



بسم الله الرحمن الرحيم

politics

Risk Management

AL khaleej Training and Education Company

(Saudi Joint Stock Company)

Approved by the resolution issued by the Board of Directors on 2/12/1444 AH corresponding to  
20/06/2023 AD

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## Risk Management Policy

### Introduction:

Risk management is an integral part of the company's activities and decision-making processes, as the company recognizes the importance of the effective role of risk management in achieving its current and future success and the company seeks to achieve an acceptable balance between risk and reward while pursuing its vision. Risk management is an important part of a company's internal control functions and governance arrangements. Risk management has a logical and systematic way of contextualizing, identifying, analyzing, evaluating, addressing, monitoring, and reporting risks; This is in a way that allows the company to make appropriate decisions and respond in a timely manner to risks as they occur, and accordingly, after reviewing the Companies Law and its amendments and executive regulations, after reviewing the Capital Market Law and Regulations, and after reviewing the Corporate Governance Regulations issued on 25/06/1444 AH corresponding to 18/01/2023, and after reviewing the Company's Articles of Association, the Board of Directors of Alkhaleej Training and Education Company, with its powers to issue a risk management policy, decided.

### Article One: Objective of Policy

This policy aims to establish high standards for risk management, evaluate and identify the risks to which the company may be exposed, reduce and monitor them continuously, and develop scientific foundations and standards to confront and control those risks. Risk management is essential for the continuity, growth, and richness of the company in line with its strategic objectives, and not a procedure intended to avoid risks only, if used properly, it will allow the company to continue its activities at the highest standards because risks have been well identified, understood and controlled.

### Article Two: Definition of Risks

1. Risk can be defined as something that can hinder a company's ability to achieve its goals. It can also be defined as the possibility of a certain event occurring and expected to have a negative impact on the company's activities. It can also be defined as the state of uncertainty or uncertainty that may be associated with the profit or loss that may be realized in the future.
2. Risk management can be defined as the procedure, structure, or culture used to identify, assess, and control a risk that may affect a company's ability to achieve its objectives. It can also be defined as the processes that a company regularly uses to identify, assess, and control risks and opportunities to modify and develop its operations in order to reduce the level of risk faced by the company.

### Article Three: Risk Management Policy

- Risk management is one of the cornerstones of a corporate governance system. In light of the prevailing system of corporate management resulting from the intervention of many theories to explain the relationship between management, owners, and the rest of the beneficiary parties, these different parties must reach a conviction of the level of the company's ability to predict and identify the risks that it may face, in order to maximize the benefits for all beneficiaries.
- Risk management is one of the main functions of the Board of Directors. All companies are exposed to facing such risks, and determining or classifying the importance of these risks is one of the basic functions of risk management is linked to the tasks of the Board of Directors, and forms a bilateral relationship with what is known as the internal control system that helps the company achieve its objectives through the implementation of systematic procedures that result in improving the risk management system,
- A group of risks can be identified, for example, but not limited to, in four groups, including the following:

- 1- Commercial risks, including asset management, financial crises, resource planning, business interruptions, change in the surrounding environment technically or politically, currency conversions, investment, operations and maintenance, transportation and transportation, project management, finance, and others.
- 2- Legislative risks, including product liability, administrative liability, recruitment, training and employee relations, environmental clauses, fraud prevention, legal requirements, and general risks and liabilities.
- 3- Human hazards, centered around business ethics, issues related to human and environmental health, reputation, and security.
- 4- Emergency hazards, which fall under any kind of sudden hazards such as fires, natural disasters, and others. At the academic level,
  - Disclosure of risks facing companies is one of the most important elements of disclosure. Risk disclosures were one of the most prominent things that companies were missing in general. Increased risk disclosure will influence the decisions of investment firms.
  - The risk management policy defines the principles and elements of the risk management system, methods of risk management, maintaining and controlling the effectiveness of the risk management system, and the individuals responsible for the risk management system and disclosure of information.
  - The risk management policy is not only aimed at reducing or avoiding risks but also working to further achieve the company's strategic objectives and protect the interests of shareholders and stakeholders of the company.
  - From the above, we can conclude the importance of risk management and disclosure. This is confirmed by the regulations and laws issued in this regard to ensure the application of appropriate control systems for risk management, by determining the general perception of the risks that may face the company and presenting them transparently.

#### Article IV: The role of the Board of Directors in risk management

The Board of Directors is responsible for overseeing the risk management of the company as a whole, and its role is as follows:

1. Develop a comprehensive risk management strategy and policies commensurate with the nature and size of the company's activities, and verify their implementation, review, and update them based on the internal and external variables of the company.
2. Determine and maintain an acceptable level of risk to which the company may be exposed and ensure that the company does not exceed it.
3. Verify the feasibility of the company's continuation and successful continuation of its activities, while identifying the risks that threaten its continuation during the next twelve months.
4. Reassess the company's ability to bear risks and its exposure to them periodically;
5. Ensure adequate resources and risk management systems are available.
6. Review issues raised by the Audit Committee that may affect the company's risk management.
7. Approving important decisions that may affect the company's performance in the field of risk management and exposure.

