

Principles

# What is stc's Approach to Enterprise Risk Management (ERM)?

stc has a comprehensive and dynamic Enterprise Risk Management (ERM) framework in place to proactively manage business risks. This system is designed to identify, assess, prioritize, and mitigate risks across all stc's operations.

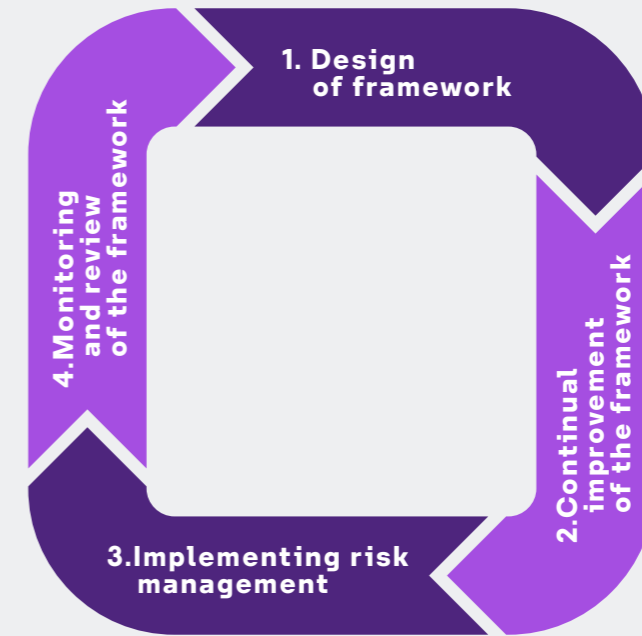
## Key Aspects of the ERM Framework

- **Holistic and Embedded:** The ERM process is integrated into the company's operations, allowing stc to take a holistic approach to risk management. This helps stc to make meaningful comparisons and supports the achievement of its strategic objectives.
- **Structured Process:** The framework defines clear roles and responsibilities and outlines a consistent, end-to-end process for identifying and managing risks. A core component of this is the monthly risk assessment.
- **Strong Governance:** The Board of Directors maintains the highest standards of corporate governance by regularly reviewing and adopting best practices. The Board has established the Board Risk Management Committee to oversee the ERM framework, risk strategy, and related policies. This committee also monitors the risk management system and reviews the organization's top risks.
- **Independent Function:** The risk management function operates independently of stc's business groups and sectors.
- **Continuous Improvement:** stc's approach is constantly being enhanced to enable more dynamic risk detection, model the connections between different risks, and use data to improve risk visibility and responses. stc's commitment to industry-leading practices is further demonstrated by its ongoing attainment of ISO 31000 attestation.
- **Consistent Evaluation:** A standard risk scoring methodology has been developed to ensure consistency when reporting and evaluating risks. The results from this process are consolidated to determine the principal risks and uncertainties for the entire organization.

