



# ASR ALAMDAD- RISK MANAGEMENT POLICY

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## SECTION 1: RISK MANAGEMENT FRAMEWORK

### 1.1 Policy statement

The purpose of this risk management policy is to communicate AAA 's commitment to managing enterprise-wide risks and to establish clear responsibilities for itself is to maximize strategic and operational achievement.

### 1.2 Purpose and scope

This policy applies to directors, management, and staff of AAA Trading Company.

AAA is committed to the formal, systematic, and structured proactive management of risks across the organization.

Risk is inherent in all aspects of AAA's activities and whilst many of these risks cannot be eliminated, they can, however, be identified, quantified and controlled. Risks that impact on the objectives of AAA can offer both opportunity and threat. This policy is designed to provide AAA personnel with a systematic framework to minimize threats and maximize opportunities to AAA.

This policy encompasses but is not limited to:

- » Identifying, assessing and treating risks
- » Ongoing risk monitoring and review
- » Communication and consultation
- » Record-keeping
- » Specific risk areas

### 1.3 Key Objectives

- a. The Saudi Arabian Risk Management Standard (**ISO 31000:2009**) defines risk management as “coordinated activities too direct and control an organization with regard to risk”.
- b. This policy confirms that AAA is committed to implementing a strategic, consistent and structured enterprise-wide approach to risk management in order to effectively manage opportunities for gain and minimize the impact of threats causing losses.
- c. This policy is aligned to reflect **ISO 31000:2009** Risk Management – Principles and Guidelines which provides the framework used to develop the AAA enterprise-wide risk management framework.
- d. Risk will manifest itself in many forms and has the potential to impact the health and safety, environment, community, reputation, regulatory, operational, and financial performance of AAA and, thereby, the achievement of the organization's objectives.
- e. By understanding and managing risk, AAA will provide greater certainty and confidence for our stakeholders, AAA’s directors and employees, participants, and for the communities in which we operate.
- f. AAA will use our risk management capabilities to maximize the value from our assets, projects, programs and other business opportunities and to assist us in fostering participation and/or performance in our organization.
- g. Risk management will be embedded into our business activities, functions and processes. Risk understanding and our tolerance for risk will be key considerations in our decision making.
- h. Risk issues will be identified, analyzed and ranked in a consistent manner. Common systems and methodologies will be used.
- i. Risk controls will be designed and implemented to reasonably assure the achievement of organizational objectives. The effectiveness of these controls will be systematically reviewed and, where necessary, improved.

j. Risk management performance will be monitored, reviewed and reported. Oversight of the effectiveness of our risk management processes will provide assurance to executive management, the Directors and relevant stakeholders.

k. The effective management of risk is vital to the continued growth and success of AAA.

#### **1.4. Review Of Policy**

This policy is subject to formal review every year.

#### **1.5. Access To The Policy**

This policy will be available for viewing to any director or employee of AAA. In addition, this policy may be made available to any third party at the discretion of the AAA's Chief Executive Officer.

## **SECTION 2: RISK MANAGEMENT PROCESS AND PROCEDURES**

### **2.1 Risk Management Process**

This section ensures that AAA develops and implements consistent risk management strategies and processes to effectively manage and treat risk, to safely enhance the organization's operation and achieve its strategic goals.

This section provides guidance on the plans, processes and tools that the Organization adopts to identify, assess, treat and monitor risks.

This section ensures that the Organization:

- » Provides reliable administrative tools and reporting methods
- » Confirms that the Risk Management strategy and activities are informed by its Personnel, clients and the broader community
- » Ensures that risk management processes support and enhance the services provided to its clients.
- » Has a structure for the continuing review of risk
- » Provides ongoing safe operations for Personnel, clients and the broader community.

## **2.2 Risk management Requirements**

- a. Risk management will be incorporated into the strategic and operational planning processes of AAA;
- b. Risk and the management of risk will be identified and monitored according to the AAA's enterprise-wide risk management policy;
- c. Risk assessments will be conducted on all new ventures and projects prior to commencement to ensure alignment with the AAA risk appetite and organizational objectives;
- d. Risks will be identified, reviewed and monitored on an ongoing basis as outlined in this policy;
- e. Risks will be assessed and evaluated against the AAA Risk Management Framework;
- f. Relevant risks that are identified will be recorded within AAA's risk management register;
- g. All risks will be assigned to an owner whose responsibilities are specified in this policy.

## **2.3 Risk Management Principles**

AAA has adopted the principles detailed in ISO 31000:2009, to ensure risk management is effective within the organization. These principles are:

- a) Risk management creates and protects value
- b) Risk management is part of decision making
- c) Risk management explicitly addresses uncertainty
- d) Risk management is systematic, structured and timely
- e) Risk management is based on the best available information
- f) Risk management is tailored
- g) Risk management takes human and cultural factors into account
- h) Risk management is transparent and inclusive
- i) Risk management is dynamic, iterative and responsive to change
- j) Risk management facilitates continual improvement of the organization

## 2.4 Risk Management Process

The AAA risk management process is based upon the **ISO 31000:2009** Risk Management Operation or Process as shown in Figure 1 & Figure 2 (below) . Risks identified will be managed according to this process.



