

Memorandum of Understanding between the Department for Culture, Media and Sport and Channel Four Television Corporation

Annex 2 – Schedule 9 Arrangements - Risk Register

Channel Four Television Corporation Schedule 9 Risk Register

June 2022

Category of activity	Function type	Reason	Further details	Where the activity is reflected in the financial statements
Advertising Sales – Channel 4	Primary Function	Securing continued provision of Channel 4	The sale of advertising airtime, as well as digital advertising space, sponsorship and other commercial partnerships generates most of the Corporation’s revenue, which is then used to fund content and the fulfilment of the remit.	<p>Recorded within Linear Advertising Revenue and Digital Advertising Revenue.</p> <p>Linear Advertising Revenue was £835m in 2021 as disclosed in Note 1 to the financial statements. Digital Advertising Revenue was £224m in 2021 as disclosed in Note 1 to the financial statements.</p> <p>The costs of delivering this revenue are included within Cost of Transmission and Sales in the income statement. Total Cost of Transmission and Sales was £1,024m in 2021 as disclosed in Note 2 to the financial statements.</p>

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Advertising Sales – Third Parties	Primary Function	Securing continued provision of Channel 4	As above, the Corporation also sells advertising space for certain third parties. This means we continue to maintain scale and manage a demographically efficient base. This contributes further to the Corporation’s revenue, which is used to fund content and fulfil the remit.	<p>Recorded within Linear Advertising Revenue and Digital Advertising Revenue. Total Sales House revenues (includes Corporation advertising revenue plus the gross revenues of our third parties) were £1,298m in 2021.</p> <p>We only recognise our commission from third party sales within revenue in the income statement (rather than the gross revenues, due to Channel 4 acting as agent only for these sales).</p> <p>The costs of delivering this revenue are included within Cost of Transmission and Sales as noted above.</p>
Other revenues	Primary Function	Securing continued provision of Channel 4	Over 90% of the Corporation’s revenues are derived from advertising activities. As a result and as part of its Future4 strategy, the Corporation seeks to drive growth in other revenues to support the long-term sustainability of Channel 4 and the fulfilment of the remit. These other revenues include film theatric income, rights, distribution and production revenues.	<p>Recorded within Non-Advertising Revenue.</p> <p>Non-Advertising Revenue was £105m in 2021 as disclosed in Note 1 to the financial statements.</p>

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All 4 and online	Primary Function	Fulfilment of Media Content Duties	Distribution of catch-up, archive and exclusive content via Channel 4's digital platform All 4 (as well as other online platforms) allows the Corporation to meet its statutory requirement to "participate in the broadcasting or distribution of relevant media content by means of a range of different types of electronic communications networks".	<p>Revenues from advertising on the All 4 platform are included within revenue in the income statement. Digital Advertising Revenue in 2021 was £224m.</p> <p>The ongoing operating costs in respect of All 4 and online are recognised within Cost of Transmission and Sales in the income statement, although only part of these totals and not disclosed separately.</p>
Platform Distribution Arrangements (e.g. Sky, Virgin)	Primary Function	Securing continued provision of Channel 4	The Corporation's distribution arrangements across cable, satellite and DTT look to meet its legislative requirement to "participate in the broadcasting and distribution of" a broad range of high quality content".	<p>Licence fees from platform distribution arrangements are included in Non-Advertising Revenue in the income statement. Total Non-Advertising Revenue in 2021 was £105m (although licence fees are only part of this total and not disclosed separately).</p> <p>The ongoing operating costs in respect of platform distribution costs are recognised within Cost of Transmission and Sales in the income statement although only part of these totals and not disclosed separately.</p>
Broadcast Distribution Arrangements (e.g. Mux capacity and satellite capacity)	Primary Function	Securing continued provision of Channel 4	The Corporation has distribution arrangements in place with various suppliers in order to broadcast the main Channel 4 channel and all its other channels, thereby fulfilling its primary function.	The cost of these activities is included within Broadcast and Transmission Costs in the income statement. Total Broadcast and Transmission Costs were £99m in 2021 as disclosed in Note 2 to the financial statements.

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Programme Commissions (including rights and compliance)	Primary Function	Provision of Channel 4, and fulfilment of media content duties: investment in programming.	UK programme commissions reflecting the diversity of life in the UK, lie at the heart of the Corporation's media content duties, and includes its licence-based nations and regions quota whereby the Corporation supports regional businesses in programme commissions.	The costs of these activities are included within Content and Other Content-Related Costs in the income statement. Total Content spend was £671m in 2021, with Other Content- Related Costs of £88m (both as disclosed in Note 2 to the financial statements).
Programme Acquisitions	Primary Function	Provision of Channel 4	Acquisition of programming is a commercially efficient activity which acts as a vital adjunct to the programme commissioning functions. This is consistent with Channel 4's business model, in which programmes that generate more revenue cross- subsidise programmes with a higher public but sometimes lower commercial value.	The costs of these activities are included within Content and Other Content-Related Costs in the income statement. Total Content spend was £671m in 2021, with Other Content- Related Costs of £88m (both as disclosed in Note 2 to the financial statements).
Film4	Primary Function	Fulfilment of media content duties	The Corporation must participate in the making of high quality films intended for the cinema. This also contributes to a further duty, to support the development of creative talent, in particular towards people involved in the making of films.	The costs of these activities are included within Content and Other Content-Related Costs in the income statement. Total Content spend was £671m in 2021, with Other Content- Related Costs of £88m (both as disclosed in Note 2 to the financial statements).

