

تمت الموافقة في اجتماع مجلس الإدارة
الخاص لعام ٢٠٠٤ بتاريخ ١٩/٩/٢٠٠٤

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الخاص لعام ٢٠١٦ بتاريخ ٣/٣/٢٠١٦



شركة الساحل للاستثمار والتنمية
COAST INVESTMENT & DEVELOPMENT CO. K.S.C.P

منذ 1975

COAST INVESTMENT & DEVELOPMENT COMPANY

BUSINESS RISK MANAGEMENT UNIT

POLICIES AND PROCEDURES

تمت الموافقة في اجتماع مجلس الإدارة
الخاص لعام ٢٠٠٤ بتاريخ ١٨/٨/٢٠٠٤

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الخاص لعام ٢٠٠٥ بتاريخ ١٦/١/٢٠٠٥

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		VERSION: 8/2024
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Preface

The purpose of this manual is to define and communicate the policies and procedures applicable to Risk Management Function of Coast Investment & Development Company. The policies and procedures contained in this manual are aligned with management's long-term business objectives and strategies and serves as a guide to take decisions relating to the management of the Risk Management Function.

It is intended to be an operational guideline for all the employees of the company. Employees who receive this manual are expected to fully apply the policies and procedures contained in this manual in their day-to-day activities.

Scope

The contents of this manual are applicable to all the personnel of the company in its entirety. Any exception to the policies contained herein shall be approved by the **CEO**.

Responsibility

It shall be the responsibility of the **CEO** and the Risk Manager (**RM**) to ensure that the policies and procedures outlined in this manual are implemented.

This manual is divided into Four sections and Four appendices. Each section includes the following headings in the following format:

Distribution

The Senior Management considers the information contained in this manual to be of confidential nature. The distribution of the manual should be controlled and be made available only to persons authorized by the **CEO**. No contents of this manual shall be copied or otherwise reproduced except with the prior written approval of the **CEO**.

The Human Resource Department shall retain a distribution list for the policies and procedures manual so that all amendments to the manual will be distributed to the individuals listed in the distribution list.

Review and Update

The enclosed manual should be reviewed on a yearly basis by the **RM**.

The manual may be revised appropriately, taking into consideration any changes in the internal and external environment of the Company. Any changes in the manual shall be approved by the Board of Directors (**BOD**) based on the recommendations of the **CEO**.

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When amendments and revisions are made, they will specify the policies and procedures which supersede it. These amendments will be distributed among the list of employees authorized to view such policies.

Procedures for Amendment

Any changes to manual may be initiated by the **RM** under the following circumstances:

- 1- Change in applicable statutes.
- 2- Any operational requirement as approved by Senior Management.
- 3- Any other situation where the revised manual will bring about economies of scale and improved efficiency.

To amend the contents of this manual, the company entity should complete a **Request for Amendment Form** enclosed at the end of this preface.

The request has to be processed according to the following steps:

- 1- The RM has to fill out the Request for Amendment Form and addresses it to the CEO.
- 2- The CEO discusses the need for amendments and agrees with the RM on a course of action.
- 3- Once agreed on needed amendments, the form along with proposed changes to the manual are addressed to the Board of Directors for post-facto approval.
- 4- Upon approval of the Board of Directors, the amendments are addressed to the RM for including the amendments in the manual.
- 5- The RM holds responsibility for implementing the amendments to the manual by communicating it to personnel involved in the operations of the company entity.

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Manual Distribution Form

Manual for: _____

Distributed By: _____

Date of Distribution: _____

To the resource person,

When you sign this form, you agree to adhere to all cited policies and procedures included in this manual.

You may be asked to sign additional material and changes thereto to give effect to these policies and procedures currently and in the future.

To acknowledge that you have reviewed and understood all of this material in the manual, please sign and date this form and return it to the CEO within 10 days of receipt of this manual.

I acknowledge that I have read, understood, and am subject to all of the material contained in this manual.

Signature

(Please print name)

Date

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Request for Amendment Form

Name of entity requesting amendments: _____

Manual for: _____

Section/s Reference: _____

Policy/s Code: _____

Policy/s Name: _____

Description of needed amendments (problem):

Proposed amendments (solution):

Proposed by: _____ (requesting entity)

Reviewed by: _____ (CEO review)

Approved by: _____ (Board of Directors' approval)

Implementation Date: _____ (as set by the Board of Directors)

Resource Person's Signature: _____ (upon receipt of approval)



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List of Abbreviations

CEO	Chief Executive Officer
RM	Risk Manager
RMU	Risk Management Unit
RMF	Risk Management Function
BOD	Board of Directors
VaR	Value At Risk
NAV	Net Asset Value
IT	Information Technology
HR	Human Resources
CMA	Capital Market Authority
RAS	Risk Appetite Statement

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Policy Code: CRM-1
Policy Name: Risk Management Overview

1. Activities

The Risk Management Function is responsible for identifying, measuring, monitoring, reporting and controlling various risks prevalent in the company's operations. Some of the major activities of the Risk Management Function are summarized as follows:

- 1.1 Identifying the key risk in the company's operations.
- 1.2 Developing tools for measuring or evaluating the risk.
- 1.3 Developing risk management models to monitor various risks.
- 1.4 Monitoring and controlling key risks prevalent, by establishing limits and conducting audits or review as necessary.
- 1.5 Suggesting various strategies to the senior management to avoid, mitigate or transfer the potential risks.
- 1.6 Reviewing new products, clients and transactions with respect to risk issues.
- 1.7 Review various risk reports in connection with monitoring of risk exposures for the company.
- 1.8 Preparing and reviewing liquidity / maturity gap analysis reports.
- 1.9 Periodic review of liquidity reports to gauge the company's ability to meet adverse liquidity environment.
- 1.10 Review the transactions to be made by the company with the Related Parties and provide proper recommendations thereof to the Board of Directors.

2 Risk Management Framework

2.1 Purpose

This Policy and Procedure is established to set Risk Management guidelines to be implemented by the Risk Management Function in the company's operations.

2.2 Responsibility

- 2.2.1 The **BOD** is responsible for establishing sound risk management strategy that provides direction for implementing effective Risk Management through appropriate policies, procedures and other measures.
- 2.2.2 The Senior Management shall be responsible for implementing an effective risk management framework, systems, policies and procedures in line with the objectives and strategies set by the Board of Directors
- 2.2.3 The **RM** is responsible for assisting the Senior Management in implementing the Risk Management objectives within the company.
- 2.2.4 The concerned business heads are responsible for managing the risks inherent to their respective divisions or departments in accordance with the company's policies and

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procedures, as well as their departmental guidelines and concerned department must adequately report it to the RMU.

2.3 Policy

- 2.3.1** The risk management approach shall align with the company's overall strategy to achieve the best outcomes for the organization and its ultimate stakeholders.
- 2.3.2** The company strategy, approved by the Board of Directors, shall guide the risk management function within the organization. The risk management policies and procedures shall align with the risk objectives, risk appetite, and principles outlined in the company strategy.
- 2.3.3** Key risks associated with various business functions and operations shall be identified and defined in the risk register. The extent of responsibility in managing the various classes of risks shall also be clearly articulated.
- 2.3.4** The risk identified shall be analysed in terms of its likelihood and impact, and subsequently prioritized accordingly.
- 2.3.5** The residual risk, after implementing the control measures, shall also be documented to assess its placement within the acceptable risk range with target dates for follow up and update.
- 2.3.6** The methodology for managing key risks shall align with the company's overall strategy or the specific departmental strategy, as required. This approach will be determined based on the nature and category of the risk, as well as the defined tolerance limits for the identified risk.

2.4 Risks, Classification & Mitigation Methodology

2.4.1 Financial risk refers to the potential for monetary loss or adverse financial outcomes caused by internal or external factors. This risk can impact individuals, businesses, and economies, leading to reduced profitability, increased liabilities, or even insolvency. The primary risks that CIDCO may face in the long term are outlined below. The accompanying table highlights the high-level risk categories that form the foundation of the RAS. The RMU will prioritize the objectives set by the BOD in succession with the company's strategy and the Risk Appetite Statement.

Strategic Risk	Financial Risk	Operational Risk	Compliance Risk
1. Diversification Risk 2. Governance Risk 3. Earnings/Returns Risk 4. Stop Loss & Trader Limits 5. Growth Risk	1. Market Risk 2. Leverage Risk 3. Cash Flow Risk 4. Credit Risk 5. Liquidity Risk 6. Capital Adequacy Risk	1. People 2. Cyber Security 3. Reputational 4. Privacy and Confidentiality	1. Regulatory Compliance

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2.4.1.1 Strategic Risk: Arises from the potential adverse effects on an organization's ability to achieve its long-term objectives due to incorrect business decisions, poor execution, or external changes in the competitive or market landscape. We must proactively identify, evaluate and address these risks through adaptive strategies, continuous monitoring, and robust governance to maintain competitiveness and ensure sustainable outcomes.