Figure 1: Risk Management Operation

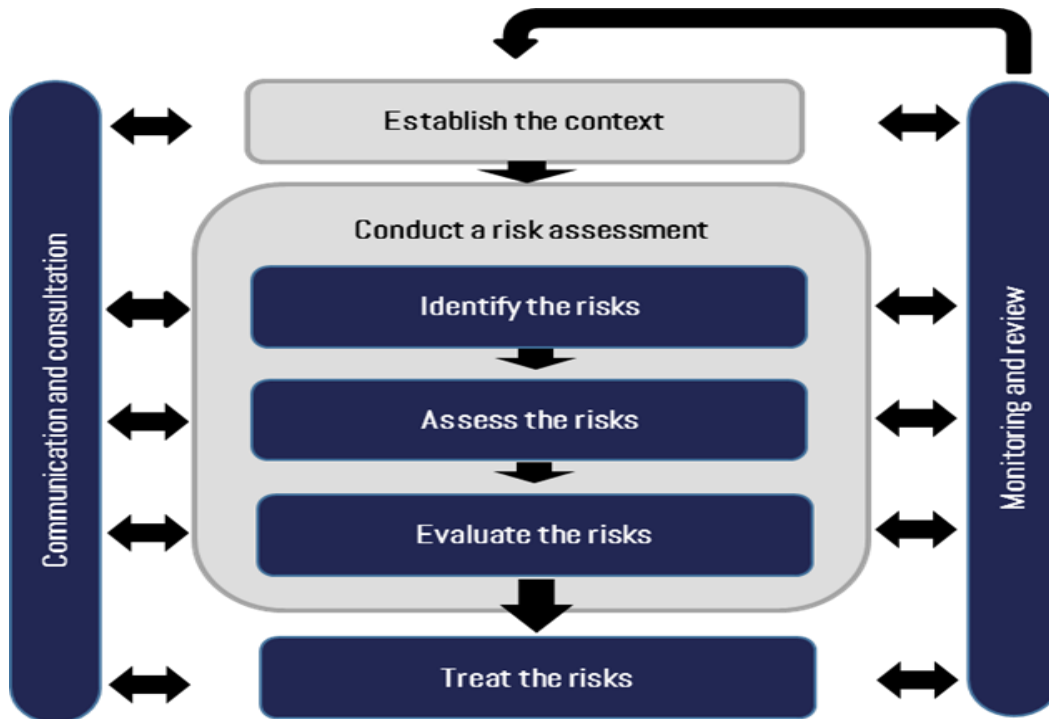


Figure 2: Risk Management Process

**SECTION 3: RISK MANAGEMENT COMPLIANCE AND CONTROL**



In developing a culture of risk management, AAA's senior management is responsible for appropriate responses to manage risk, aided by the risk action plans and the creation of a risk register.

To enable this, AAA:

- a) Has implemented a systematic process to assist in the identification, assessment, treatment and monitoring of risks;
- b) Provides the necessary tools and resources to senior management and employees to support the effective management of risks; and
- c) Reviews and communicates risk management best practice on a regular basis.

### **3.1 Assessment Of Effectiveness**

AAA assesses the effectiveness of its risk management plan through structured continuous improvement processes to ensure risks and controls are continually monitored and reviewed. This includes an ongoing feedback loop via regular senior management meetings and appraisal of risk owners' actions taken to manage risks via employee performance management.

### **3.2 Reporting Requirements**

AAA senior management via the AAA's Chief Executive Officer ensures that the Directors is adequately informed of significant risk management issues and the actions undertaken to manage risks on a regular basis. The following reporting process is in place:

- a. Management will regularly review the risk register with their teams and update the mitigation strategies and perceived level of risk as appropriate.
- b. New risks will be added to the register through a formal notification process from staff, management and directors to the AAA Chief Executive Officer.
- c. A "top ten" list of major risks (as agreed by the Directors) to be discussed at monthly management meetings (fixed agenda item), together with any new or emerging risks.

- d. The Directors will be updated at each meeting through the Chief Executive Officer Directors report.
- e. The Directors are to be briefed on all major risks by the Chief Executive Officer at each Directors meeting.
- f. The Directors to workshop all risks (with reference to the risk register) as well as a general brainstorm / workshop on emerging risks at least 6 monthly.

#### **SECTION 4: RISK MANAGEMENT RESPONSIBILITIES**

##### **AAA Trading Company’s Directors**

The Directors of AAA is responsible for overseeing the establishment (and implementation via management) of risk management systems and reviewing the effectiveness of these systems.