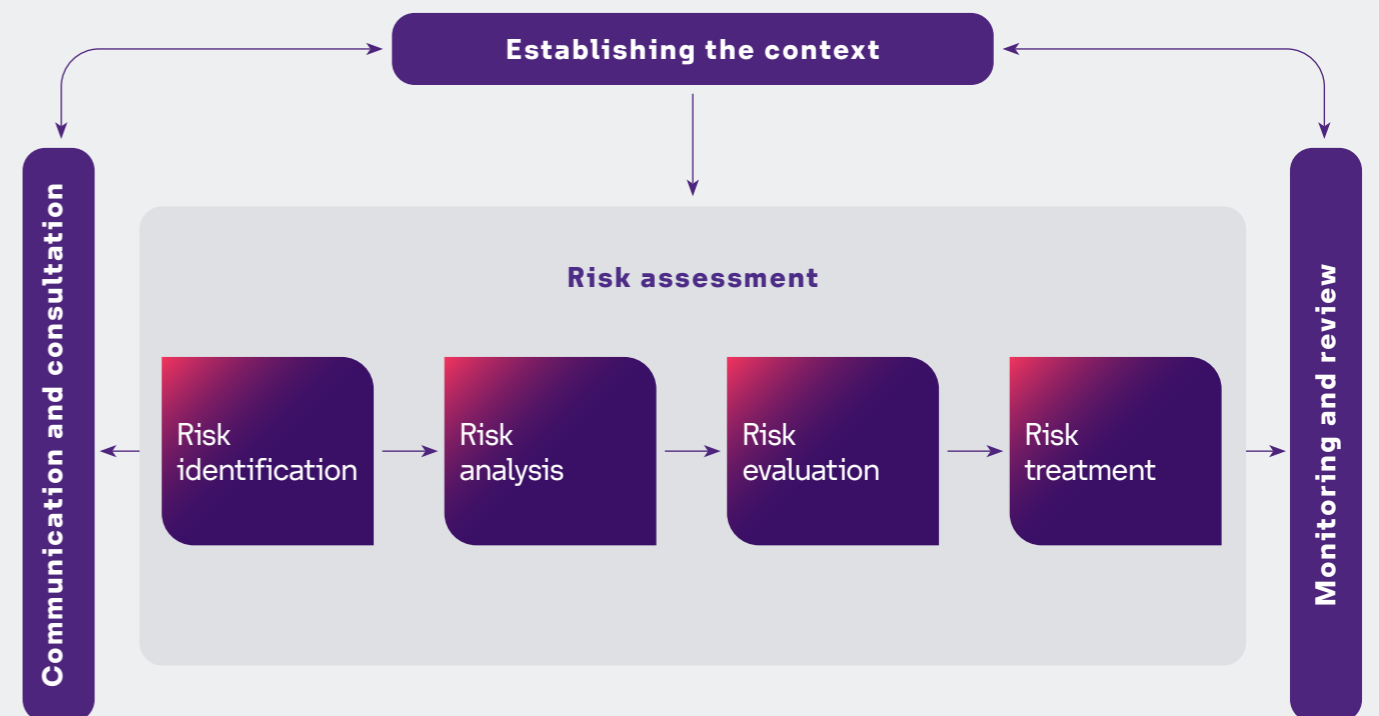
1. Creates value
2. Integral part of organizational processes
3. Part of decision-making
4. Explicitly addresses uncertainty
5. Systematic, structured, and timely
6. Based on the best, available information
7. Tailored
8. Takes human and cultural factors into account
9. Transparent and inclusive
10. Dynamic, interactive, and responsive to change
11. Facilitates continual improvement of the organization

Framework

Mandate and Commitment



Processes



# Risk categories

Risk Family Category 1	01 Corporate Risk	02 Operational Risk	03 Technology Risk	04 Financial Risk	05 Legal and Compliance Risk
Risk Family Category 2	1.1 Governance	2.1 Service Delivery	3.1 Information Technology	4.1 Market	5.1 Compliance
	1.2 Strategy	2.2 Sales and Marketing	3.2 Network Operations	4.2 Liquidity	5.2 Legal
	1.3 Program Management	2.3 Supply Chain	3.3 Cybersecurity	4.3 Foreign Exchange	5.3 Regulatory
	1.4 Planning and Resource Allocation	2.4 People/Human Resources	3.4 Data Privacy	4.4 Interest Rate	
	1.5 Major Initiatives	2.5 Revenue Management	3.5 Data Integrity	4.5 Investments	
	1.6 Mergers, Acquisition and Divestiture	2.6 Physical Assets	3.6 Artificial intelligence	4.6 Credit	
	1.7 Market Dynamics	2.7 Intangible Assets		4.7 Accounting and Reporting	
	1.8 Communication and Investor Relations	2.8 Project Management		4.8 Tax and Zakat	
	2.9 Business Continuity		4.9 Capital Structure		
	2.10 Environment, Health and Safety		4.10 Fraud		
			4.11 Revenue Leakage		

The risk categories classify all risk source types that could affect stc into five main silos known as Category 1 risks. For easier management and communication, Category 1 risks are broken down into Category 2 risk types and, in some instances, these are further subdivided into Category 3 and 4 risk types. Furthermore, the ERM will be the custodian to the risk families and has the authority to add or reclassify them.