#### Article Five: The Role of the Audit Committee in Risk Management

The role of Audit Committee on behalf of the Board of Directors shall be responsible for the following:

1. Ensure that appropriate arrangements are in place to ensure that risks are effectively identified, assessed, and managed.
2. Management monitors significant risks that may threaten the company's achievement of its strategic objectives.
3. Annually review the company's risk management method and risk management framework.
4. Ensure that internal auditors have plans to review the efficiency and effectiveness of risk management and are able to provide an annual assessment of the company's risk management arrangements.

## Article Six: The Role of Internal Audit in Risk Management

The role of internal audit in risk management is as follows:

1. Prepare detailed reports on risk exposure and proposed steps to manage these risks, and submit them to the Board of Directors.
2. Provide recommendations to the Board and the Audit Committee on matters related to risk management.
3. Evaluate the effectiveness of systems and mechanisms for identifying, measuring, and following up on the risks to which the company may be exposed, in order to identify deficiencies.
4. Review the organizational structure of risk management and make recommendations thereon to the Nomination and Remuneration Committee.

## Article Seven: The Role of Executive Management in Risk Management

The executive management shall be responsible for the following:

1. Implementation of policies by the Board on risk management and internal control.
2. Responsible for the Company's record of high-level risks and in particular the identification and assessment of significant risks facing the Company. Determining responsibility for risks, and ensuring that appropriate actions are taken to mitigate risks.
3. Ensure that less severe risks (i.e. those that can be controlled on-site and at the department level and that do not appear in the high-level risk register) are actively managed with appropriate controls in place that operate effectively and that adequate information is provided in a timely manner to the Board and the Audit and Finance Committee on the position and control of risks.

## Article VIII: Risk management as part of the internal control system

The internal control system includes risk management, and this system contains a number of elements that work to find an effective way of operation that helps the company respond to a number of operational, financial, and commercial risks, these elements include the following:

1. Strategies, policies, and procedures that drive overall internal control procedures, and key strategies and policies are approved by the company's board of directors and implemented by senior management officials of other employees of the company.
2. Company planning and budgeting The planning and budgeting procedure of the company is used in order to set goals, agree on business plans, allocate resources, progress toward meeting plan objectives, and monitor it on a regular basis.
3. High-Risk Registers (High Risk Only) The Company's high-level risk register is compiled by the Company's Executive Board and helps facilitate the identification, assessment, and continuous monitoring of significant risks in the Company, including the action taken to mitigate the risks, the document is formally evaluated annually but the risks that appear are added as needed and the risk mitigation procedures and risk indicators are regularly monitored and updated when appropriate, and the record of significant risks is discussed at regular meetings of the Executive Board and transmitted regularly to the Board of Directors and the Audit and Finance Committees.
4. Audit Committee: The Committee informs the Board of Directors of reports on risk management and the effectiveness of the internal control system, including the Company's risk management system.
5. The Internal Audit Department adopts a risk-based approach in its work to evaluate and improve the effectiveness of the Company's risk management, internal control, and governance procedures, including an annual review of the adequacy of the Company's risk management arrangements and an audit program based primarily on the Company's assessment of high-level risks.
6. From time to time it may be necessary to utilize the services of external consultants in the specialized aspects of the company's operations, in order to consult and report that can increase the reliability of the company's internal control system.



#### Article IX: Annual Review of Risk Management Effectiveness

1. The Board of Directors, through the Audit Committee, is responsible for reviewing the effectiveness of the Company's risk management, internal control, and governance procedures, based on information provided by the Internal Audit, External Audit, and the Executive Board.
2. The Audit Committee shall prepare a report on its review of the effectiveness of the Company's risk management and control arrangements and the government on an annual basis for approval by the Board and the Company's Executive Director.

#### Article X: Final Provisions (Publication, Entry into Force and Amendment)

1. These Regulations shall be applied and complied with by the Company as of the date of its approval by the Board of Directors.
2. This policy is published on the company's website to enable shareholders, the public, and stakeholders to view it.
3. This policy is periodically reviewed, if needed, by the Remuneration and Nomination Committee, and any amendments proposed by the Committee are submitted to the Board for approval.
4. This policy is complementary to what is stated in the laws and regulations of the regulatory authorities in the Kingdom of Saudi Arabia and is not a substitute for them, and in the event of any conflict between what is stated in the regulation and the laws and regulations of the regulators, the laws and regulations of the regulators shall prevail.