ERM project phases

Phase 1
- Design & Construction ERM Framework
  - ERM Manual, P&P
  - ERM structure and JD
  - Risk Assessment Criteria & Appetite statements
  - KRI’s

Phase 2
- Implementation (ERM Monitoring & Follow Up)
  - ERM reporting packages, dashboards

Phase 3
- Risks Assessment, Mitigation Actions
  - Risk registers
  - Migration plans
  - Training session for the executive team and line management on the ERM framework, risk and Risk Champions

SACC is committed to identifying and mitigating risks by planning, monitoring and controlling activities across our divisions and operations in order to minimize factors that may potentially limit our ability to achieve our strategic objectives.

A year of major progress in our journey to robust risk management

Risk Management is the integration of corporate culture, capabilities, and practices at all levels of an organization, as well as strategy-setting and effective execution, in order to manage risk to creating, preserving and realizing value.

SACC’s Board of Directors is ultimately responsible for risk management in the Company, by properly setting the corporate culture and tone at the top through a comprehensive risk management program. This is an essential element of sound corporate governance and we are committed to continuously embedding risk management in our organizational culture. SACC’s Audit Committee has an oversight role through the Internal Audit function, while SACC’s Executive Management upholds the risk ownership and required infrastructure.

SACC’s strategic approach to risk management is designed to:
• Enhance SACC Management’s ability to anticipate, adapt and respond to changes.

The ERM initiative consisted of three phases, starting with ERM awareness and framework design, leading to risk assessment and mitigation, and finally to ERM implementation, monitoring and follow-up. As of the end of the year, SACC has accomplished the first two phases.

Risk框架
SACC’s ERM function framework has been established based on a combination between ISO:31000 and the new COSO framework, in addition to COBIT for IT and Cybersecurity-related risks.

Good practice in risk management indicates that organizations should specify their appetite for risk at a granular level related to the nature of activities in the organization.

Risk assessment
Risk assessment criteria have been developed based on three main streams: Airlines, Retail, and Catering & Facilities. To assess the risk’s severity, a risk matrix was created by defining different levels of impact and likelihood of risks.

Risk Appetite
Risk Appetite is the extent of risk SACC is ready to accept in order to achieve its objectives. It differs according to each strategic objective and risk category. SACC’s risk limits are set out in the following risk appetite statements.

SACC is committed to executing all strategic initiatives in order to achieve its corporate vision and mission. SACC’s approach is to minimize its exposure to risks relating to its regulatory and compliance responsibilities, operational risks and people whilst accepting and encouraging an increased degree of risk in pursuit of its vision and strategic objectives. In addition, it is fully committed to the protection of its assets and a high retention rate of its employees by satisfying their needs in order to maintain business continuity. It does not tolerate risks to ethics or quality.

SACC recognizes that its risk appetite varies according to the activity undertaken, and that its acceptance of risk is subject always to ensuring that potential benefits and risks are fully understood before developments are authorized, and that appropriate measures to mitigate risks are established, where required.

Risk Category | Risk Appetite | Risk Appetite Statements
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Strategic Risks | Low | Risks associated with the SACC’s strategy, as well as to its value, priorities and implementation. Strategic risks are linked to decisions at the enterprise level and the implementation of those decisions and resources that are devoted to the implementation of the strategies. It also includes responding to changes in the internal and external environment. Sound strategic risk management is critical to ensure its sustainability with the service and its ability to continue working independently and effectively. Accordingly, SACC has the intention to fully align with all strategic initiatives in light of its vision and mission.
Reputational Risks | Low | Risks associated with SACC’s reputation being negatively impacted, thereby hindering the accomplishment of strategic tasks and objectives. Reputational risk is inherent in all activities of SACC and includes factors such as employee conduct, human resource practices, supervision, legal decisions, policy decisions, financial responsibility and information security. A reputation risk assessment should consider the department’s culture, problem escalation, responsiveness, and communication strategies.
People Risks | Moderate | Risks associated with talent management, recruitment, training, talent retention, career and leadership development, succession planning, performance management and compensation. Human resources risks also include compliance with labor laws, work procedures and safety regulations. SACC conducts many initiatives and employee program to mitigate such risks.
IT & Cybersecurity Risks | Moderate | Risks associated with the ability of systems to meet users’ requirements and manpower support. These risks are also associated with technological innovation. SACC has undertaken many initiatives to comply with the National Cybersecurity Authority (NCA) and to reduce any cybersecurity risk. SACC has a moderate risk appetite for information technology and cybersecurity risks.
Regulatory Risks | Zero Tolerance | Risks associated with SACC not fulfilling its obligations under the law. Regulatory risks are inherent in all activities and decisions and may involve factors such as supervision, policy decisions, employee conduct and human resource practices, as well as contractual obligations. Coordination between the different departments and other regulatory and governmental bodies is also important for the identification and management of legal risks.
Governance Risks | Zero Tolerance | Risks associated with conflicts of interest among staff, maintenance of proper revisions and updates on the Corporate Governance manual, adherence to the Company’s business code of conduct and code of ethics.
Financial Risks | Low | Risks associated with impairment of financial resources due to adverse economic conditions, and the inefficient use of resources or increased expenditures, which hinder the ability to achieve SACC’s objectives.
Operational Risks | Moderate | Risks related to internal controls, employee conduct, operational efficiency, third-party control, physical security and business continuity planning. Operational risks to service are also associated with financial risks, as they represent the main operations of SACC.
SACC has a moderate risk appetite for operational risks.

ERM project phases
Risk Management (continued)

Risk Universe
The Company’s risk universe illustrates the specific risk environment in which SACC operates, framing key sources of risk to which SACC may be exposed. This represents the minimum scope of application of SACC’s risk management processes, which consists of eight principal risk categories: strategic, reputational, operational, IT & Cybersecurity, people, regulatory, governance, and financial.

SACC continuously reviews and updates its risk universe as an accurate representation of its strategic and operating environments. SACC anchors each identified risk in the relevant risk category to enable decision-makers to contextualize and understand the interrelationships between SACC’s activities and associated risks.

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.

Principal Risks & Mitigation
The following describes and provides high-level mitigation approaches to some of the most important risk areas across SACC.

Strategic Risks
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 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 airline 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.

People Risk
Recruitment risk
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 risk
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 Risks
Hazard risk
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.

Service Delivery & 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 Risks
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.

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

IT and Cybersecurity Risk
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 expense. SACC actively identifies and responds to cybersecurity risks. Cybersecurity strategy work and implementation will continue during the coming years.

SACC’s risk universe
- Market & Customer Risks
- Financial
- Operational
- People
- Strategic
- Reputation
- Regulatory
- IT & Cybersecurity
- Corporate Communications
- Social Media
- Compliance
- Contracts Management
- HR
- Succession Planning
- Recruitment
- Business environmental risks
- Global political risk
- Partnership, Mergers & Acquisition
- Sustainability Risk
- Food Safety
- Customer Service
- Hazard risks
- Operational disruption
- Procurement
- Quality
- Service delivery and contractual compliance
- IT & IS
- Application Development Risk
- Information Security Risk
- Retention and motivation
- Payroll
- Training