# Residual Risk Rating

**Residual Risk Scoring:** quantifies the mitigating effects of existing controls on Likelihood Score. The calculated residual scores result in an attention score or index:

Impact Rating	Likelihood Rating	Control Effectiveness				
		Complete	Substantial	Partial	Minimal	Missing
Severe	Almost Certain					
	Likely					
	Possible					
	Unlikely					
	Remote					
Major	Almost Certain					
	Likely					
	Possible					
	Unlikely					
	Remote					
Moderate	Almost Certain					
	Likely					
	Possible					
	Unlikely					
	Remote					
Minor	Almost Certain					
	Likely					
	Possible					
	Unlikely					
	Remote					
Insignificant	Almost Certain					
	Likely					
	Possible					
	Unlikely					
	Remote					

Critical   Substantial   Manageable   Marginal   Negligible



## Identifying Risks

The Risk Management Department at stc helps all sectors/subsidiaries in identifying and assessing potential risks to their strategies and operations.

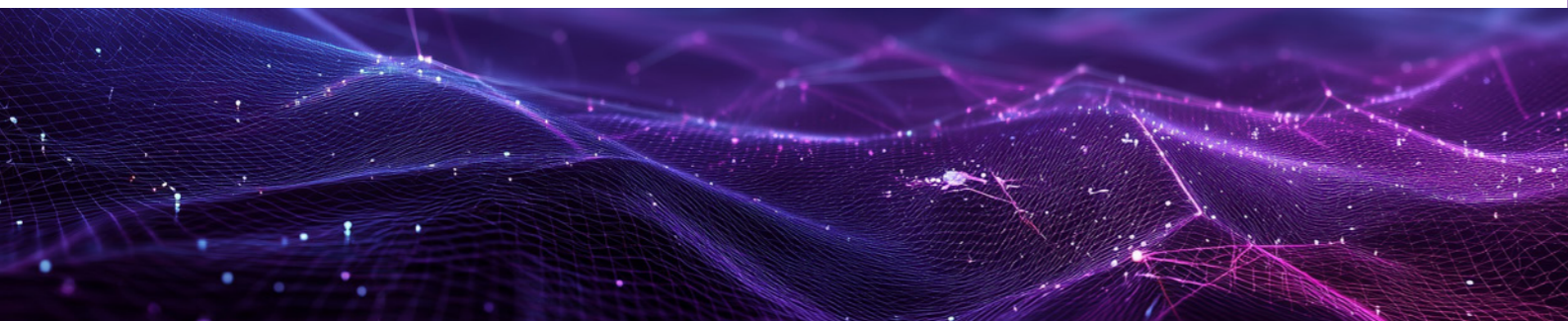
The department creates a consolidated list of these risks and presents it regularly to senior leaders and executives. This allows them to evaluate the risks from a Group-wide perspective, determine which ones are critical, and identify emerging threats that need further investigation.

Before being submitted to the Board Risk Management Committee and the Board for final review and approval, these critical risks are defined and agreed upon by the Management Risk Committee.

## Monitoring Risks

stc prepares a quarterly risk report for the Board Risk Management Committee that outlines stc's main risks. This report provides a transparent view of individual risk developments and the overall risk situation, keeping the committee informed about the latest changes to the risk management system.

To enhance its risk management and oversight, stc is continually improving its technology tools. These improvements are designed to facilitate better reporting, analysis, assessment, and management of risk information. Additionally, stc has refined its Key Risk Indicators (KRIs) to strengthen risk monitoring, ensuring more robust oversight and proactive management of risks.



## Managing Risks

To properly manage its risks, stc first categorizes them to understand their context and environment. Each risk is assigned to a specific category — such as corporate, technology, operational, financial, or compliance — and is identified as being either an internal or external threat.

This process helps to determine the best way to handle each risk and ensures it gets the right level of oversight. Executive risk owners are accountable for ensuring that adequate controls and treatment plans are in place to keep risks within acceptable tolerance levels.

stc continuously monitors the progress of these risk treatment strategies throughout the year and conducts in-depth reviews of all its risks.