2.4.1.2 Financial Risk: Involves the potential loss due to inadequate financial management, such as liquidity issues, credit risks, cash flow, or market volatility etc, affecting the organization's profitability and stability.

2.4.1.3 Operational risk: Stemming from internal processes, systems failures, or human errors. This will also be due to the financial losses arising from business operations, regulatory penalties and reputational damage.

2.4.1.4 Compliance and regulatory risk: Arises from the failure to comply with applicable laws, regulations, and standards, potentially leading to fines, legal penalties, reputational damage, and operational constraints.

Detailed management of above main risks classified below.

3- Market Risk Management

3.1 Purpose

This policy and procedure have been established to set guidelines for managing the Market Risk identified in the various activities of the company.

3.2 Responsibility

3.2.1 The Concerned Business Heads are primarily responsible for managing the Market Risk exposure in respect of the concerned business function in accordance with the company's policies and procedures.

3.2.2 The **RM** is responsible for recommending and implementing techniques for measuring, monitoring and controlling and mitigating the Market Risk of the various business activities and for monitoring the Market Risk exposure.

3.3 Policy

3.3.1 The Market Risk exposure emerging out of the company's operations shall be identified and appropriately managed in line with the Risk Management objectives and CIDCO investment strategy.

3.3.2 The guidelines for the following departments shall be reviewed by the **RM**:

3.3.2.1 Portfolio Management guidelines

3.3.2.2 Company Portfolio guidelines (Local and International)

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3.3.2.3 Fund Management's investment guidelines

3.3.2.4 Research guidelines

3.3.3 Market Risk arises on account of assets exposed to markets which include investments in listed securities in local and international markets. Market Risk could be classified into the following categories:

3.3.3.1 Equity Price Risk

3.3.3.2 Interest Price Risk

3.3.3.3 Currency Risk

3.3.3.4 Speculative Risk

3.3.3.5 Commodity Price Risk

3.3.3.6 Liquidity Risk

3.3.4 Strategy and policies for the management of investments in local and international marketable securities (Trading portfolio) shall be established. The strategy and policies shall clearly address the following among others:

3.3.4.1 Allocation of capital for trading activities

3.3.4.2 Liquidity requirements

3.3.4.3 Permissible categories of investment instruments and eligibility criteria

3.3.4.4 Specific restrictions as may be necessary

3.3.4.5 Pre fact evaluation and selection of securities

3.3.5 Limits shall also be established to minimize various risk exposures which shall include:

3.3.5.1 Stop loss limits – To prevent maximum loss on account of reduction in market value.

3.3.5.2 Trader limits - To restrict the exposure to specific instruments, amounts and markets on account of the trader's activity.

3.3.5.3 Diversification limits – To minimize the negative impact that may arise on account of various factors such as the type of investments, currency, geographical locations, industries or any other relevant criteria.

3.3.5.4 Market exposure limits - Restricts exposure to the risk underlying in each market when exposed to several markets.

3.3.5.5 Tenor limits - Specifies the maximum maturity, either on a contractual maturity or reprising basis, for each instrument, for each relevant instrument.

3.3.5.6 Limits shall also be established on financial instruments in various foreign currencies and limits on holding open positions in foreign currencies.

3.3.5.7 Appropriate policies and procedures and trading limits shall be established for buying and selling commodities.

3.3.5.8 Authorities for approving securities transactions and other critical activities shall be clearly defined specifying the applicable limits.

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3.3.5.9 Credit quality guidelines shall be established for fixed income securities specified by rating, issuer and issue; set limits for maximum exposure possible under each category for purchase of securities.

3.3.5.10 Securities selected for trading shall be subject to adequate evaluation and analysis by the concerned department. Such analysis shall address liquidity aspects among other matters and identification of exit strategy for the proposed investments.

3.3.5.11 Appropriate hedging instruments shall be used to hedge against foreign currency fluctuations in case of significant exposure to currency risk subject to senior managements' approval and after studying the risk associated with the hedging instrument.

3.4 Procedures

3.4.1 The Instruments in the trading portfolio including off Balance Sheet positions, shall be marked to market on a quarterly basis for estimating the change in economic value of the instrument due to price fluctuations. The resulting profit and loss impact is calculated.

3.4.2 The Risk Management Function shall review active portfolio monthly to check the following:

3.4.2.1 Valuation of securities

3.4.2.2 Significant fluctuation in value, If any

3.4.3 The Senior Management shall monitor the prices of marketable securities on a periodic basis.

3.4.4 Reports shall be provided to the Senior Management and individual business line managers, wherever required. The following reports shall be reviewed and monitored by the Risk Management Function on a regular basis:

3.4.4.1 Monthly transaction report (covering third party portfolio, investment funds and company portfolio deals)

3.4.4.2 Companywide end of month position report

3.4.4.3 The stop loss limits report shall be monitored to ensure compliance with the stop loss policy limits established by the portfolio department. It must be prepared monthly, and any material deviations shall be reported to the executive management and concerned department for immediate action.

3.4.4.4 Limits monitoring reports on company portfolios and investment funds, if applicable

3.4.4.5 Monitoring and reporting of financial assets and liabilities exposed to fluctuations in foreign exchange rates shall be done on quarterly basis to identify and take timely remediable action.

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3.4.4.6 The RMF shall review various limits based on the overall risk appetite, tolerance and changes in risk exposure. Reports shall be generated for the purpose of monitoring the limits.

3.4.4.7 The RMF shall monitor to ensure that the company has exposures only in approved currencies.

3.4.4.8 The investment portfolio shall be analysed to identify red flags that would trigger timely liquidation as per the exit strategy.

3.5 VaR Analysis (Value at Risk)

3.5.1 The Risk Management Function shall establish VaR models for measuring and stress testing and reporting on the Market Risk. The objective is to be able to monitor and evaluate risk exposures vis-à-vis trading / VaR limits developed.

3.5.2 The VaR model shall use the following parameters:

3.5.2.1 A 95% confidence level.

3.5.2.2 Horizon of three months.

3.5.2.3 Observation period based on at least a year of historical data.

3.5.2.4 Volatilities shall be estimated using exponentially weighted daily historical observations.

3.5.3 The Risk management unit is tasked with the responsibility of preparing and conducting a quarterly analysis of the VaR (Value at Risk) report. Subsequently, Risk unit shall deliver its recommendations, if any, to a distinguished audience comprising the CEO, the Risk Management Committee, and the esteemed Board of Directors. Further, these recommendations shall be tendered to the respective business heads, subject to approval by the Risk Committee. In accordance with the findings and counsel presented by the Risk management unit, as deemed relevant, the management of market risk exposure shall be vigilantly and prudently overseen and executed by the respective department heads.

3.5.4 The market risk for managed funds will be measured through historical simulation of net asset values (NAV's). The volatility will be computed once every quarter based on net asset value.

3.6 Duration Analysis

Duration analysis shall be conducted on the fixed income securities to measure the price sensitivity of a fixed rate instrument to a parallel shift in the yield curve. Such analysis is feasible and shall be conducted only if the company's investment in fixed income securities exceed 10% of the total company's assets. In such case the duration of the fixed rate portfolio is reviewed on an ongoing basis in the context of likely interest rate changes.

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3.7 Research Reports

The RMF shall review and provide their comments on the reports, if any.

4- Liquidity Risk Management

4.1 Purpose

This policy and procedure have been established to set guidelines for managing the liquidity risk arising from the company's activities.

4.2 Responsibility

The Concerned Business Heads are primarily responsible for managing the liquidity risks in respect of the concerned business function in accordance with the company's policies and procedures. The **RM** is responsible for recommending and implementing techniques for measuring liquidity risk in respect of the various business units and for monitoring the liquidity gap.

4.3 Policy

- 4.3.1 The liquidity risk resulting of the company operations and investments shall be identified and appropriately managed in line with the risk management objectives and strategy.
- 4.3.2 Any new investing, financing, dispersal, disposal, or lending activities that may be undertaken shall be (in part) based on liquidity risk exposure.
- 4.3.3 Limits shall be specified for liquidity cushions as a percentage of the equity capital of the company across short and long timeframes. The company policies and procedures in respect of other business functions shall also include necessary clauses for addressing the liquidity risk that may result from such business functions.
- 4.3.4 At the time of introducing any new products, activities, investments, financing, or entering any joint ventures, policy and procedures and controls to manage the liquidity risk associated.

4.4 Procedures

- 4.4.1 The liquidity risk associated with the company may arise on account of a mismatch between assets and liabilities. The highest importance is the short-term mismatch between liquid assets and short-term liabilities.
- 4.4.2 The RM shall ensure that liquidity cushions are adhered to, by analysing the liquidity gap on a periodic basis.
- 4.4.3 The RM shall review any changes to the expected cash flow of the company and reassess the liquidity gap.