The Director’s role in relation to risk includes:

- i. Overseeing the creation, implementation and maintenance of the risk management system of AAA and its internal control framework, including information systems;
- ii. Establishing a risk profile for AAA setting out both financial and non-financial material and/or strategic risks facing AAA;
- iii. Reviewing the effectiveness of AAA’s implementation of its risk management systems and internal controls on an on-going basis and reviewing the outcome of any non-financial audits;
- iv. Seeking to reach a common understanding with management and auditors about the risk management process, key financial and regulatory risks and related controls including focusing on the “key” risks which are considered to be currently, or may in the future be, more significant or more likely to occur;
- v. analyzing the effectiveness of AAA’s risk management and internal compliance systems and the effectiveness of their implementation;

- vi. Developing an understanding of the overall business environment, relevant laws and codes of importance to AAA and the programs/projects that AAA has in place to provide reasonable assurance of compliance;
- vii. Reviewing AAA's health and safety at work policy and ensuring regular reporting to the Directors on issues related to workplace health and safety;
- viii. Ensuring that the Chief Executive Officer states in writing to the Directors annually that the statement given to the Directors that AAA's financial reports present a true and fair view, in all material respects, of AAA's financial condition and operational results and are in accordance with the relevant accounting standards, are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Directors;
- ix. Ensuring that the Chief Executive Officer states in writing to the Directors annually that AAA's risk management and internal compliance and control system is operating efficiently and effectively in all material respects; and
- x. Reviewing insurance coverage and claims trends;

#### **4.1 Risk Management Committee (RMC)**

The RMC is comprised of the AAA's President, Chief Executive Officer, Operations Manager and Finance/Committee is responsible for:

- a. Implementation of the principles, actions and requirements of the risk management plan and monitoring its implementation within AAA;
- b. Provision of the necessary tools and resources to identify and manage risks;
- c. Review of risks on a quarterly basis, including identification of new risks, changes to existing risks and retirement of previously identified risks (through a formal decision-making process);
- d. The manner in which ownership of risks is taken by senior management or others in accordance with function or expertise;

- e. Regular reporting of the status or risk items to the Board;
- f. Appraisal of risk owners' actions taken to manage risk and correction of inappropriate performance;
- g. Internal compliance and control systems for the implementation of the risk management plan;
- h. Consideration of non-financial audits; and
- i. Compliance with regulatory requirements and best practice.

### **1. AAA's Chief Executive Officer**

The Chief Executive Officer is responsible for:

- a) Identifying legislation, policy and guidelines affecting risk management practices at AAA's
- b) Maintaining AAA's Risk Register;
- c) Providing assistance and support throughout AAA for risk management;
- d) Organizing appropriate risk management education and training for AAA's staff; and
- e) Monitoring the implementation of the AAA's Risk Management Framework across the organization.

### **2. AAA's Managers / Senior Staff**

Senior management will be responsible for:

- a) Championing the roll out of the AAA Risk Management Framework into AAA 's operations;
- b) Ensuring staff understand their responsibilities with respect to operational risk management; and
- c) Developing a risk-aware culture within their area of responsibility.

- d) Advising the Chief Executive Officer of needs for any training, development and facilitation;
- e) Maintenance of risk registers within their areas;

### **3. Risk Owners**

Risk owners are responsible for:

- a) Identifying existing controls to help manage the risk;
- b) Developing treatment plans to reduce the likelihood and/or impact of the risk; Monitoring the implementation of the treatment plans and reporting on their effectiveness and outcomes; and
- c) Monitoring and alerting senior management of significant changes in risk status.

## **SECTION 5: RISK FRAMEWORK**

### **5.1. Risk Matrix**

The Board of AAA has approved the following risk matrix.

Risk Matrix		IMPACT					
		Insignificant	Minor	Medium	High	Extreme	
		1	2	3	4	5	
PROBABILITY	Rare	1	Low	Low	Low	Moderate	Moderate
	Unlikely	2	Low	Low	Moderate	High	High
	Possible	3	Low	Moderate	High	High	Extreme
	Likely	4	Low	Moderate	High	Extreme	Extreme
	Almost Certain	5	Moderate	High	High	Extreme	Extreme

Figure 3: Risk Matrix

**5.2. Risk Grading Criteria – Impact Ratings**

The Directors of AAA has resolved that risk be assessed over the following categories in relation to impact (consequence):

- a) Financial – impact on AAA finances
- b) Operational – impact on provision of AAA products, projects and services
- c) Brand/Reputational – impact on AAA brand and general credibility
- d) Physical/Safety – impact on the safety and well-being of people
- e) Regulatory/Legal – impact on AAA’s regulatory exposure
- f) People – impact on corporate knowledge / continuity