## Risk Mindset and Culture

At stc, a strong risk culture is fostered through a combination of leadership and internal systems. stc's management sets the tone, establishing clear expectations and behaviors that promote risk awareness across all business activities.

### How stc Promotes a Risk-Aware Culture

- **Employee Empowerment:** stc promotes timely and effective risk interventions, helping employees make informed decisions and improve operational integrity.
- **Widespread Communication:** stc communicates expected behaviors to every employee, integrating risk awareness into the core of its corporate culture.
- **Training and Formalization:** A continuous program of training and communication is in place to support this. Additionally, defined roles formalize risk management, ensuring that risk procedures are consistently integrated into key decision-making processes.

## Risk Appetite Statement

The Risk Appetite Statement is a core element of stc's ERM framework, defining the level and types of risks stc is prepared to take in pursuit of strategic goals and long-term value. It sets clear boundaries for acceptable risks, guiding decision-making across all operations.

stc follows an "Open" risk appetite in strategic areas such as Digital Transformation, Customer Satisfaction, Service Sustainability, Employee Growth, and Third-Party Risk Management, supported by strong mitigation controls. At the same time, stc maintains a cautious stance on regulatory, legal, and ethical risks.

Regularly reviewed and approved by the Board, the Risk Appetite Statement evolves with industry trends, market conditions, and strategic priorities, ensuring a balanced approach that protects the stc's objectives while enabling growth.

## Risk Management Highlights

In its journey toward excellence in risk management, stc is reinforcing its position as a forward-looking and resilient organization. A key achievement was the comprehensive review and re-assessment of stc's Risk Framework in line with stc Group. This effort ensured alignment with evolving strategic priorities and established a robust foundation for governing risk-taking activities, enabling more informed and balanced decision-making at all levels.

Finally, stc has continued to focus on expanding its coverage of risks, ensuring a comprehensive understanding of exposures across its operations. Rigorous efforts were made to strengthen existing controls and implement robust mitigation strategies, further securing the organization against an increasingly complex and dynamic risk environment. These achievements collectively reflect stc's unwavering commitment to safeguarding its future while driving sustainable growth.

## Risk Management Mitigations

To build on these achievements, stc continues to implement a comprehensive set of Risk Mitigation measures, including:

- **Strengthening Governance:** Ongoing refinement of the Risk Framework to ensure alignment with stc Group standards, ISO 31000, COSO and industry best practices.
- **Enhanced Risk Monitoring:** Deployment of advanced tools and analytics to identify, assess, and monitor emerging risks in real time.
- **Robust Internal Controls:** Continuous reinforcement of internal control mechanisms to minimize operational, financial, and compliance risks.
- **Capacity Building:** Regular training and awareness programs to equip employees with the knowledge and skills required for effective risk management.
- **Scenario Planning & Stress Testing:** Conducting simulations to assess the potential impact of adverse events and prepare proactive response plans.
- **Integrated Risk Reporting:** Strengthening risk reporting frameworks to provide timely, transparent, and actionable insights for decision-makers.