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4.4.4 The RM shall recommend to the BOD/Management the use of revolving credit policies to mitigate any potential liquidity risk, should the need arise, when the liquidity cushions are inadequate.

5- Operational Risk Management

5.1 Purpose

This policy and procedure have been established to set guidelines for managing the Operational Risk arising out of the company's activities.

5.2 Responsibility

5.2.1 The Concerned Business Heads are primarily responsible for managing the Operational Risks in respect of the concerned business function in accordance with the company's policies and procedures.

5.2.2 The RM is responsible for recommending and implementing techniques for measuring, Monitoring and controlling Operational Risks in respect of the various business units and for monitoring the Operational Risk exposure.

5.3 Policy

5.3.1 Sufficient systems and procedures shall be developed and implemented to manage Operational Risk events covering all activities of the company.

5.3.2 In establishing the systems and procedures, adequate consideration shall be given to the associated costs and the likely benefits, and only such controls shall be established where the benefit will exceed the cost.

5.3.3 The adequacy of controls and countermeasures shall be evaluated both in terms of their effectiveness in reducing the probability of occurrence of a given Operational Risk event, and their effectiveness in reducing the impact should it occur. Where necessary, steps shall be taken to design and implement cost-effective solutions to reduce the operational risk to an acceptable level. It is essential that ownership for these actions be assigned to ensure that they are initiated.

5.4 Procedures

A framework for Operational Risk Management and a roadmap for implementation of the framework shall be established.

5.5 Internal Controls

5.5.1 The Operational Risk in respect of each activity shall be identified and appropriate controls shall be established to address the identified risks. To achieve this, RMF shall review the company wide policies and procedures to ensure that necessary controls are embedded within the procedures to manage various Operational Risks identified.

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- 5.5.2** The RMF shall ensure adequate internal control systems and procedures are established through covering all critical aspects such as code of conduct, delegation of authority, segregation of duties, regulatory compliance, succession planning, transactions recording and reporting, information systems etc.
- 5.5.3** Transactions processing shall be automated to the extent possible by establishing integrated information systems for data processing and recording in respect of business transactions.
- 5.5.4** Approval requirements and authorities for authorizing the transactions shall be clearly defined.
- 5.5.5** Adequate reconciliation procedures, where necessary, shall be established to ensure completeness and correctness of transactions.
- 5.5.6** Adequate segregation of duties in performing various tasks and all critical transactions shall be ensured and shall be subject to review and approval by approval authorities.
- 5.5.7** All transactions shall be verified and recorded only after undergoing formal approval process outlined for each of the operating departments.
- 5.5.8** Necessary controls shall be used for granting access to IT systems on a "need to know" basis.
- 5.5.9** All new systems shall be subject to risk review by the Risk Management Function to assess the operational risk inherent in them as part of assessment procedures before they are introduced or undertaken. The RMF shall identify and assess the operational risk elements of all activities, processes and systems and its vulnerability to these risks.
- 5.5.10** New products/services that would be proposed for launch by the company shall be reviewed and approved by the concerned business division head before review of the RMF.
- 5.5.11** The RMF shall identify and evaluate the critical sources of risk that needs to be addressed before the new product/service is finally launched in the market.
- 5.5.12** All outsourcing arrangement with external agencies shall be subject to detailed guideline for outsourcing activities and/or services. The contract / agreements for all such outsourcing arrangements are reviewed by the legal Consultant and RMF prior to the contract commitment by the company.
- 5.5.13** All potential contracts involving the company shall be reviewed by the legal counsel of the company. The legal council is responsible for reporting any potential contract between the company and the related parties to the RM. The RM shall report the incident to the BOD and seek their approval before entering into the contract. In case

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the contract between the company and the related parties is approved by the BOD, the legal counsel shall ensure the legality of the contract and comply with all regulatory requirements.

5.5.14 Cash flow position statements shall be monitored daily by the treasury/concerned departments and decide on the funding strategies to be applied:

5.5.14.1 Either to place excess funds in the market

5.5.14.2 Or to borrow from the market to meet the company's net funding requirements.

5.5.14.3 The risk management unit shall monitor the cash flow monthly to check the liquidity position and prepare a cash flow projections annually for a period of three years based on the data available from the departments.

5.5.15 The HR related risks shall be appropriately addressed through the HR policies and procedures covering all critical HR matters including manpower and succession planning, recruitment, compensation and benefits, training, performance evaluation, ethical code of conduct, disciplinary procedures etc.

5.5.16 Adequate insurance policies shall be obtained to cover against financial loss / liability that could arise on account of catastrophic losses. The relevant departments shall review the company's insurance policies to ensure the adequacy of coverage, and the sum insured. The respective department heads/ executive management shall inform the Risk Management Unit of any potential risks arising from agreements, if applicable.

5.6 Business Continuity and Disaster Recovery

5.6.1 The Senior Management shall establish and maintain business continuity plans to ensure the company's ability to operate as a going concern and minimize losses in the event of severe business disruption.

5.6.2 The Risk Management Function shall review and assist in testing the disaster recovery plan and business continuity plan to be followed in the event of a disaster. The plans shall be tested periodically. It shall also be ensured that adequate back up procedures are in place.

5.7 Information System Controls

5.7.1 The Risk Management Function shall ensure that adequate security policies and procedures are developed and implemented to ensure the physical security of the company's premises, properties and people.

5.7.2 Ensure that adequate IT security policies and procedures are developed and implemented.

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5.7.3 Request for access to all information system resources are to be routed through a formal access request to the IT department. Authority for approving request for various levels of access to IT system and application shall be clearly defined. All access requests must be communicated to the Risk management unit.

5.8 Risk Monitoring

- 5.8.1** The Risk Management Function shall develop and implement a suitable reporting mechanism to monitor the effectiveness of the Operational Risk management process in place.
- 5.8.2** A mechanism of reporting significant operational risk loss events/failure of internal control systems shall be developed. Each functional department shall report on the identified operational loss/control failure events to the Risk Management Function.
- 5.8.3** The frequency, severity and other information on individual loss events shall be systematically tracked and recorded. Such data may provide meaningful information for assessing the company's exposure to operational risk and developing a policy to mitigate / control that risk.
- 5.8.4** The reported errors or loss events shall be adequately investigated into. Such cases shall be assessed for significance and logged into a database. Significant issues shall be reviewed, and possible recommendations are explored with appropriate user acceptance prior to implementation.
- 5.8.5** Quarterly liquidity position reports shall be reviewed by the Risk Management Function for monitoring any adverse liquidity position. Accordingly, remedial action shall be initiated on any adverse liquidity position based on such reports and should be sent for approval by BOD.
- 5.8.6** The Risk Management Function shall review changes in business, organization and IT systems and analyse their impact in respect of Operational Risk.
- 5.8.7** Review of access rights given to the employees. This can be formal request by the RMF to the IT department.

6- Strategic Risk Management

6.1 Purpose

This policy and procedure have been established to set guidelines for managing the reputation and strategic risks arising out of the company's activities.

6.2 Responsibility

6.2.1 The Concerned Business Heads are primarily responsible for managing the strategic and reputation risk exposure in respect of the concerned business function in accordance with the company's policies and procedures.

6.2.2 The RM is responsible for recommending and implementing techniques for managing the strategic risk.

6.3 Policies

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The Strategic risk is inherent in any business and needs to be carefully managed. The management of Strategic Risk shall primarily rest with the Senior Management and the concerned business heads.

6.4 Procedure

The following guidelines shall be considered to ensure appropriate management of strategic business risks by Senior Management with the support of the RM:

- 6.4.1** Developing strategic goals, objectives and corporate culture in line with the business environment in which the company operates after analysing the business environment and considering possible change in trends.
- 6.4.2** Establishing an optimal asset allocation model for revenue maximization with acceptable risk exposure to ensure optimal mix of products and services based on forecasts and research.
- 6.4.3** Establishing an annual process of planning and budgeting in line with best practices.
- 6.4.4** Constant monitoring by Senior Management on the environmental factors such as political and market changes that can influence the business.
- 6.4.5** Effective participation of the BOD in strategic business decisions such as business tie ups, business channels including investment decisions.
- 6.4.6** Establishing and communicating the authorities for approving various critical transactions and activities.
- 6.4.7** Identifying new profitable avenues for placing / investing company's funds.
- 6.4.8** Establishing sound due diligence and risk review procedures before establishing ties with potential counterparties.
- 6.4.9** Establishing an effective monitoring mechanism through periodic meetings and management information systems that effectively support strategic direction and initiatives.

