



TREASURY
WINE ESTATES

Risk & Assurance Framework

Treasury Wine Estates

Purpose of the Risk & Assurance Framework

This Framework describes Treasury Wine Estates (TWE) risk and assurance systems and the supporting management disciplines in place to bring these systems to life. It explains the philosophy and structure required to recognise business improvement opportunities through the management of risk.

This Framework is action-oriented. It requires people to focus on the right things, prepare effective action plans and to be held accountable for their actions.

All TWE employees have a role to play in managing risk. Employees are encouraged to report incidents, hazards and risks without fear.

The management of risk is undertaken not as a separate discrete function, but as an integrated ingredient in the way we work.

TWE Risk and Assurance Framework is founded on a clear risk management philosophy and accountabilities driven by governance and operation.

Risk Management Philosophy & System

General Principles

The cornerstone to TWE Risk Management philosophy is that better business outcomes are achieved by understanding and managing risks that threaten TWE business objectives. The embedding of risk management systems into key business strategies, processes and projects assists in maximising shareholder value.

The management of risk does not mean that all risks must be eliminated. TWE management of risk is based on normal business case criteria where the cost and benefits of implementing risk management strategies must be weighed against TWE business strategies to facilitate balanced decision making. Upon the thorough assessment of risks and their mitigation options, employees and management may accept or tolerate risk within their delegated authority limits.

Where a residual risk exceeds the delegated authority of management, management's recommendation is referred to the Board through the Audit & Risk Committee.

Risk Management System

To support the operational effectiveness of the general principles and to apply a risk rating system so that resources can be appropriately allocated, the risk and assurance system and processes below including their designed outputs mapped against each major component, has been adopted.

TWE Risk & Assurance System & Processes

A Risk Rating System (Appendix A), which provides parameters for the estimation of the consequences and likelihood of risks is maintained to support the risk assessment process and enable the consistent application of the general principles across TWE. The Risk Rating System measures the impact of risks against the following key exposures, and ranks risks accordingly:

- Financial results as measured by EBITAS
- Health and Safety
- Brand and Reputation
- Legal and Compliance
- Environment and Community
- Business Continuity
- Customers, Consumers and Distributors

Decisions as to the acceptance, avoidance and treatment of risk are driven by the ranking of risks under this Risk Rating System.

Governance & Operation

An essential part of the governance of the risk and assurance framework includes defined roles, responsibilities and relationships for the supervision and oversight of risk and assurance within TWE.

Oversight of TWE Risk & Assurance Framework is the responsibility of the Board, which is assisted by the Audit & Risk Committee.

The Group Executive is accountable for ensuring systems, procedures and controls are in place so that risks are managed to an acceptable level. The Group Executive is assisted by Group Risk & Assurance in developing systems to identify, assess, mitigate, monitor and report risk material to the Board.

Business Unit Management is responsible for the application of TWE risk management principles to ensure that the business operates within the overall Risk & Assurance Framework.

Key roles of functions of the chain of governance include:

TWE Board

- Oversight of the Risk & Assurance Framework
- Approval of risk management philosophy, including risk appetite, tolerance, reporting systems and assurance process to determine effectiveness of internal controls.
- Through the Audit & Risk Committee in accordance with the Audit & Risk Committee Charter.

Group Executive

- Establish the risk management philosophy and ensure it is implemented consistently through the business.
- Ensure that appropriate resources are allocated to risk management within the business
- Ensure that appropriate and timely action is taken to address issues raised by Management or Group Risk & Assurance
- Ensure that appropriate systems, procedures and controls are in place so that risks are managed to an acceptable level.
- Ensure effective risk and assurance reporting exists against the highest rated risks.

Business Unit Management

- Application of the risk management philosophy
- Provide assurance on effectiveness of controls
- Report outcomes of risk management programs
- Group Risk & Assurance
- Provide integrated risk and assurance services to the Business
- Coach and facilitate risk management skills and capability
- Develop tools and technology to enable risk management capability
- Share relevant risk related information throughout the Business
- Monitor and challenge the application of risk management philosophy in the Business
- Manage TWE internal audit and assurance systems
- Manage TWE insurance and self-insurance systems and arrangements
- Facilitate TWE OH&S system and audits.

Occupational Health & Safety Council

- Monitor company-wide implementation of OH&S plan and systems
- Contribute to framing TWE strategic plan for occupational health and safety
- Provide update to the Group Executive and Board on both lead and lag performance.

