



The next phase centers on increasing the volume of local Saudi Arabian content in procurement contracts, supporting national food producers, goods manufacturers, and service providers. This would help stimulate the domestic economy while boosting employment and job creation, in line with the Kingdom's Vision 2030.

Technology has also played a major role in the centralization of procurement, contributing to increased efficiency in the production process and consistency in product quality. And by embedding technology in supply chains, working with strategic logistics vendors to track shipments of important materials online in real time, potential delays are flagged early, helping to consolidate freight costs and minimize losses.

SACC will continue to invest in technology, conscious of the central role of procurement in realizing the Company's cost control goals and upholding its standards, while aligning with the government's vision for the nation as a leader in adopting and applying the most advanced high-tech resources.

## RISK MANAGEMENT

SACC is exposed to various risks through the normal course of its activities. Every business has to accept a certain level of risk, and any expected gains from business activities must be assessed against the relevant risks.

The purpose of risk management is to ensure the Company can effectively execute its strategies and achieve its targets, in the short term and beyond. The key is to identify the risks that could prevent the Company from reaching its goals, and then to determine an acceptable level for those risks. Risks identified need to be avoided, mitigated, transferred, or monitored.

SACC's management processes use a set of reactive, proactive, protective, and preventive tools to protect it against threats, and to turn some of the risks into opportunities.

To be managed, risks need to be identified and understood in advance. Risk treatment and mitigation plans must be established, and continuous follow-up must be in place for the related controls. Consequently, risk management is an essential part of SACC's strategic and operational management.

## STRATEGIC RISK FACTORS

Strategic risk assessment is part of the Company's strategic planning process. A risk is defined as strategic if it could have a long-term impact on the business. The Company defines the areas of strategic risk as:

### Business environment risk

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 the business could be affected by adverse changes in economic conditions and employment levels.

The Company's diversification strategy provides a degree of stability in cyclical markets.

### Market and customer risk

SACC's business relies on securing and retaining a diverse range of clients in various industry segments. Despite this diversification, SACC's business still relies largely on its relationship with Saudia, so any adverse development affecting the airline could have a negative impact on SACC.

The Company has strategies in place to strengthen long-term relationships with clients and consumers based on quality, value, and innovation. The diversification strategy ensures that SACC does not rely on a particular sector, geography, or group of clients.

### Global political risk

The airline industry is global and therefore dependent on political and economic developments in Saudi Arabia and worldwide. SACC's businesses largely depend on the airline industry and may be negatively affected by global events and trends.

The Company tries to anticipate and contribute to important changes in public policy whenever possible.

### Competition

SACC operates in various businesses, some of which are highly competitive. The levels of concentration vary by segment. Some markets are relatively concentrated with one to three key players. Others are fragmented, offering opportunities for consolidation. Aggressive pricing by competitors could impact SACC's revenues and margins.

The Company aims to minimize this by promoting differentiated propositions and focusing on its points of strength, such as flexibility in the cost base, innovation, and the quality of its services.

**PEOPLE RISK FACTORS**

**Recruitment**

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

The Company aims to mitigate this risk using efficient, time-critical resource management, mobilizing existing experienced employees, and providing appropriate training and development programs.

**Retention and motivation**

At all levels of the organization, retaining and motivating the best people with the right skills is vital to SACC's long-term success. The Company has established training, development, performance management, and reward programs to retain, develop, and motivate its people. Effective communication channels help the senior management team to monitor, understand, and respond appropriately to employees' needs.

**OPERATIONAL RISK FACTORS**

**Hazard risks**

The Company's occupational health and safety systems, travel safety instructions, and crisis management guidelines are designed to protect employees. Appropriate insurance is in place for all personnel.

SACC operates at five airports in industrial-size catering units, two laundry plants, and numerous other smaller premises, including catering outlets, retail shops, lounges, industrial sites, and on-shore oil-rigs. SACC leases most of its sites. While operating, SACC is exposed to risks in areas such as occupational health, employee safety, environment, fire, natural events, and site security.

The Company manages these risks with established management procedures and loss prevention programs. Risks that cannot be directly influenced are transferred, where feasible, to insurance companies. SACC uses appropriate insurance policies to cover indemnity risks related to personnel, assets, and business interruptions, as well as third-party and product liability. All insurance policies are subject to terms and conditions.

SACC has established training, development, performance management, and reward programs to retain, develop, and motivate its people.



**Service delivery and contractual compliance**

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

The Company has processes in place to ensure that it meets the required standards, and that it complies with the contractual terms and conditions.

**FINANCIAL RISK FACTORS**

SACC's activities expose it to a variety of financial risks: 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 Company. SACC's overall financial risk management focuses on the unpredictability of financial markets and clients' payment behavior, seeking to minimize potentially adverse effects on the Company's financial performance. Financial risk is managed at the headquarters and group level, identifying, evaluating, and acting on financial risks where appropriate.

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

**Cash flow and interest rate risk**

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

**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 from deposits with banks and financial institutions, is limited because the counterparties are banks and financial institutions which, in general, have an investment-grade rating assigned by international credit-rating agencies.

The Company's policy is to provide 100 percent of all receivables that are more than 90 days overdue. This policy excludes Saudia and other governmental clients. Due to its proper monitoring and appropriate provisioning, management does not expect any additional losses due to client non-performance.

**Liquidity risk**

Prudent liquidity risk management includes maintaining sufficient cash and available funding from an adequate amount of committed credit facilities.

The Company ensures flexibility in funding by maintaining sufficient availability of cash and cash equivalent instruments. SACC does not have any credit facilities in place. The management team monitors the risk of a shortage of funds by continuously reviewing short-term cash forecasts, and by using mid-term cash forecasts throughout the year.

**INFORMATION TECHNOLOGY AND CYBER SECURITY**

Information technology and cyber-security risks related to SACC's internal operations are constantly identified and mitigated using network security, endpoint protection, access risk management, and vulnerability management. The IT department monitors internal threat exposure levels with vulnerability-scanning capabilities, and coordinates a response to identified cyber-security incidents. The management team also closely monitors SACC's information security capabilities.

The Company relies on a variety of IT systems to manage and deliver services and communicate with clients, consumers, suppliers, and employees. The management team focuses on maximizing the effectiveness of information systems and technology as a business enabler, and to reduce resulting cost and exposure.

SACC actively identifies and responds to cyber-security risks. Cyber-security strategy work and implementation will continue during the coming years.