7- Reputation Risk Management

7.1 Purpose

This policy and procedure have been established to set guidelines for managing the reputation risks arising out of the company's activities.

7.2 Responsibility

- 7.2.1** The Concerned Business Heads are primarily responsible for managing the reputation risk exposure in respect of the concerned business function in accordance with the company's policies and procedures.
- 7.2.2** The RM is responsible for recommending and implementing techniques for managing the reputation risk.

7.3 Policies

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The company's reputation is of high priority from shareholder's point of view and the risk tolerance in respect of reputation risk is low as per the company's risk management strategy. The primary responsibility for managing reputation risk shall rest with the Senior Management and the RM shall assist the Senior Management in managing the reputation risk.

7.4 Procedure

The Senior Management and the RM shall ensure effective controls and management set up to address the reputation risk by:

- 7.4.1 Ensuring compliance with all applicable regulatory requirements.
- 7.4.2 Ensuring that policies and procedures of various business activities address the requirement to meet customer needs, customer relationship management and quality assurance.
- 7.4.3 Training employees in respect of their areas of work, client relationship management and code of conduct.
- 7.4.4 Sound and prudent corporate governance practices and establishing corporate code of conduct.
- 7.4.5 Adequate marketing and public relation activities to project and maintain the company's image and brand.
- 7.4.6 Appropriately managing the counterparty relationships.
- 7.4.7 Compliance of client instructions to the satisfaction of the clients and periodic reporting to clients regarding performance of their investments.
- 7.4.8 Monitor client requirements.
- 7.4.9 Address customer complaints.

8. Credit Risk Management

8.1 Purpose

Credit risk refers to the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual requirements. Also, as a financial institution, CIDCO is committed to dealing with high credit rating agencies / institutions in the best interest of investors. This section outlines the policies, procedures, and guidelines to ensure effective credit identification assessment, mitigation and monitoring and promotes financial stability. CIDCO's activity in credit has been limited since Central Bank of Kuwait cancelled CIDCO's license effective 25/11/2011. However, for prospects, the risk management unit has addressed this in this manual

8.2 Responsibility

- 8.2.1 The management of credit risk typically involves various roles and departments, each with specific responsibilities. The key parties involved in the process include Credit risk management department/Settlement department, credit analysts, Risk Management committee, finance and treasury department, collection agents, Legal and compliance & Internal audit function.

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8.2.2 The Board members, members of the risk management committee and Risk management unit play a pivotal role in overseeing the credit risk management activities. The responsibility includes strategic oversight, policy development, assessment and monitoring and stress testing.

8.3 Policy

8.3.1 The Credit Risk exposure emerging out of the company's operations shall be identified and appropriately managed in line with the risk management objectives and strategy.

8.3.2 Any lending activities that may be undertaken shall be based on a formally approved credit policy clearly specifying the purpose of grant of credit, eligibility requirements such as credit rating, evaluation criteria, maximum and minimum credit that may be granted, diversification limits in terms of single obligor, sector etc., collateral requirements, and approval authorities.

8.3.2 The credit policy shall be communicated throughout the organization and all relevant personnel should understand Coast's approach to managing the credit risk and shall be made responsible for complying with the policies and procedures.

8.3.3 Limits shall be specified for minimizing the exposure to single counterparties and group of connected counterparties as a percentage of the equity capital of the company.

8.3.4 Beside the credit policies and limits, the company policies, and procedures in respect of other business functions shall also include necessary clauses for addressing the Credit Risk that may emerge on account of such business functions.

8.3.5 Deals shall be done only with approved counterparties after conducting adequate due diligence and credit analysis. Due diligence and evaluation of a customer's financial position shall be evaluated by the department independent of brokerage or marketing activities.

8.3.6 At the time of introducing any new products, activities or entering any joint ventures, policy and procedures and controls to manage the Credit Risk inherent in all products and activities shall be established. These policies, procedures and controls shall be approved by the appropriate authority after review by Risk Management Function.

8.4 Procedures

8.4.1 The Credit Risk exposure is limited in the company's activities and may arise on account of:

8.4.1.1 Margin trading facility granted to clients (limited activity).

8.4.1.2 Credit/loan facilities granted to clients and other counterparties based on collaterals (limited activity).

8.4.1.3 Placement of funds with various counterparties (banks, financial institutions, fund managers, brokers etc.) fund as a part of the treasury operations.

8.4.1.4 Direct Investments (local and international)

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8.4.2 The Credit Risk is categorized into default risk, credit concentration risk, settlement risk and collateral risk at Coast. The various measures to be implemented for managing credit risk exposure are summarized below:

8.4.3 Credit and Investments

8.4.3.1 The Risk Management Function shall, in coordination with the concerned business heads, develop, review and update credit policies and procedures.

8.4.3.2 In addition to the credit policies, the Risk Management Function shall also ensure that the policies and procedures for other business operations contain adequate provisions to manage Credit Risk exposure that may arise out of such business activities.

8.4.3.3 All proposals for credit shall be subject to review by the Risk Management Function. The Risk Management Function shall independently review the credit proposals and provide their recommendation. In addition, the Risk Management Function shall also review proposals for new investments and address the Credit Risk exposure, among others, that may arise on account of the proposed investment opportunity.

8.4.3.4 In the case of direct investments, the investment limits for various classes of assets of the company such as particular investments in particular industries or economic sectors, geographic regions and specific products shall be specified. These limits shall be binding and any exceptions to the limits shall be approved by the appropriate authority. All excesses to limits shall be reported to the Risk Management Function by the concerned business head.

8.4.4 Dealing with counterparties.

The Risk Management Function shall in coordination with the concerned business division establish eligibility requirements for counterparties.

8.4.4.1 The Risk Management Function shall communicate the criteria for dealing with counterparties involving financial transactions for ensuring that the company is not dealing with counterparties who will be most likely to make default in its payment obligations at the value date.

8.4.4.2 The Risk Management Function shall periodically list industries, sectors or clients not allowed to be dealt with. Any exception to this policy shall be approved by the appropriate authority.

8.4.4.3 Due diligence and analysis of potential counterparties shall be conducted by the department concerned. The proposal to establish a relationship with a new counterparty shall be subject to review by the Risk Management Function. In reviewing such proposals, the Risk Management Function shall be guided by the following:

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- a) The purpose of the credit and source of repayment.
- b) The integrity and reputation of the borrower or counterparty.
- c) The current risk profile (including the nature and aggregate amounts of risks).
- d) The borrower or counterparty and its sensitivity to economic and market developments.
- e) The borrower's repayment history and current capacity to repay, based on historical information.
- f) Financial trends and cash flow projections.
- g) A forward-looking analysis of the capacity to repay based on various scenarios.
- h) The legal capacity of the borrower or counterparty to assume liability for commercial credits, the borrower's business expertise and the status of the borrower's economic sector and its position within that sector.
- i) The proposed terms and conditions of the credit, including covenants designed to limit changes in the future risk profile of the borrower and where applicable, the adequacy and enforceability of collateral or guarantees, including under various scenarios.

8.4.4.4 CIDCO bears credit risk on money at call and short notice, bank balances, other receivables, and promissory notes. The compliance unit frequently assesses credit worthiness and reputation and informs the risk management unit to ensure that the cash and cash equivalents are dealt through only with reputable financial institutions and banks.

8.4.4.5 The risk management unit review the other receivables and promissory notes and their credit rating undertaken is within the scope of risk tolerance level of the company.

8.4.5 Collaterals

8.4.5.1 The Credit proposals shall be subject to review to ensure adequacy of collaterals and compliance with established criteria.

8.4.5.2 The collateral shall be marked to market and if there is a decline in the value of the collateral the client shall be asked to make the shortfall. The relevant department shall liquidate the collateral in case the client is unable to replenish the collateral after reminders. The collateral should be pledged in Favor of the company.

8.4.6 Monitoring

8.4.6.1 The Risk Management Function shall periodically review the process of granting credit to ensure its adequacy. The Credit/Direct Investment portfolio shall also be reviewed at least monthly to identify and act as may be required.

8.4.6.2 The Risk Management Function shall monthly analyse the credit and investment portfolio to ensure compliance with established limits and guidelines and identify any excessive concentration of assets in a specific segment.

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8.4.6.3 The Risk Management Function in coordination with Compliance Department shall monitor for any negative news pertaining to the counterparties, analyze the impact of such events on the company's assets and shall recommend the appropriate course of action to the Senior Management.

8.4.6.4 The Counterparty credit worthiness shall be reviewed periodically by analyzing their financial statements and other reliable information critical for such analysis. The Risk Management Function shall specify ratios for assessing the probability of default risk of the counterparty. The Risk Management Function shall monitor these ratios on a periodic basis.

8.4.6.5 The Risk Management Function shall also ensure that there is adequate monitoring of the movement in value of the collaterals to ensure that any decline in value of collaterals is adequately covered/ recovered.