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Short Form Content Commissions for Advertisers	Primary Function	Securing continued provision of Channel 4	Occasionally the Corporation procures the creation of short form content for advertisers who are already purchasing airtime etc. The revenue created by this activity is then used to fund content and the fulfilment of the remit.	Revenue generated by these activities is included within Non-Advertising Revenue in the income statement. The costs of these activities are included within Content and Other Content-Related Costs in the income statement.
Marketing/4Creative ad production	Primary Function	Securing continued provision of Channel 4	The marketing and promotion of access to and awareness of Channel 4 content and in particular, to services provided in digital form, is part of the Corporation's legislative requirements.	The cost of these activities is included within Marketing costs in the income statement. Total Marketing costs of £59m in 2021 are reflected as part of Other Cost of Sales as disclosed in Note 2 to the financial statements.
Audience research/interaction	Primary Function	Securing continued provision of Channel 4	In order to fulfil its content remit effectively, the Corporation carries out research into and in many cases has established a relationship with its audiences. Audience research also supports the Advertising Sales functions, as described above.	The cost of these activities is included within Other Cost of Sales in the income statement. Total Other Cost of Sales was £166m in 2021 as disclosed in Note 2 to the financial statements, although this item is only part of that total and not disclosed separately.
Building/facilities management/I.T./Playout	Primary Function	Securing continued provision of Channel 4	The procurement of these services is necessary to enable Corporation employees to carry out the Primary Functions.	The cost of these activities are included primarily within Other Operating Expenditure and Cost of Transmission and Sales in the income statement, although only part of these totals and not disclosed separately.

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Joint Ventures: Youview	Primary Function	Securing continued provision of Channel 4	The Corporation has an interest in various consumer-focussed joint ventures which look to extend the Channel 4 audience reach and ultimately to secure the continued provision of Channel 4 by furthering the success of the industries in which it operates.	The investment in Youview is held at £nil carrying value and therefore not disclosed in the financial statements.
Joint Ventures: Other (e.g. Thinkbox)	Primary Function	Securing continued provision of Channel 4	The Corporation has an interest in various other joint ventures concerned with the success and development of the television industry and the televised advertising industry. The purpose of these memberships is ultimately to secure the continued provision of Channel 4 by securing the success of the industries in which it operates.	These investments are held at £nil carrying value and therefore not disclosed in the financial statements.
Joint Ventures: DTT (e.g. Freeview, D3&4 and DUK)	Primary Function	Securing continued provision of Channel 4	The Corporation looks to secure the continued provision of Channel 4 by its membership of and stake in these joint ventures which are concerned with securing and developing the DTT platforms.	These investments are held at £nil carrying value and therefore not disclosed in the financial statements.

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Channel 4 Ventures (formerly Commercial Growth Fund)	Primary Function	Securing continued provision of Channel 4	<p>The Corporation offers airtime advertising slots to certain companies in exchange for small equity stakes in or revenue share agreements with those companies in order to drive innovation in its commercial model.</p> <p>Management have determined investments made by Channel 4 Ventures fall within the scope of the Primary Function as they attract new advertisers and stimulate sectors, generating further revenue for the Corporation, to be used to fund content investment and the fulfilment of the remit.</p>	<p>Revenue generated by Channel 4 Ventures is included within Non- Advertising Revenue in the income statement but not disclosed separately.</p> <p>Channel 4 Ventures investments are recorded within Other Investments in the balance sheet. Channel 4 Ventures investments were £30m at 31 December 2021 as disclosed in Note 8 to the financial statements.</p>
Indie Growth Fund	Primary Function	Provision of Channel 4, and fulfilment of media content duties: investment in programming	<p>The Corporation has taken equity stakes in various independent production companies in order to stimulate growth and success in the independent production sector and invest in programming.</p>	<p>The investments in the Indie Growth Fund are recorded within Investments Accounted For Under the Equity Method in the balance sheet. Indie Growth Fund investments were £8m as at 31 December 2021 as disclosed in Note 7 to the financial statements.</p>

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4Creative design and production work for third party clients	Other Activities	Ancillary to the provision of primary functions	Occasionally the Corporation provides creative design and production services to parties outside of the Corporation	4Creative generated no revenue during 2021; its costs were highly immaterial and are not identified separately in the Annual Report. When 4Creative revenue and costs occur they are recorded in a separate business in Oracle/Hyperion, so that they are clearly identifiable and separate from primary function activities.
Global Format Fund	Primary Function	Provision of Channel 4, and fulfilment of media content duties: investment in programming	The new Global Format Fund will invest in British-created content formats with global potential, securing continued provision of C4 by commissioning content for UK broadcast, while also allowing Channel 4 to diversify its revenues by monetising IP sales internationally. The Fund was announced in November 2020 as part of the Future4 strategy launch.	As Global Format Fund titles are commissioned these are reflected within Programme and film rights on the balance sheet; as these titles are transmitted, they are then recognised within Content spend.
4Studio	Primary Function	Provision of Channel 4, and fulfilment of media content duties: investment in programming	4Studio is an in-house digital content studio, creating short form content to drive engagement with Channel 4 shows on social media as well as producing branded entertainment content for the ad market	<p>Revenue from 4Studio's activities is included within Digital Advertising Revenue (for social media activity) and Non-Advertising Revenue (for branded entertainment content) in the financial statements.</p> <p>4Studio's activities are included within Content and Other Content-Related Costs in the financial statements.</p>

