

Risk Management

SACC takes a strategic approach to identifying and mitigating risks across its various divisions and operations to protect our shareholders' interests and minimise potential threats to our business.

As with any business, SACC is exposed to a range of potential risks through the normal course of its operations. No organisation can operate without accepting a certain level of risk, and any expected gains from business activities are to be assessed against the associated risks.

Our Principal Risks & Mitigation

Strategic Risks

Strategic risk assessment is part of the strategic planning process within the Group. At SACC, a risk is defined as a strategic risk if it has the potential for long-term adverse impact on the business. SACC defines the following areas to belong to strategic risks:

1. Business environment risks

Business cycles in the economy, and in customer industries, influence the demand for SACC's products, as well as its financial condition and operating results. Some sectors of our business could be impacted by adverse changes in economic conditions and employment levels.

Our diversification strategy provides us a certain level of stability in cyclical markets.

2. Market and customer risks

SACC's business relies on securing and retaining a diverse range of clients in

The purpose of risk management at SACC is to ensure that the Group can effectively execute its strategies and reach its targets, in the short term as well as over the long run. The key is to identify any risks that have the potential to restrain SACC from reaching its goals, and thereafter to determine whether those risks are at an acceptable level.

Actions must be taken to avoid, mitigate, transfer, or monitor identified risks. SACC's management processes offer a set of reactive, proactive, protective and preventive tools that are used not

only to protect it against threats, but also to turn some of the risks into opportunities, where possible.

Risks can only be managed if they are identified and understood in advance, if risk treatment and mitigation plans are made to manage them, and if a process of continuous follow-up is in place for the related controls. Therefore, risk management is an essential part of SACC's strategic and operational management.

3. Global political risk

The airlines industry is global and is hence dependent on political and economic developments, not only in the Kingdom of Saudi Arabia, but worldwide. SACC's businesses are largely dependent upon the airlines industry and may be impacted adversely by negative global events and trends.

We try to anticipate and contribute to important changes in public policy, when possible.

4. Competition

SACC's businesses operate in various sectors, some of which are highly competitive. The level of competition varies by sector – some markets are relatively concentrated with one to three key players while others are fragmented, offering opportunities for consolidation. Aggressive pricing by our competitors has the potential to cause a reduction in our revenues and margins.

We aim to minimise this by continuing to promote our differentiated propositions and by focusing on our points of strength, such as flexibility in our cost base, quality and value of service and innovation.

People Risks

1. Recruitment

Failure to attract and recruit people with the right skills at all levels could limit the success of SACC. The Group faces resourcing challenges in some of its businesses due to a lack of industry experience and appropriately qualified people among candidates, as well as the seasonal nature of some of our businesses.

We aim to mitigate this risk by efficient, time-critical resource management, mobilisation of existing, experienced employees within the organisation, and by delivering effective training and development programmes.

2. Retention and motivation

Retaining and motivating the best people with the right skills, at all levels of the organisation, is key to the long-term success of the Group. We have established training, development, performance management and reward programmes to retain, develop and motivate our people. We continually develop communication channels that help us to more effectively and efficiently monitor, understand and respond to our employees' needs.

Operational Risks

1. Hazard risks

SACC operates at five airports in industrial-size catering units, two laundry plants and numerous other smaller premises (catering outlets, retail shops, lounges, industrial sites, on-shore oil rigs and so forth). Most of these sites are leased by SACC. While operating, SACC is exposed to risks in areas such as occupational health, employee safety, environment, fire, natural events and site security.

We manage these risks through established management procedures

and loss prevention programmes. Occupational health and safety systems, travel safety instructions, and crises management guidelines are designed to protect SACC employees.

Any risks that we are unable to influence through our own efforts are transferred, when possible, to insurance companies. We use appropriate insurance policies to cover indemnity risks related to personnel, assets, and business interruptions, as well as third-party and product liability. All our insurance policies are subject to terms and conditions.

2. Service delivery and contractual compliance

SACC has a large number of contracts with many clients. Failure to comply with contractual terms and conditions could lead to loss of business.

We have processes in place to ensure that we meet the standards that we set, and that we comply with all contractual terms and conditions.

Financial Risks

SACC's diverse activities expose the Group to a variety of financial risks, such as market risk (cash flow and interest rate risk), credit risk and liquidity risk.

The Board has put in place appropriate structures to ensure risk governance and monitoring across the Group. SACC's overall financial risk management focuses on the unpredictability of financial markets and clients' payment behaviour, and seeks to minimise potential adverse effects on the Group's financial performance. Financial risk management is carried out by HQ finance and Group controlling, which identify, evaluate and take actions on financial risks, where appropriate.

The principles of overall financial risk management, as well as policies covering specific areas such as credit risk and the investment of excess liquidity, exist and are formally documented.

1. Cash flow and interest rate risk

As SACC has no significant interest-bearing assets, the Group's income and associated operating cash inflows are substantially independent of changes in market interest rates. SACC has no interest-bearing liabilities.

2. Credit risk

Credit risk reflects the risk that a counterparty will default on its contractual obligations, resulting in financial loss to SACC. The credit risk arising from cash and cash equivalents and deposits with banks and financial institutions are limited because the counterparties are banks and financial institutions which, in general, have an investment grade rating assigned by international credit rating agencies.

We monitor our third- and related-party trade receivables continuously, and have a policy in place to manage and collect overdue receivables. To mitigate the

negative impact from possible credit losses from these receivables, we have in place a provision for bad debts. This policy is in line with the requirements of IFRS 9, Financial Instruments. We use Estimated Credit Loss (ECL) model to calculate the provision for bad debts.

3. Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate number of committed credit facilities.

We maintain flexibility in funding by maintaining sufficient availability of cash and cash equivalent instruments. We don't have any credit facilities in place. We monitor risk to a shortage of funds by reviewing short-term cash forecasts on a continuous basis and by undertaking mid-term cash forecasts during the year.

IT & Cybersecurity Risks

Information technology and cybersecurity risks related to SACC's internal operations are identified and frequently updated, and mitigation activities are continuously executed in network security, endpoint protection, access risk management and vulnerability management.

The Group's IT department monitors internal threat exposure levels with vulnerability scanning capabilities, and provides a coordinated response to identified cybersecurity incidents. Furthermore, development of SACC's information security capabilities is closely monitored by the Group's executive management.

We rely on a variety of IT systems in order to manage and deliver services and communicate with our clients, consumers, suppliers and employees. We are focused on the need to maximise the effectiveness of our information systems and technology as a business enabler and to reduce both cost and exposure as a result.

Cybersecurity strategy development and implementation will continue to be strengthened over the coming years.