9. Cash Flow Risk Management

9.1 Purpose

Effective cash flow risk management is crucial for maintaining the financial health and stability of an organization. The purpose of a cash flow forecast is to predict the future movement of cash in and out of the business. This financial tool helps to understand the company's liquidity and avoid potential cash flow shortfalls.

9.2 Responsibility

9.2.1 It is the primary responsibility of the finance team/treasury department to ensure that cash flow forecasts are prepared monthly, quarterly, or as needed.

9.2.2 The risk management unit maintains a cash flow forecast on an annual basis for a period of three years, subsequently reviewing it on a semi-annual basis for any immediate future shortfalls.

9.2.3 It is the responsibility of all department heads to provide necessary inputs from their respective departments, depending on the company's size and structure.

9.3 Policies and procedures

9.3.1 Gather information.

9.3.1.1 Historical Data: Collect past financial statements, including income statements, balance sheets, and cash flow statements. Analyse trends in inflow, expenses, and cash flows over time.

9.3.1.2 Income Forecast: Obtain operational cash flow from profit center and operational departments, to estimate future cash flow from customers/clients and projects. It includes receipts from various sources, anticipated income sources and clients.

9.3.1.3 Expense forecast: Collaborate with different departments to estimate upcoming expenses like rent, salaries, G & A expenses, and marketing campaigns.

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9.3.2 Estimate Cash inflow & Cash outflow

- 9.3.2.1 Receipts from funds/investments, commission income, liquidation distribution, dividends and advisory income based on the life cycle of projects/ investments.
- 9.3.2.2 Project the business expense like rent, personnel expenses, and other expenses/utilities based on the historical data and departmental forecasts.
- 9.3.2.3 Project the required capital expenditure like equipment, property and any other short-, medium- or long-term assets.
- 9.3.2.4 Estimate the scheduled payment for principal and interest or any outstanding payments.
- 9.3.2.5 Create provision for tax expenses and contingency funding plans.
- 9.3.2.6 Allocate the necessary funds for business continuity and planning.
- 9.3.2.7 Allocate the funds for new investments, projects, and ventures.

9.3.3 Forecasting method:

- 9.3.3.1 Decide the timeframe for the cash flow forecast on a monthly, quarterly, or annual basis. The time frame should align the business cycle and decision-making needs.
- 9.3.3.2 Choose the different methods of cash flow forecasting with varying levels of complexity. Direct method: This method directly lists all the major categories of cash inflows and outflows for the forecasting period. Indirect method: This method starts with net income from income statements and adjusts the non-cash expenses and changes in working capital requirements.
- 9.3.3.3 Analyze and review the projected cash flow to identify the potential shortfalls and surpluses and discuss it with the stakeholders.
- 9.3.3.4 Regularly monitor the actual cash flow against the forecast and update it as needed based on changes in income structure, expenses, and other factors.

9.3.4 Liquidity management strategies

- 9.3.4.1 Concentration banking: Consolidating cash balances into centralized account simplifies cash management and improves visibility into overall liquidity.
- 9.3.4.2 Cash cushion: Allocate an available pool of cash reserves to meet unexpected expenses or temporary shortfalls.
- 9.3.4.3 Diversify funding sources from reducing dependence on a sole source of income and strengthen financial stability.
- 9.3.4.4 Define acceptable liquidity levels, risk tolerance and procedures for maintaining adequate cash flow.

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9.3.4.5 Establish clear procedures for approving and processing cash disbursements to ensure responsible spending and prevent unauthorized payments.

9.3.4.6 Establish procedures for reporting on key liquidity metrics like cash flow ratios and debt levels to senior management.

9.3.5 Contingency funding plans

This policy outlines the framework for developing and maintaining contingency funding plans (CFPs) within CIDCO to ensure our ability to meet financial obligations in the event of unexpected disruptions to normal cash flow. This policy applies to all employees involved in financial activities, particularly the treasury department, finance department and risk management team.

9.3.5.1 Establish a process for identifying potential liquidity shortfalls.

9.3.5.2 Develop a comprehensive plan for accessing alternative funding sources in times of crisis.

9.3.5.3 Regularly assess potential risks that could disrupt normal cash flow, such as economic downturns, market volatility, or operational disruptions.

9.3.5.4 Establish clear liquidity thresholds that trigger the activation of the Contingency funding planning. These thresholds should consider normal cash flow fluctuations and anticipated future obligations.

9.3.5.5 Funding Sources: Identify a diverse range of potential funding sources to access in times of need. This could include:

- a. Existing credit lines with the bank.
- b. Asset sale (non-core assets).
- c. Short-term borrowing from other financial institutions (low interest rates).
- d. Raising overdraft.
- e. Emergency lines of credit.

f. Government support programs (if available).

g. Intercompany loans (if applicable).

h. other sources of credit.

9.3.5.6 Prioritization and Activation: Clearly define the order of priority for accessing different funding sources based on cost, ease of access, and potential restrictions. Establish a clear process for activating the Contingency Funding Planning when liquidity thresholds are breached.

9.3.5.7 Documentation: Maintain comprehensive documentation of the CFP (contingency funding plans), including identified risks, funding sources, and activation procedures. The CFP should be readily available to relevant personnel and reviewed and updated regularly.

9.3.5.8 Regularly communicate the importance of contingency funding to all relevant employees, emphasizing their roles and responsibilities in the event of a liquidity

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crisis, and provide training to personnel involved in Contingency Funding Planning activation and the utilization of alternative funding sources.

9.3.5.9 if required, conduct periodic CFP testing to assess its effectiveness and identify any potential weaknesses by simulating different liquidity stress scenarios and evaluating the response plan; the CFP will be reviewed and updated at least annually, or more frequently if there are significant changes in the company's financial position, risk profile, or the regulatory environment.

9.3.5.10 Monitor & Training: Senior Management: Oversee the development, implementation, and testing of the CFP; Treasury Department: Lead the development and maintenance of the CFP, identifying funding sources and managing communication with lenders and investors; Risk Management Team: Collaborate with the Treasury Department in risk assessment and scenario planning for the CFP; All Employees: Be familiar with the CFP and their roles in responding to a liquidity crisis.

10. Leverage Risk Management

10.1 Purpose

Leverage risk management is crucial for any company that utilizes debt or other forms of borrowed capital to finance its operations and growth. Here is a breakdown of its purpose, responsibilities, and key policies and procedures.

10.2 Responsibility

10.2.1 It is the primary responsibility of the department head concerned and personnel for setting the company risk tolerance and adherence to the company's risk appetite statement. Further leads to the development and implementation of leverage strategies, monitoring key financial ratios and debt levels.

10.2.2 The risk management unit collaborates with the finance team in identifying and assessing the leverage risks and support in providing mitigation recommendations (if required)

10.3 Policies and Procedures

10.3.1 Establish clear and measurable limits on key financial ratios like debt-to-equity ratio and interest coverage ratio to define acceptable debt levels and maintain financial health.

10.3.2 Debt Covenant Monitoring: Monitor compliance with debt covenants imposed by lenders to restrict future borrowing or require maintaining specific financial ratios.

10.3.3 Implement robust cash flow management practices to ensure sufficient cash is available to service debt obligations.

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- 10.3.4** Conduct regular stress testing to assess the company's ability to withstand financial shocks like interest rate hikes or economic downturns and evaluate the impact on leverage ratios and debt servicing capabilities.
- 10.3.5** Consider using hedging strategies to manage interest rate risks associated with variable-rate debt.
- 10.3.6** Develop a plan for managing debt maturities, ensuring a smooth rollover of existing debt and avoiding large balloon payments that could strain cash flow.
- 10.3.7** Establish procedures for regularly reporting key leverage risk metrics (debt ratios, interest coverage) to senior management and the board of directors.

11. Compliance Risk Management

11.1 Purpose

Compliance risk in risk management refers to the threat to an organization's financial, organizational, or reputational standing resulting from violations of laws, regulations, codes of conduct, or organizational standards of practice. Effective compliance risk management policies and procedures are critical for ensuring adherence to relevant legal and regulatory requirements, thereby avoiding potential penalties, fines, and reputational damage. In a financial services company, the primary purpose of compliance risk management is to ensure adherence to all applicable laws, regulations, and industry standards, minimizing the risk of legal penalties, financial sanctions, reputational damage, and regulatory sanctions. Effective compliance fosters a culture of ethical conduct and strengthens public trust in the financial system. Key elements of compliance risk management policies and procedures include risk identification, policy development, training, monitoring, and continuous improvement.