# Principal Risks

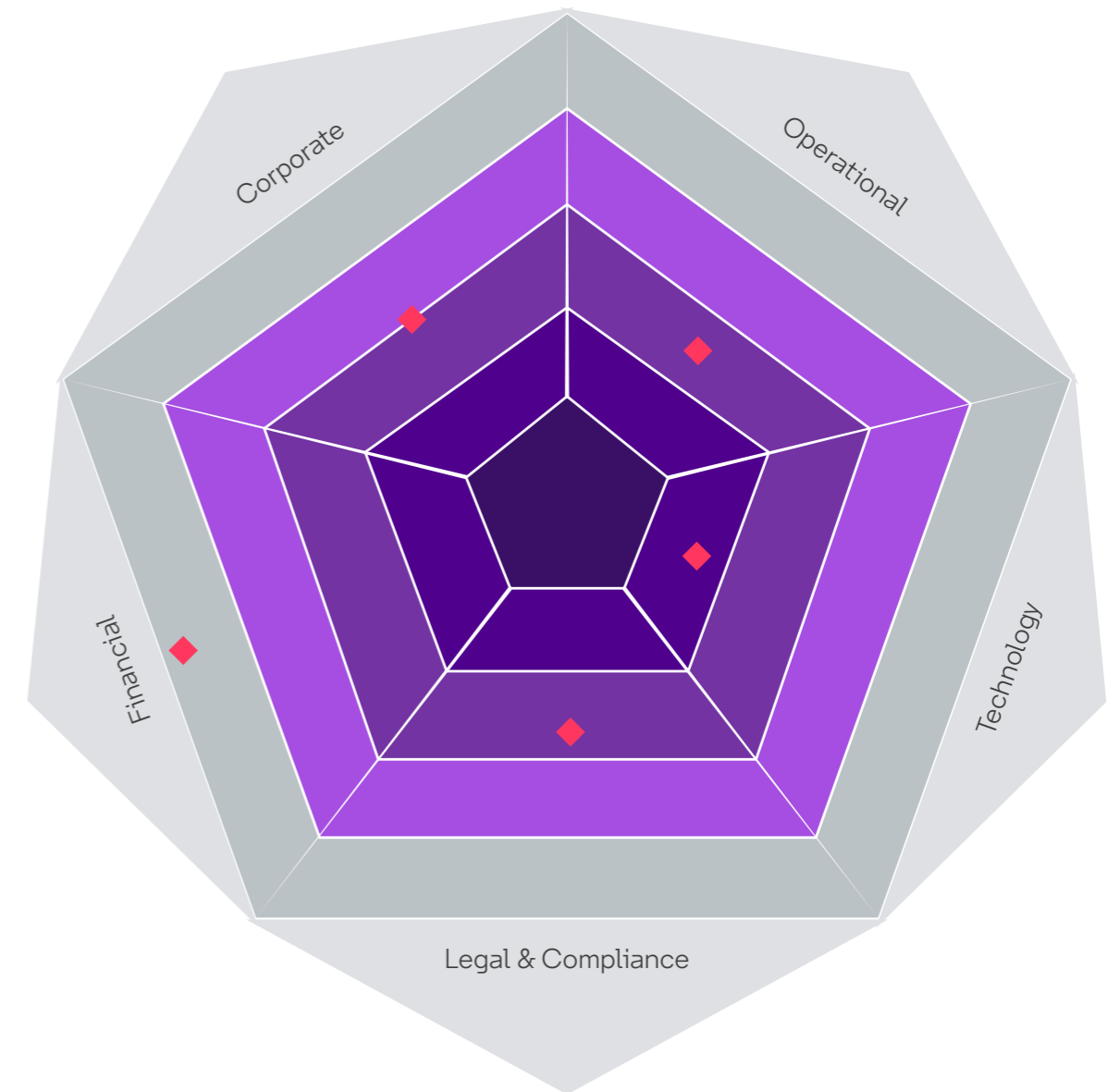
Category	Risk	Mitigation
<b>Technology</b>	Cyber Security Threats	<ul style="list-style-type: none"> <li>24/7 monitoring of network performance and security to quickly identify and resolve issues</li> <li>Vendor risk management to ensure the reliability of third-party providers and contractors</li> <li>Regular maintenance and software updates to ensure systems remain secure and reliable</li> <li>BCM/Redundancy planning (e.g., backup systems, failover mechanisms) to prevent service disruption</li> <li>Disaster recovery plans to recover from potential failures or attacks</li> </ul>
<b>Financial</b>	Credit, Market, Liquidity	<ul style="list-style-type: none"> <li>Conducting regular financial audits, risk assessments, and process reviews, along with continuous monitoring through Key Risk Indicators and Risk Appetite, to ensure the early detection of potential financial issues</li> <li>Risk hedging (e.g., insurance, currency hedging) to mitigate unexpected market fluctuations</li> <li>Cash flow management and contingency planning for economic downturns</li> <li>Budgeting and forecasting to ensure proper allocation of resources</li> </ul>
<b>Operational</b>	Environmental, Health & Safety	<ul style="list-style-type: none"> <li>Health and safety policies that adhere to local and international standards</li> <li>Employee training on safety protocols and emergency response procedures</li> <li>Regular risk assessments to identify hazards and develop safety strategies</li> <li>Compliance with environmental regulations (e.g., sustainability program, waste management, carbon footprint reduction)</li> </ul>
<b>Legal and Compliance</b>	Unfavorable regulatory changes impacting its current business model	<ul style="list-style-type: none"> <li>Regular monitoring of regulatory changes and updates</li> <li>Legal department involvement to stay ahead of new and evolving regulations</li> </ul>
<b>Corporate</b>	Governance and Internal Control	<ul style="list-style-type: none"> <li>Clear organizational structure and policies to ensure proper oversight</li> <li>Periodic Board Meeting and Board-level risk oversight, and strong internal control frameworks to ensure compliance with corporate governance</li> <li>Regular reviews of governance practices and the effectiveness of internal audits and risk assessment/ process review</li> <li>Transparent communication with stakeholders to build trust and ensure compliance with ethical standards</li> </ul>