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			Financial	Operational	Brand/ Reputational	Physical/ Safety	Regulatory/ Legal	People/ Participation	
			IMPACT	5	Extreme	A risk that can prove catastrophic or terminal for the whole organisation.	More than \$100,000	Unable to deliver product/ services in a region. Widespread migration of members to competitor organization. Prohibited from delivering competition at any level.	Collapse of organization. Major inquiry into systemic misconduct. Wholesale resignation of Board Members or Senior Management.
4	High	Risks which can significantly jeopardise some aspects of the organisation, but which will not result in organisational failure.		More than \$25,000 but less than \$100,000	Widespread failure or loss of product/service standards. Increasing migration of members to competitor organizations. Unable to deliver the National Championships.	Loss of affiliated clubs/providers. Investigation of serious individual misconduct. Loss of significant skills from Board or Senior Management.	Serious injury of player/ participant due to compromised safety standards. Preventable serious injury of member or public.	Civil action against organization and/or Board due to negligence. New regulations that impede operations.	Active participation declines by more than 15%, but less than 25%.
3	Medium	Risks which will cause some problems, but nothing too significant.		More than \$10,000 but less than \$25,000	Moderate impact on product/service standards. Unable to deliver local sports competitions. Widespread discontent by members/participants.	Threats of withdrawal from affiliated clubs/providers. Failure of prominent branded project or product. Failure of a club or provider. Individual or group misconduct. Sustained public criticism of the organization.	Systemic injuries of players/ participants and/or public. Increased frequency of near misses.	Regulatory/ police investigation with adverse findings against organization and/or Board.	Net active participation declines by more than 5%, but less than 15%.
2	Minor	Any risks which will have just a mild impact but should be addressed.		More than \$1,000 but less than \$10,000	Minor impact on product/service delivery. Competitive threats to membership. Constrained capacity to meet the demands of existing or new members/ participants.	Localized negative media coverage.	Minor injuries of players/ participants and/or public.	Regulatory/ police investigation of organization and/or Board without adverse findings.	Net active participation declines by more than 0%, but less than 5%.
1	Insignificant	Risks which do not pose any significant threat, and which can be left unmitigated without special action.		Less than \$1,000	Very minor, temporary product/service disruption.	Media interest in local issue.	Insignificant injuries of players /participants and/or public.	Persistent complaints against organization and/or Board.	Stable net active membership.

**5.3. Risk Grading Criteria – Likelihood Ratings**

The Directors of AAA has resolved that the following probability thresholds and ratings in relation to assessing risks be used.

<b>LIKELIHOOD</b>	<b>5</b>	<b>Almost Certain</b>	Will probably occur more than once within 12 months
	<b>4</b>	<b>Likely</b>	High probability that will occur at least once within next 24 months
	<b>3</b>	<b>Possible</b>	Reasonable likelihood that could occur more than once in 24 months
	<b>2</b>	<b>Unlikely</b>	Not likely to occur within next 24 months
	<b>1</b>	<b>Rare</b>	Not impossible but highly unlikely

**5.4. Risk Tolerance Levels**

The Directors of AAA has resolved that the following risk tolerance thresholds be used in relation to the actions AAA personnel shall take in relation to managing risks.

<b>RISK LEVEL</b>	<b>REQUIRED ACTIONS</b>
<b>EXTREME</b>	<p><b>Intolerable</b></p> <ul style="list-style-type: none"> <li>• Operations / activity should be <u>discontinued</u> until level of risk is able to be reduced (or written authorization to continue is provided by AAA CEO and Chairman). Consider options for reducing the impact or probability of the risk.</li> <li>• CEO to be informed ASAP and provide urgent attention, guidance and approval of mitigation strategy.</li> <li>• Consider external advice (legal, insurance or risk advisor).</li> </ul>



<b>HIGH</b>	<p><b>Tolerable level of risk – significant management &amp; monitoring required.</b></p> <ul style="list-style-type: none"> <li>• Action should be taken to ensure risk level is As Low As Reasonable Practicable (ALARP). Consider options for reducing the impact or probability of the risk.</li> <li>• If level of risk is ALARP continue to manage using documented operating procedures.</li> <li>• Increase monitoring of controls to ensure effectiveness in managing the risk.</li> </ul>
<b>MODERATE</b>	<p><b>Tolerable level of risk – follow operating procedures</b></p> <ul style="list-style-type: none"> <li>• Ensure risk level is As Low As Reasonable Practicable (ALARP).</li> <li>• If level of risk is ALARP continue to manage using standard operating procedures with normal monitoring protocols.</li> </ul>
<b>LOW</b>	<p><b>Tolerable level of risk.</b></p> <ul style="list-style-type: none"> <li>• Maintain existing controls. No additional controls required.</li> </ul>

Approved By:

**Managing Director**

Name: Faisal Al-Shaiban

Signature: