the business, Business Unit management should:

- Identify and evaluate the risks faced by the Business Unit;
- Design, operate and monitor a system of internal controls appropriate for the needs of the Business Unit, including sign-offs from the relevant Process Owners;

- Embed control and compliance responsibilities within individuals' job descriptions and objectives;
- Co-ordinate assurance work for maximum coverage of risks, such as ensuring risk functions, internal and external audit, quality assurance functions and compliance functions all co-ordinate their work to avoid duplication and maximise coverage.

Whilst doing this, Business Unit management should:

- Implement all Group Risk Management policies;
- Report risk assessments and any gaps in the Business Unit's Compliance Program to Group Internal Audit.

Major Business Units within the Group should convene at least quarterly meetings of that Business Unit's Corporate Governance and Compliance Committee ("Divisional CGC Committee") drawn from appropriate financial and operational personnel within that Business Unit.

The Divisional CGC Committees should meet to discuss and consider, and to provide at least a 6 monthly report to the Business Unit's Managing Director and Chief Financial Officer that the Business Unit, on:

- Implementation and continuous improvement of it's CGC program;
- Compliance with it's Divisional Delegation of Authority;
- Monitoring and timely resolution of any gaps in the Business Unit's Compliance Program;
- The assessment of the results of any internal or external reviews or audits conducted and any additional examinations as may be appropriate;

thus enabling the Business Unit's Managing Director and Chief Financial Officer to provide their sign-off on the compliance of that the Business Unit with the Group's Risk Management and Compliance Programs.

Divisional CGC Committees report to the VRL CGC Committee and at least one member of the VRL CGC Committee is a representative on each Divisional CGC Committee.

The Group's Risk Management Program is co-ordinated by Group Internal Audit and is reported on a consolidated basis 6 monthly to the Audit and Risk Committee.

3.5 Group Internal Audit

In conjunction with the CGC Committee, Group Internal Audit provides independent assurance to the Business Unit, VRL's Managing Director and Chief Financial Officer and VRL's Audit and Risk Committee as to the effectiveness of management of risk including system of internal controls.

In considering the effectiveness of management of risk, Group Internal Audit will review adherence to Group and Business Unit policies including compliance with the Group's Delegated Authority Policy. Results of the Group Internal Audit's risk reporting process will be used to focus future assurance work.

3.6 External Audit

External Audit is responsible for providing an opinion on the truth and fairness of the annual financial report and a negative assurance of the half-year financial report. In so doing they will review the management of risk and system of internal controls as a basis for relying on the Group's financial systems to provide the accurate financial position of the Group as deemed necessary for the External Audit sign-off.

4. VRL Risk Assessment & Reporting Framework

4.1 Ongoing high level identification and evaluation of risks

To ensure there is an ongoing and consistent approach for the identification, evaluation and management of risk within the Group, a Group wide risk assessment and reporting process (VRL Risk Assessment Methodology) is in place for the reporting of Group wide risk assessments for presentation to the Audit and Risk Committee.

The VRL Risk Assessment process is closely aligned to guidelines as recommended by relevant recognised Australian and international risk management standards from time to time and involves the following steps:

- Identify and quantify risks confronting VRL or the Business Unit, as applicable;
- Determine the adequacy and effectiveness of controls to mitigate these risks;
- Devise additional controls to manage residual risks to an acceptable level;
- Propose action plans and accountability for risk management;
- Define a framework for future risk management within VRL or the Business Unit, as applicable;
- Provide a degree of assurance to the VRL Board that the Risk Management system is operating efficiently and effectively in all material respects.

The different types of risk assessed include:

- **Strategic** – such as external competition, loss of market share/audience share/ratings, industrial disputes, reputation damage from poor service delivery, business alliances/partnerships, legislative and community changes such as sustainability and corporate social responsibility or the issuing of additional radio licences, mergers/acquisitions and divestitures;
- **Operational** – such as protection of physical assets from hazards, health and safety procedures, sales and marketing and product safety and quality, system failures including technology;
- **Financial** – such as credit collections and bad debts, liquidity and credit, cost over-runs, changing financial reporting, accounting or tax policies or legislation, foreign exchange or interest rate exposure;
- **Compliance** – such as code of conduct, legal and regulatory, governance and reporting.

