

Risk assessment and mitigation

Risk management

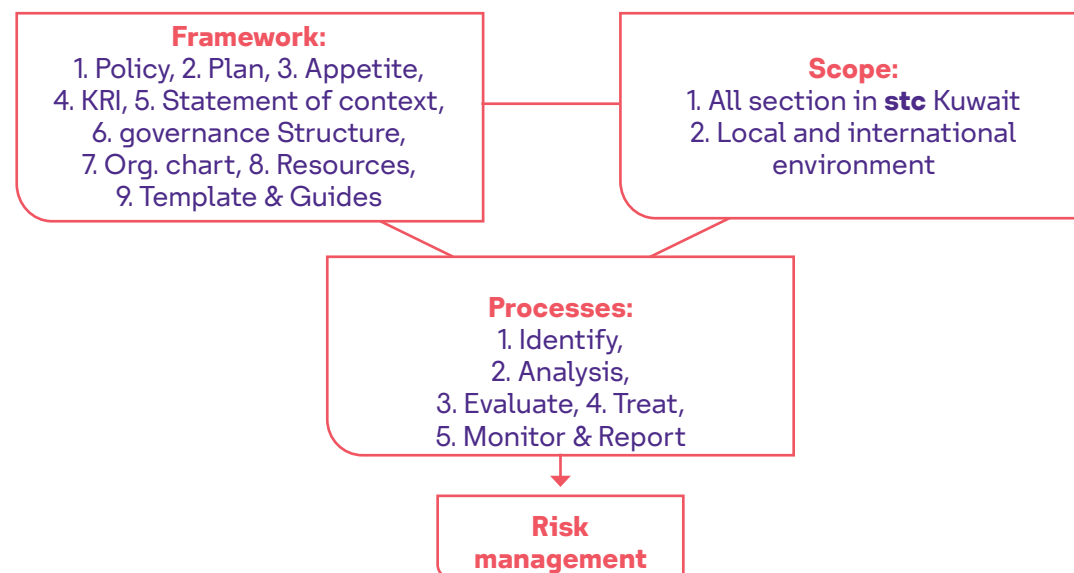
Overview

Effective and efficient Risk Management framework is an important enabler to the achievement of **stc**'s strategic objectives. The Risk Management System in **stc** follows a systematic and disciplined approach in order to provide clear responsibility and accountability structures for effective Risk Management and Business Continuity. The 'Risk Category' covers seven (7) major areas: Customer Experience & Services Quality, Financial, Governance, Regulatory & Compliance, Health & Safety, Human Resources, Network Reliability, and Reputation & Community.

The Board Risk Management Committee (BRMC) oversees **stc**'s Risk Management Framework, reviews the key risks (existing and potential), and their respective mitigation strategies to ensure risk management effectiveness. The BRMC holds quarterly meetings to review the management of these risks and effectiveness of mitigation strategies and controls, and actively identify the positive business opportunities in relation to these risks.

Framework

stc's Risk Management Framework has been benchmarked with leading international standards and guidelines such as ISO 31000 and COSO. The diagram below shows the Risk Management Scope, its respective 'Framework' and supporting 'Process' which outlines how the risks are treated within the company:



Viability statement

With the ongoing challenges of COVID-19 crisis on various industries around the globe, **stc** ensures continuous assessment of its prospects, financial and operational outlook through performing a yearly strategic planning driven by the results of company's corporate strategy. Accordingly, continuous evaluation, monitoring and review for **stc**'s strategic business plan, yearly budget and planning process lies on the responsibility of the company's executive management and SBU's heads.

The assessment process aids the management in defining the required strategic changes throughout the planning phase to maintain **stc**'s operational alignment with the fluctuating market conditions and the fast-paced changes in industry trends. In this regard and in collaboration with the risk management department, **stc** has adopted different tools and mechanisms for identifying the principal risks that might hamper company's operations or impede any arising opportunities. The complete risk management process and holistic strategic planning act as a platform that enables **stc**'s executive management to assess company's viability in line with all the encountered risks and uncertainties reflected in the business environment.

Accordingly, in pursuit of increasing company's transparency over risky factors and insuring its sustainability as well as ability to remain viable in times of catastrophic events, **stc**'s executive management was keen to accompany the implementation of the strategic planning and budgeting processes with well-defined risk models that apply potential risks to company's business plan and financial forecasts. The tested risk models encountered the principal risks that would threaten **stc**'s business model, future performance and solvency.

Following are the key factors behind **stc**'s

success in executing its operational and strategic frameworks, which enabled the company to sustain its strong market position and achieve good results during the difficult economic conditions of COVID-19 crisis:

- Experienced, well-established and efficient management
- The dedication, professionalism and sincerity of its working teams
- Strong, dynamic and efficient operating model
- Strong reputation with established market products
- **stc**'s capitalization on the 5G products and services
- The diversification in its stream of revenues
- ISP acquisition - **stc**'s specialized arm for the B2B products and services
- **stc**'s continuous investment in the ICT field
- A strong cost optimization program
- Market segmentation
- Strong financial position
- Sustainable CAPEX and reduced OPEX
- Solid cash balance

With an aim to present **stc**'s sustainable liquidity and strong operations, it is worth shedding the light on conducting the following practices on a periodic basis:

- Periodic liquidity assessment to better serve **stc**'s customers, stakeholders and shareholders
- Risk Models covering scenario analysis that examine the identified risk principals on **stc**'s current operating environment
- Scenario analysis, business plans, and strategic framework reflect the future impacts as well as on-going challenges of COVID-19 crisis on the telecom industry, market conditions, **stc**'s operations and working environment
- Mitigation plans in line with **stc**'s strategic framework and business plan to keep its liquidity within a threshold level in addition to enhancing its operational efficiency for the coming periods.