11.2 Responsibility

- 11.2.1** The ultimate responsibility for setting the compliance culture, allocating resources for compliance programs, overseeing the compliance department's activities, and reporting compliance matters to the board of directors. The Compliance Department: Leads the development and implementation of the compliance risk management program, identifies compliance risks, develops policies and procedures, conducts training, and monitors adherence. Business Units: Integrate compliance requirements into daily operations and ensure employees understand and follow compliance policies. All Employees: Must be aware of and comply with regulations and company policies, and report suspected violations to the compliance Department.
- 11.2.2** The Risk Management unit supports the Compliance Department in establishing the compliance risk management program by collaborating on risk identification and assessment, sharing data and best practices for policy development, co-designing training, and awareness programs (if needed), integrating monitoring systems, providing regular risk and compliance reports, supporting incident response and investigation, and ensuring continuous improvement based on feedback and risk tolerance of the company.

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11.3 Policies and procedures

- 11.3.1** Regularly assess the company's exposure to various compliance risks, including
- a. Anti-Money Laundering (AML),
 - b. Know Your Customer (KYC),
 - c. Consumer Protection,
 - d. Market Abuse,
 - e. Data Privacy regulations.
 - f. Business activities and products offered.
- 11.3.2** Compliance Department should develop clear and concise policies and procedures outlining expectations for employee conduct and business practices in adhering to regulations. These policies should address specific regulatory requirements and their follow-up.
- 11.3.3** Review ongoing compliance training / awareness to all employees based on their roles and responsibilities. Training should cover relevant regulations, company policies, and procedures for identifying and reporting compliance issues.
- 11.3.4** Implement a system for monitoring compliance adherence through internal audits, transaction reviews, and employee reporting mechanisms. Establish procedures for reporting identified compliance violations to senior management and regulatory authorities (if required)
- 11.3.5** Develop a plan / checklist (risk register) for responding to compliance incidents, including investigation procedures, corrective actions, and disciplinary measures.
- 11.3.6** Foster a culture of compliance within the company by promoting open communication about compliance risks and encouraging employees to report concerns without fear of retaliation. Regularly communicate compliance updates and expectations to all employees.
- 11.3.7** Conduct comprehensive assessments to identify potential compliance risks in all areas of operations. Utilize tools such as risk matrix and heat maps to prioritize risks based on their impact and likelihood.
- 11.3.8** Monitor changes in relevant laws, regulations and industry standards and check whether the relevant policies and procedures are promptly reflected as per the regulatory requirements and updates.
- 11.3.9** Ensure policies are effectively communicated and accessible to all employees.

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11.3.10 Assess and report the risks associated with third-party relationships and outsourced services.

11.3.11 Establish the channels of reporting breaches and investigate whether reported incidents are corrected or not.

12. Reporting

12.1 Purpose

This policy and procedures establish guidelines for the Risk Management Function reporting of the company.

12.2 Responsibility

12.2.1 The **RM** is responsible for preparing the Risk Management Function reports and provide the same for Senior Management to take appropriate action.

12.2.2 The Concerned Business Heads are responsible to provide the required information to the Risk Management Function on the preparation of risk reports.

12.3 Policy Statements

12.3.1 The Risk Management Function should prepare the periodic risk reports to the Senior Management on a timely basis.

12.3.2 The Risk Management Function should prepare the semi-annual reports for the Capital Markets Authority in the format as prescribed by the Authority.

12.3.3 The BOD shall notify the CMA whenever any breach of the risk management system occurs, and report upon the procedures that are to be followed to deal with such.

12.4 Procedures

12.4.1 The **RM** shall review the following reports monthly:

12.4.1.1 Monthly Transaction Report (Covering third party portfolio {discretionary and non-discretionary, investment funds and company portfolio deals})

12.4.1.2 Position Monitoring Reports on:

12.4.1.2.1 Portfolios, both local and international (Third Party and Company)

12.4.1.2.2 Investment Funds managed by the company and others, if any

12.4.1.2.3 Stop Loss Monitoring Report (monthly)

12.4.1.2.4 Operational Loss Events Report (quarterly)

12.4.2 The **RM** shall review the quarterly portfolio concentration and report it to the Risk Management Committee quarterly, if required, propose additional recommendations for any corrective action.

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12.4.3 The **RM** shall prepare an Annual Risk Report covering all identified risks, including recommendations, (if any) for implementation, to be presented to the BOD.

12.4.4 The **RM** shall coordinate with the respective business departments to prepare the above monitoring reports.

12.4.5 The **RM** shall review the reports and submit the same for the Senior Management, for appropriate action of the respective business heads.

12.4.6 The **RM** shall ensure to submit the semi-annual risk report to the Capital Market Authority prepared in the format prescribed by the CMA and ensure the BOD approval and finally its submission to the regulatory authority within the prescribed deadline.

12.4.7 The **RM** shall, apart from the above reporting, shall coordinate with other business heads in terms of identifying various operational risks and highlight the same to the Senior Management for appropriate action.

12.4.8 The **RM** unit shall prepare a quarterly Risk Committee Report to review and follow up on existing observations, address any new observations identified during the period, and report the findings to the Risk Committee and Board of Directors for immediate action.

12.4.9 The **RM** shall prepare and maintain Risk register and Risk matrix quarterly covering the company for follow-up and reporting.

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Policy code: CRM - 2

Policy Name: Risk Register & Risk Matrix

1- Risk Register

1.1 Purpose

A risk register is a document used as a risk management tool and to fulfil regulatory compliance acting as a repository for all risks identified and includes additional information about each risk, e.g., Risk Dimension, Category, Risk owner, Description about the risk, Management response for the risks identified, Impact and likelihood of occurrence and impact score after implementing the control measures and the status of the it. A risk register is updated on a quarterly basis and is reviewed and finalized by the Risk Management Department. The outsourced team for Risk management identifying the risks by conducting assessment for each department during their review.

1.2 Scope

The Risk register is a detailed document of certain risks and KRIs of the company and provide a systematic and methodical tool for identifying risks and removing them where possible or adopting all control measures that are reasonable and practical, this also enables the management to minimize or to control the risks and not to be occur again by implementing certain corrective measures by the concerned department.

1.3 Responsibility

It shall be the responsibility of the Outsourced team to update the risk register in coordination with RM on a quarterly basis as per the finding carried out during the review.

1.4 Distribution

The Risk register is considered as private and confidential and is controlled and be made available to the senior management and authorized staff in the company. No contents of the risk register shall be copied/ otherwise reproduced except with a prior approval of CEO.

1.5 Policy

The objectives of the risk register mainly are:

- a) to achieve greater visibility of exposures, threats, and opportunities.
- b) to achieve pro-active management than reactive management and therefore reduce the likelihood that risks will occur.
- c) to implement a rigorous basis for decision making and planning.
- d) to create a record of the identification and control of key organizational risks.

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- e) to achieve a more effective allocation and use of resources by prioritizing the risk.
- f) to respond more effectively when potential risks occur.
- g) to assess if management controls or resources are adequate to manage risks.
- h) to ensure all the management concerns are properly considered and communicated to the Board of Directors.

1.6 Procedure

Steps in identification and recording the KRIs in Risk register:

- a) Identifying the KRI's of each department in detail.
- b) Presenting it in Risk register with a description of risk.
- c) Providing impact score and likelihood for each KRIs observed.
- d) Enquiring the department heads for the management response.
- e) Recording the Risk score and Action Deadline.
- f) Reviewing the impact score after implementing the control measures.
- g) Update the risk score and document the residual risk to assess whether the risk is adequately controlled.
- h) Update the status for each KRI's identified.

1.7 Review and update:

The enclosed Policy CRM - 2 should be reviewed on a quarterly basis by the RM.

1- Risk Matrix

2.1 Purpose

Risk matrix enables the company to identify specific types of risk, their probability and severity, and maintain a real-time view of the evolving risk environment.

2.2 Scope

This enables the management to identify the number of observations in the risk register in the unacceptable level for the company and act immediately for corrective measures suggested by the management.

2.3 Responsibility

As a part of risk register, risk matrix is updated annually along with the risk register. RM is responsible for the Risk matrix made available to the management.

2.4 Procedures

2.4.1 The process of risk matrix includes the following:

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- 2.4.1.1 Identify the KRIs related to each department.
- 2.4.1.2 Define and determine risk criteria for each KRIs.
- 2.4.1.3 Analyse the risks identified.
- 2.4.1.4 Prioritize the risks and make an action plan.
- 2.4.1.5 Helps to find out potential risks with minimal effort.
- 2.4.1.6 It demonstrates the organizations' ability to manage risk.
- 2.4.1.7 Beneficial to neutralize any possible consequences.