These risks are rated through a consistent methodology involving a frequency and severity matrix, including an assessment of the probability of the occurrence of the risk eventuating, the controls in place to manage the risk, a ranking of the risks with

the most severe impact, action plans to mitigate them and identification of the Group personnel accountable.

4.2 Reporting – Business Unit

Business Units report the results of their risk management processes:

- As part of the performance monitoring processes between Business Unit management and the Group Executive;
- Through the Divisional CGC Committees;
- To the CGC Committee to enable a report on the effectiveness of the internal controls and risk management to be compiled for the Audit and Risk Committee.

In addition to this 6 monthly process, where there are material changes in the risks facing the Group or material breakdowns in the system of internal control, these are to be reported through the Executive Committee to the Board as soon as practicable.

Each Business Unit within the Group must adopt an approach to risk assessment and reporting which is consistent with this framework and supports the minimum information required for Group reporting purposes. Reporting of Business Unit risk management results internally (to that Business Unit's own management team), is for the Business Unit to determine and should reflect whatever requirements management may set. Co-ordination within the Business Unit is required to minimise duplication of risk reporting in other management reporting processes.

4.3 Reporting – Corporate Governance & Compliance Committee

The CGC Committee will provide six monthly reports to the Audit and Risk Committee summarising the results and effectiveness of Risk Management across the Group.

Summaries of significant control breakdowns, breaches of regulation or legislation, the results of assurance work to date and future plans will be included annually (in line with the Audit and Risk Committee reporting process). Individual references to control breakdowns or assurance work may be made where they have specifically led to (or contradict) risk assessments.

On an ongoing basis, control breakdowns, regulatory or legal breaches and findings from assurance work will be escalated promptly to the Executive Committee in accordance with the Group Delegated Authority policy guidelines and normal procedures for escalation of assurance findings.

4.4 Reporting - Audit and Risk Committee

The Board has delegated to the Audit and Risk Committee the task of carrying out the monitoring and review of the Group's system of internal controls.

The review by the Audit and Risk Committee will be considered by the Board and used as a basis for the Group's public statements on internal control within the financial statements and within the section on corporate governance in the VRL annual report.

The review will take into account:

- The reports received from management during the year;
- Executive summaries of independent assurance reports during the year;

- The scope and quality of management's ongoing monitoring of risks and risk management systems;
- The work of the CGC Committee and Group Internal Audit functions;
- Changes, since the last review, in the nature and extent of significant risks and the Group's ability to respond to changes in its business and the external environment;
- External Audit reports.

4.5 Reporting – Group Internal Audit

The Group Internal Audit Division, which is totally independent of all operating Business Units, performs regular reviews on significant areas of risks within Business Units to ensure that the internal controls framework is adequate and remains effective. In addition, reviews by Group Internal Audit also monitor internal compliance to policies adopted by the Board including strict compliance to the Group Delegated Authority policy.

On the recommendation of the Group CFO the Internal Audit Plan is approved every six months at Audit and Risk Committee meetings. A summary of major audit findings and control weaknesses, not adequately addressed by Management, are reported directly to the Audit and Risk Committee.

Group Internal Audit also coordinates the Group Risk Assessment reports from Business Units and VRL Corporate to present a Group risk profile summary to the Audit and Risk Committee on a six monthly basis.

4.6 Reporting - Executive Committee

Through its representatives on the CGC Committee, VRL's Executive Committee is aware of any material issues that come before CGC Committee or of any significant adverse findings resulting from its compliance activities. These are escalated as appropriate for management action by the Executive Committee or the matter is referred for decision by the VRL Audit and Risk Committee or the VRL Board.

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