Key Risk & Assurance Processes

Enterprise Risk Management

This process identifies strategic, operational, financial and compliance risks that threaten the Company's objectives and ranks the risks based on defined ratings approved the Audit & Risk Committee for the consequences of the risk should it occur and the likelihood of the risk occurring with those consequences.

Business Units will maintain a register of their key risks and address those risks through their Strategic Plan (LTP) and through their normal business performance and budget processes. The key risks and action plans designed to reduce those risks, where practical, together with the existing controls and the current effectiveness of those controls will be reported to the Group Executive and the Audit & Risk Committee twice per annum.

Group Risk & Assurance will maintain a record of the key risks in the Company and will report to the Audit & Risk Committee on the Company's key risks as assessed from the risks reported by the Business Units and by corporate departments. Group Risk & Assurance will identify for the Group Executive and the Audit & Risk Committee trends and common risks across the Company and note changes to risk ratings and the Company's key risks.

Control Self Assessment

This process provides assurance to Management and the Board by requiring Management to assess and report on the effectiveness of financial and operational process controls in the Company.

Business Units will report to the Group Executive and the Audit & Risk Committee any material defect in controls in their business and will take action to correct defective controls.

Group Risk & Assurance administers the Control Self Assessment process and reports to the Group Executive and the Audit & Risk Committee on the process outcome, including trends and common issues arising from the process and overdue action to correct defective controls.

Internal Audit

This process provides assurance to management and the Board, through substantive testing of controls and processes, as to the effectiveness of those controls implemented to manage strategic, financial, operational and compliance risks in key process in the Company. The emphasis for internal audit work is directed toward risk that are rated "A" and "B" in the Company's risk registers.

Business Units will report to the Group Executive and the Audit & Risk Committee any material defect in controls in their business and will take action to correct defective controls.

Group Risk & Assurance administers the process and reports to the Group Executive and the Audit & Risk Committee on any “A” or “B” rated risks that arise from defects in controls and overdue action to correct defective controls. The internal audit function in Group Risk & Assurance may be an outsourced function, in which case the outsourced internal auditor will provide reports on defects in controls.

Health, Safety & Environment

The Health, Safety & Environment Management System (“HSEMS”) is directed at ensuring TWE maintains a culture that promotes safe work conditions and practices and a responsible interface with the environment. The HSEMS prescribes standards for minimum health, safety and environment performance. Audits will be conducted to ensure adherence to the standards across the company.

The OH&S Council will provide oversight of the Group’s strategic direction of continuous improvement plans in respect of occupational health and safety and Business Units will maintain plans that enable the Group’s strategies. Group Risk & Assurance administers the HSEMS, updating standards periodically, and conducting audits of all TWE businesses and sites.

Group Risk & Assurance will maintain HSE data and provide information to the Business to assist with the development of strategies for continuous improvement. Group Risk and Assurance will provide regular reports to the Audit & Risk Committee and the Board as to the performance of the Business in respect of health safety and the environment.

Insurance

Insurance cover will be procured in respect of risks that are more economically transferred to the insurance market than the cost of retaining the risks. Insurance cover will be arranged with insurers that are rated as A- or better by Standard & Poor’s, unless otherwise approved by the Audit & Risk Committee.

Where approved by the Audit & Risk Committee, risks may be insured by the Company’s captive insurance company. The captive insurance company will arrange appropriate reinsurance of risks to ensure its balance sheet is adequately protected.

Group Risk & Assurance is responsible for the administration of the Group’s insurance program and the captive insurance company. Group Risk & Assurance will review the Group’s insurance program annually and provide reports to the Group Executive and the Risks & Compliance Committee on the adequacy and status of the Group’s insurance program. Group Risk & Assurance will appoint insurance brokers to assist with the task of administering the Group’s insurance program.

Business Units will regularly review their insurance requirements with Group Risk & Assurance to ensure that risks are appropriately financed.

Crisis Management

A system for escalating notification of incidents and the establishment of Incident Management Teams at a site or Functional level and Crisis Management Teams as Business Unit and Corporate levels will be maintained. The system will include annual refresher training for senior management and other key staff. Crisis Management plans will be maintained that provide guidance to the user as to key decisions and actions to be taken in respect of a crisis.

Business Continuity Management

Business Units are required to maintain business continuity plans for all production sites and key warehouse and office locations that enable the carrying on of business activities to as near to normal as is possible following the occurrence of an incident that interrupts business activities for an extended period.

Group Risk & Assurance is responsible for the maintenance of a business continuity management system that provides plan development tools, testing, training and audit capabilities for the Business. Group Risk & Assurance will provide regular reports to the Group Executive and the Audit & Risk Committee in respect of testing, training and audit outcomes.

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