2.4.2 The following will be the Risk matrix template which will be updated quarterly in line with the risk register.

Risk Matrix Template			LIKELIHOOD			
			CRITICAL	HIGH	MODERATE	LOW
		Risk Scale	8.1 - 10	6.1 - 8	3 - 6	0 - 2.9
SEVERITY	CRITICAL	8.1 - 10	No. of observations	No. of observations	No. of observations	No. of observations
	HIGH	6.1 - 8	No. of observations	No. of observations	No. of observations	No. of observations
	MODERATE	3 - 6	No. of observations	No. of observations	No. of observations	No. of observations
	LOW	0 - 2.9	No. of observations	No. of observations	No. of observations	No. of observations

2.4.3 The Risk Matrix will be updated prior to implementing control measures and subsequently updated after the implementation of adequate control measures to assess the residual risk at the designated checkpoint.

Risk scale for Severity & Likelihood:

		Risk Impact			
Risk Parameter		Critical	High	Medium	Low
Likelihood		8.1 - 10	6.1 - 8	3 - 6	0 - 2.9
Severity		8.1 - 10	6.1 - 8	3 - 6	0 - 2.9

2.4.4 By above identified risks it can be easily depicted into table which is called Risk Matrix. Risk matrix enables the stakeholders to view in real time by identifying the KRIs, analysing and mitigating it by adequate control measures.

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Policy code: CRM - 3

Policy Name: Incident Report

1. Purpose

An incident report is a tool/mechanism to document any event that may or may not have caused damage to a company asset, injuries to person/any incident that causes material loss to the company and its employees either financially or non-financially. It is used to capture near misses, property and equipment damage, health and safety issues, security breaches, misconducts, and loss of work time due any other incidents in company premises or to the people.

2. Purpose

2.1 The purpose of an incident report is to state the cause of the problem along with the corrective actions that can be taken to minimize the risk of future occurrence.

2.2 Incident can be mainly of 3 types:

2.2.1 Major Incidents. Large-scale incidents may not come up too often, but when they do hit, organizations need to be prepared to deal with them quickly and efficiently **(Low likelihood & major impact)**.

2.2.2 Repetitive Incidents **(High likelihood & moderate or minor impact)**.

2.2.3 Complex Incidents **(Impact & likelihood based on the incident itself)**.

3. Scope

The forms can be used as safety documents, outlining potential safety hazards in and around the workplace. An incident report needs to include all the essential information about the incidents/accidents or near misses. The report writing process begins with fact finding and ends with recommendations for future accidents.

4. Responsibility

It shall be the responsibility of each employee of the company to report any incidents arise from work with consultation with the department head and finally report it to the Risk Management Unit with the proper documents.

5. Review and Records

The incident form should be evaluated by risk management unit, reviewed by Internal Audit & Compliance. The Risk Management Unit is maintaining the incident forms through a unique reference code for future reference and follow up.

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5.1 Policy

Special reporting form is maintained for the purpose of completing the risk assessment process:

- 5.1.1 Form A is exclusively available for reporting the incidents to the Risk Management Unit by the risk owner or risk observer with the approval of the direct manager/successor.
- 5.1.2 Form B is maintained for tracking and recording purposes for the risk management team, advising the corrective action and a timeline for the achieving the goal.

5.2 Procedure

- 5.2.1 Once the incident is observed or identified, the incident must be properly documented and reported to the Risk Management Unit with Form A (Appendix 1)
- 5.2.2 Further descriptions of the Risk incident must be detailed in the provided Form A
 - a) Incident risk type
 - b) Risk Title.
 - c) Description of risk.
 - d) Business impact.
 - e) Work breakdown time.
- 5.2.3 For Risk Management Unit records, Form B (Appendix 2) is maintained, which will advise the mitigation strategy and the corrective actions and its timeline for the process after considering the Internal Audit & Compliance recommendations.

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Policy Code: CRM – 4

Policy Name: Key Performance Indicators (KPIs)

1. Purpose

Key performance indicators (KPIs) for a Risk Management Unit are essential to monitor and evaluate the effectiveness of risk management activities and to ensure that an organization is adequately managing its risks. The specific KPIs can vary depending on the industry, organization, and risk profile. These KPIs provide a comprehensive framework for evaluating the effectiveness of a Risk Management Unit in identifying, assessing, mitigating, and monitoring risks. It is important for organizations to tailor their KPIs to align with their specific risk management goals and objectives. Regularly reviewing and updating these KPIs ensures that the Risk Management Unit remains agile and responsive to changing risk landscapes.

2. Scope

KPI form is designed in a way most suitable to the Risk Management Unit of CIDCO, to rate the performance of the unit in their range. This also enables to identify the key elements included in Risk Management process and activities and assess the Actual versus Target variance in their performance.

3. Responsibility

It shall be the responsibility of Risk Management Unit to update the KPI form and submit it to Risk Management Committee for their comments and approval on an annual basis.

4. Distribution

The KPI form is a private and confidential document and is controlled and available to the Risk Management Committee. It is deemed to be unauthorized to copy or reproduce the section in this manual except with the prior approval of the CEO.

5. Policy

The objectives of KPI form mainly are:

5.1 Identify the new risks identified during the period. This KPI can help assess the Unit's ability to recognize emerging risks.

5.2 Identify the severity of identified risks and probability assessment of each KPI.

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5.3 Risk mitigation scenario like risk reduction percentage and timeliness of mitigation to each KPI.

5.4 Risk monitoring: This helps in tracking the key risk indicator and to evaluate how frequently risk heat maps are updated to reflect changing risk landscapes.

5.5 Risk reporting: Compliance with reporting deadlines to relevant stakeholders and the authorities.

5.6 Quality of risk reports: Assess the comprehensiveness and clarity of risk reports to help senior management make informed decisions.

5.7 Risk Response Effectiveness: Incident Response Time: Track the time taken to respond to and resolve risk-related incidents.

5.8 Cost of Risk Management: Evaluate the cost-effectiveness of risk management efforts compared to the potential impact of the risks.

5.9 Compliance and Regulations

5.9.1 Regulatory Compliance: Measure the department's adherence to industry-specific regulations and compliance requirements.

5.9.2 Internal Audit Findings: Track the number and severity of audit findings related to risk management practices.

5.10 Business Continuity

5.10.1 Recovery Time Objective (RTO) Achievement: Evaluate the Unit's ability to meet RTOs in the event of a disruption.

5.10.2 Disaster Recovery Test Success Rate: Measure the success rate of disaster recovery tests.

5.11 Risk Aggregation: Monitor the aggregation of risks to identify concentrations and potential systemic risks.

6. Procedures

Steps and process in identifying and evaluating the performance of KPIs:

6.1 Identify, set, and record the parameters like Target versus Actual to benchmark the performance.

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- 6.2 Measures the total potential impact of identified risks, usually based on estimated financial losses or operational disruption as a weighted average considering the likelihood and impact of each risk.
- 6.3 Select objective to track performance: Tracks the progress of risk mitigation actions and plans, ensuring timely and effective implementation of risk reduction strategies.
- 6.4 Determine goals and tolerance triggers: Low and high parameters that trigger an alert to Risk Committee and BOD as well as the management.
- 6.5 Compare and analyse each KPI's with its actual result and suggestions if any in case of unresolved cases or observations.
- 6.6 Identify actual risks that take place during the period and how often the risk may happen and its description.
- 6.7 Evaluating impact of unidentified and unexpected risks.
- 6.8 Assess the existing status and its remedy if any, required.
- 6.9 Compatibility with Risk appetite: Represents the level of risk an organization is willing to accept to achieve its objectives or strategic goals, often communicated as a range or a maximum acceptable threshold.
- 6.10 Financial Impact of Risk Events: Measures the actual financial losses or costs resulting from realized risk events, offering valuable input for future risk mitigation planning.
- 6.11 Risk Management Maturity: Evaluates the organization's risk management practices, processes, and culture, often using a defined maturity model to determine areas for improvement.
- 6.12 Submit the KPI form for approval and rating from Risk committee annually.

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Policy Code: CRM – 5

Policy Name: Risk Awareness Training

1. Purpose

Risk management training is vital for fostering a culture of risk awareness and equipping employees with the skills to identify, evaluate, and address risks proactively. This program emphasizes preparation and proactive management over reactive measures, enabling businesses to mitigate potential threats effectively. By cultivating a risk-aware culture, organizations can minimize financial losses, operational disruptions, and regulatory penalties, ensuring smoother business operations and enhanced resilience.

2. Scope

The scope of risk management training encompasses all employees across the organization, ensuring that everyone, from entry-level staff to senior management, is equipped to understand and manage risks effectively. This training covers a wide range of areas, including operational, financial, and strategic risks, tailored to the specific roles and responsibilities of each group. It includes foundational knowledge for all employees, risk evaluation and mitigation strategies. This delivered through various methods such as workshops, online courses, and on-the-job mentoring, the training program ensures accessibility and relevance. By addressing both organizational and regulatory requirements, the scope emphasizes a comprehensive and inclusive approach to fostering a risk-aware culture and enhancing the organization's overall resilience.