As a leading entity in the global telecommunications and information technology arena, stc navigates a landscape rife with uncertainties and rapid change. Success in this dynamic environment is predicated on its proactive anticipation of potential developments and the systematic identification, evaluation,

and management of the consequent risks and opportunities. stc regards an efficacious risk and opportunity management system as an indispensable component of its value-driven corporate governance.

In the risk evaluation phase, it categorizes risks into corporate, technology, operational, financial, and legal and compliance domains. This classification enhances its comprehension of each risk's unique characteristics and informs its management approach, allowing it to craft tailored oversight and assurance strategies. The key risks affecting stc remain largely unchanged from last year.

The material risks, including environmental and social exposures, are detailed below, along with the strategies employed to manage them.



## Forward looking

As we move into the year ahead, stc remains steadfast in its commitment to strengthening enterprise risk management (ERM) practices to support sustainable growth and strategic excellence. Our focus will be on proactively identifying, assessing, and mitigating both existing and emerging risks that could influence the successful achievement of our business objectives and internal control.

By enhancing our comprehensive and structured ERM framework, we aim to bolster organizational resilience and agility, enabling us to effectively navigate an evolving risk landscape marked by economic uncertainty, technological disruptions,

and regulatory changes. This approach will not only safeguard our assets and reputation but also position us to capitalize on new opportunities for value creation.

Equally important, stc will continue fostering a culture of risk awareness across all levels of the organization, embedding risk considerations into decision-making processes and operational practices. Through training, collaboration, and the use of advanced risk analytics, we will ensure that risk management becomes an integral part of our corporate DNA-driving long-term sustainability, stakeholder confidence, and strategic success.

## Business continuity

stc's unwavering commitment to business continuity management (BCM) reflects its strategic focus on safeguarding national resilience, operational integrity, and the trust of its stakeholders.

stc's BCM strategy is underpinned by adherence to international standards, such as iso 22301, with comprehensive training programs for its teams in DRI and BCI standards. This equips stc with cutting-edge capabilities to ensure readiness and response excellence. Over the past year, it has achieved significant milestones, including successfully executing over 48 BCM exercises, spanning all critical functions and incorporating interdepartmental collaboration. These rigorous tests have strengthened its recovery strategies, validated its business continuity plans (BCPs) and reinforced its ability to maintain seamless operations under any circumstance. To ensure measurable and transparent performance, stc

employs strict Key Performance Indicators (KPIs) across all BCM activities, underscoring its disciplined approach to maintaining the highest levels of preparedness and reliability. Through 23 continuous business impact analyses (BIAs) and iterative improvement cycles, it has elevated its bcm maturity, ensuring alignment with national and international resilience mandates. Moreover, stc has harnessed the power of digital transformation to enhance the agility, scalability and efficiency of its business continuity management system (BCMS). These initiatives have modernized its operations and fortified its capacity to adapt swiftly to evolving challenges. Recognizing the importance of a skilled workforce, stc has invested in extensive training and professional development programs in BCM, crisis management, incident response, and disaster recovery. This ensures that its employees remain at the forefront of resilience disciplines, empowering them to respond effectively to crises and disruptions.

