

1 Introduction

This document sets out Villa World’s overall appetite towards risk. The processes through which we identify and manage risks, being the responsibility of all staff, are contained in internal documentation comprising our risk management framework.

The Board is responsible for setting the overall risk culture of the business. The Board’s risk appetite informs all risk management activity within the company, and the Audit & Risk Committee (Chaired by an independent non-executive director) has oversight of the risk management framework.

Villa World’s risk appetite is the degree to which it is prepared to accept risk. Some level of risk is inherent in our business. The identification and management of risk is central to delivering Villa World’s strategic and operational objectives.

Risk may manifest in many forms and has the potential to impact Villa World in areas such as health and safety, environment, community, reputation, regulatory, operational, market and financial performance.

By understanding and managing risk we provide greater certainty and confidence for our shareholders, financiers, employees, customers and suppliers, and for the community in which we operate.

The Board has determined that Villa World will take commercial risks, commensurate with its business activities, where it has the capacity and capability to manage those risks.

Villa World recognises that it is not possible, or necessarily desirable, to eliminate every risk inherent in its business activities. Acceptance of some risk is often necessary to foster innovation, pursue new opportunities and achieve growth. Some risks arise from external factors beyond our control, such as economic conditions and the regulatory environment.

Villa World’s current risk appetite in its key areas is described below. Over time, we may form a different view on some of these matters

in response to changing economic conditions and the cyclical nature of the property market.

2 Strategic Risks

The company has a proactive approach to strategic planning, which is documented in the current Strategic Plan. The Board has a low appetite for threats to the effective delivery of the Strategic Priorities. It recognises that any actual or perceived inability to deliver the Strategic Priorities could have an impact on its ability to achieve its objectives and on its reputation. However, the Board accepts that there may be some inherent risks where innovation or other advancements are required to achieve strategic initiatives.

3 Financial Risks

The company strives to maintain a strong balance sheet with appropriate gearing levels and diversified finance facilities in place to support its planned business activities. The company has a low appetite for financial losses and issues, including liquidity problems, and for poor financial and capital management.

4 People and Culture Risks

The company’s most significant people and culture risks include:

- a) Quality and retention of key staff – The company relies on motivated and high quality staff to ensure operations are satisfactorily completed. The appetite for loss of key staff, which could impact on the company’s collective competencies, knowledge and skills, is low.
- b) Health, Safety & Environment (HSE) – the company is committed to maintaining a safe working environment for all of its staff, where people are protected from physical and psychological harm. It has a very low appetite for any practises or behaviours that may lead to staff being harmed while at work.
- c) Culture – the company has an enviable culture with an engaged and committed team. It has a low appetite for any actions or activities which may damage this culture.

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- d) The company has no appetite for any fraud or corruption perpetrated by its staff.

5 Operational Risks

The company's most significant operational risks include:

- a) Property Development risks including securing development approvals and financial returns of projects. The company recognises the risks inherent in the property development business and has a moderate appetite for these risks, noting that any significant risks are carefully managed.
- b) Downturns in both property markets and the broader economic markets. The company accepts the inevitability of property and economic cycles and has a moderate appetite to any impacts on the company from these cycles, noting that the company has a strategic priority to manage property and economic cycles effectively.
- c) Achieving sales at projected levels and times. The company has a moderate appetite for risks to achieving targeted sales levels, noting that the company has a strategic priority to maintain a sales focused business.
- d) Construction costs and quality. The company has a significant construction division and has a low appetite for unplanned cost increases, poor quality and other construction issues.
- e) Information Technology (IT), including cyber risk issues, that could impact on business continuity. Villa World is committed to ensuring that its information (including its customers' information) is properly managed in accordance with privacy laws and business requirements. The company has a very low appetite for breaches of policy and processes governing the use, management and publication of data. Villa World has no appetite for unlawful access to, or deliberate misuse of, its data.
- f) Ensuring that systems and processes are aligned to business strategy and operational efficiencies. The company has a very low appetite for non-adherence to established systems and processes and for risks to these systems and processes.

6 Compliance Risks

The company is committed to a high level of compliance with relevant laws, regulations and standards and a high level of corporate governance. It has a low appetite for any breaches of legislative and regulatory requirements and non-adherence to recommended corporate governance practises.

7 Reputation and Brand Risks

The company has been operating as a listed entity for over 30 years and has developed a strong reputation and brand over that time. It has a low appetite for any damage to its reputation or brand.