3. Responsibility

The RM shall be responsible for requesting advanced risk training (if required) for employees, either from an outsourced agency or through in-house awareness sessions, delivered via email or in-person training.

4. Distribution

The distribution of this document is strictly limited to CIDCO employees, whether in hard copy or in digital format.

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5. Policies and Procedures

- 5.1 The RMF is responsible for determining training needs, initiating, and overseeing training sessions for CIDCO employees on various risk categories. It also decides whether to conduct in-house training or engage an external firm and selects the mode of training, whether online or in person, accordingly.
- 5.2 Ensure employees across all levels and departments have access to risk management training.
- 5.3 Mandate periodic refresher course (annually/semi-annually as required)
- 5.4 The RMF shall ensure the availability of a reliable outsourced agency for training needs, if necessary, following a Compliance review.
- 5.5 Limit accessibility of document to employees only.
- 5.6 Implement secure methods for distributing documents, such as encrypted emails or secure file sharing options.
- 5.7 Ensure physical and digital copies are stamped as "confidential" and distributed with receipt tracking (paper acknowledgement/ soft copy). All other responsibilities regarding the document vested with the employee.
- 5.8 The RMF shall gather employee feedback to enhance future training sessions and monitor performance metrics to ensure that training objectives are effectively achieved.
- 5.9 Identify training needs based on risk assessments or operational reviews, this will be finalised during the regular risk review of departments and changing risk environments.
- 5.10 Label all distributed records / materials with confidentiality disclaimers.

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Policy Code: CRM – 6

Policy Name: Key Risk Indicators (KRI)

1. Purpose

A Key Risk Indicator (KRI) report is an essential tool for a risk management department to monitor and measure risks proactively. It also provides high level overview of the key risks and KRIs monitored during the period and highlight any critical changes or significant risk threshold breached.

2. Scope

This report provides a comprehensive overview of the Key risk indicators monitored during the reporting period for CIDCO. The primary objective is to assess risk exposure across critical categories, including credit, market, operational, liquidity, compliance, and strategic risks.

3. Responsibility

It shall be the responsibility of Risk Management Unit to update the KRI report annually and submit it to Risk Management Committee and BOD for their comments and approval.

4. Distribution

The KRI report form is a private and confidential document and is controlled and available to the Risk Management Committee, BOD & Executive management. It is deemed to be unauthorized to copy or reproduce the section in this manual except with the prior approval of the CEO.

5. Policy

The KRI shall be developed, maintained and monitored to:

- 5.1 Provide early warning signs of potential risks
- 5.2 Align with the company's strategy objectives and Risk Appetite Statement
- 5.3 Support compliance with regulatory requirements.
- 5.4 Enable informed decision making and risk mitigation strategies

5.5 Roles of Risk Management Unit

- 5.5.1 Develop and maintain the KRI framework

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5.5.2 Identify the relevant KRI for each identified risk category

5.5.3 Ensure KRIs align with industry standards and regulatory guidelines

5.6 Roles of Business Units

5.6.1 Provide adequate data for KRI identification and calculation

5.6.2 Monitor KRI within their operations and report any anomalies

5.7 Roles of Senior Management

5.7.1 Review and assess the KRI framework

5.7.2 Monitor high priority risks and ensure corrective actions

5.8 Roles of Internal audit

5.8.1 Review KRI framework and its implementation

5.8.2 Assess the accuracy and reliability of data

6. Procedures

Steps and process in identifying and evaluating the performance of KRI

6.1 Identification of KRIs

6.1.1 Conduct a risk assessment to identify critical risk areas.

6.1.2 Engage stakeholders to ensure comprehensive coverage of potential risks.

6.1.3 Select KRIs that are specific, measurable, actionable, relevant, and time bound.

6.2 Definition of Thresholds

6.2.1 Establish a range of Low, Moderate, High, and Critical by comparing the thresholds with the actual status for each KRI.

6.2.1.1 A risk categorized as "Low " indicates that the risk is within acceptable or normal limits. The Key Risk Indicator value suggests smooth operations, with the risk well under control.

6.2.1.2 A risk categorized as "Moderate" means that the risk is approaching the threshold but remains manageable within the company's control.

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6.2.1.3 A risk categorized as "High" indicates that the risk has breached the breakeven point. In such cases, management and the Risk Unit must develop and a mitigation plan.

6.2.1.4 A risk categorized as "Critical" signifies that the risk has exceeded the threshold, indicating a critical situation. This level of risk must be escalated to the Risk Committee and the Board of Directors for immediate discussion and action.

6.3 Define thresholds based on historical data, industry benchmarks, and risk appetite statements as suitable for the company

6.4 Identify reliable data source for each KRI

6.5 Implement procedures to validate the accuracy and consistency of data.

6.6 Monitor KRIs regularly according to the defined frequency.

6.7 Generate annual reports for review by BOD, Senior Management and relevant stakeholders.

6.8 Prioritize KRIs breaching threshold and propose corrective actions (if required).

6.9 Review the KRI framework annually or as needed.

6.10 Update KRIs and Thresholds based on changes in risk profiles, business strategies, or regulatory requirements.

6.11 Ensure KRI are aligned with the company's Risk Appetite Statement

6.12 Avoid overloading the report with excessive KRIs. Focus on those with high relevance and impact.

6.13 It is the responsibility of concerned department heads and staff to the Risk Management Unit to notify any KRIs for investigation.

6.14 Assign responsibilities and timelines for addressing breaches.

6.15 Monitor the implementation of corrective actions and their effectiveness.

6.16 Ensure that records are stored and accessible to authorized personnel.

6.17 Submit the KRI report for approval and rating from Risk Committee annually.

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Appendix 1 - Incident Report – Form (A)



Risk Management Unit – Incident Risk Sheet
Private & Confidential



Risk Management Unit – Incident Risk Sheet
Private & Confidential

Incident Risk Form

Employee Information

Employee name
Department/Unit
Title
Conducted on (Date and Time) <div style="text-align: center;">Date: / / Time:</div>

Risk Identifications

Incident risk type <input type="checkbox"/> Sudden/unpredicted Risk <input type="checkbox"/> Current/Active Risk <input type="checkbox"/> Potential Risk		
Risk Title		
Description of the risk		
Business Impact (Identification of consequences – If any):		
Work Breakdown time		
From:	To:	
Comments (if any)		
Employee Name & Signature		

RFC 
For Risk Management use

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Appendix 2 - Incident Report – Form (B)



Risk Management Unit – Incident Risk Sheet
Private & Confidential



Risk Management Unit – Incident Risk Sheet
Private & Confidential

For Risk Management unit purpose

Department responsible for mitigation actions
Individual(s) responsible for mitigation actions along with their titles
Assesment of Likelihood
Assesment of Seriousness (Impact)
Score
Grade
Change in Grade since last review
Date of last review
Mitigation Strategy <input type="checkbox"/> Mitigate the Risk <input type="checkbox"/> Transfer the Risk <input type="checkbox"/> Avoid the risk <input type="checkbox"/> Accept the risk
Corrective Procedures (Actions)
Cost (if any)
Timeline for mitigation action(s)

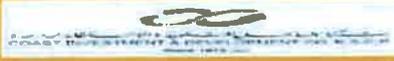
Risk Management Unit Opinion
Name
Signature

Internal Audit Unit Opinion
Name
Signature

Compliance Group Opinion
Name
Signature

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Appendix 3 - KPIs Form

Key Performance Indicator Form (KPIs) 			
Unit Name: Risk Management Unit Prepared & Approved by: Risk Management Committee Period of Evaluation: From: Beginning of Year to End of Year			
PART I - Basis of KPI evaluation			
PART II - Indicators & Performance			
		Parameters	
		Target	Actual
Status			
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
PART III - Overall Status (rating)			
1	2	3	4
1-Strongly agree	2-Agree	3-Neutral	4-Disagree
			5
			5-Strongly disagree
PART IV - Risk Management Committee Comments (if any):			
Date:			
Name & Title	Chairman of Risk Committee	Signature	
Name & Title	Committee Member	Signature	
Name & Title	Committee Member	Signature	

Appendix 4 - Revision History Form

Policy Ref. No.	Issue No.	Revision No.	Date of Revision	Approved By	Approver's Signature
		1	4/3/2012	BOD	
		2	4/3/2013	No changes	
		3	4/3/2014	" "	
		4	28/12/2015	BOD	
		5	4/3/2016	No changes	
		6	30/3/2017	BOD	
		7	4/3/2018	No changes	
		8	4/3/2019	" "	
		9	4/3/2020	" "	
		10	21/9/2022	BOD	
		11	28/12/2022	BOD	
		12	4/3/2023	No changes	
		13	24/10/2023	BOD	
		14	8/8/2024	BOD	
		15	16/2/2024	BOD	