Enterprise Risk Management
The Arabtec Group upholds firm Enterprise Risk Management (ERM) principles as a proactive approach to mitigating the business strategic, social, economic, environmental, operational and governance risks to secure its objectives towards:

- Safe, healthy and sustainable operations;
- Financial sustainability;
- Maintaining a high standard for project delivery and quality within agreed time-frames and budgets;
- Operational excellence; and
- Legal compliance.

Arabtec’s ERM approach is in line with the ISO 31000 Risk Management Standard, which is used as a global industry best-practice baseline.

In 2017, Arabtec conducted a comprehensive risk assessment and identified the following mitigation areas:

- To formalise and communicate strategies, operational objectives and directions across the organisation;
- To develop initiatives for empowerment and accountability across the organisation through an established delegation of authority;
- To enhance the management of tenders and control the approval process for securing contractual commitments that align with Arabtec’s risk appetite, strategy and economic objectives;
- To enhance project management and risk management capabilities by improving existing practices and processes and facilitating a thorough review of current procedures, performance review schemes, reporting, indicators and methods of work; and
- To enhance talent management, ensuring efficient recruitment and retention of internal talent.
Arabtec’s Enterprise Risk Management Policy

Arabtec recognises that risk management is a key aspect of maintaining a sustainable business and competitive advantage, ensuring performance, operational excellence and compliance to laws, regulations and standards.

Our risk management objectives are to:

• Develop and implement a risk management system that is embedded across Arabtec’s operational and strategic processes to secure the Group’s objectives and enhance its performance;

• Allow Arabtec to manage risks and leverage opportunities in accordance with best practices;

• Have a common understanding across the organisation of risk management processes and methodologies, using unified terminology and tools;

• Put under control the main risks that may affect Arabtec’s operational, financial or strategic objectives, and ensure they are managed in a consistent and systematic manner across the organisation, at every level;

• Integrate risk management into strategic planning, activity planning, performance management and operational decisions;

• Ensure that risks are managed in accordance with this policy by all Arabtec’s subsidiaries, departments and divisions, in line with the agreed risk appetite,

• Continuously evaluate and enhance all risk management disciplines practised within the organisation;

• Promote a corporate culture that understands and implements enterprise-wide risk management and incorporates evaluation of risks and treatment in decision-making processes; and

• Provide assurance and confidence to all stakeholders that Arabtec risks are known and effectively managed.
### Project Risk Management
Arabtec puts in place a formal risk management process for each project it is awarded.

The objectives of this approach are to:

- Secure the project’s objectives in terms of quality, cost and schedule;
- Follow-up tender stage risks and identify further risks;
- Ensure proactive behaviour towards risk through mitigation;
- Monitor the evolution of risks and act accordingly;
- Provide decision support to project managers and management to validate reviews and deliver approvals at the project’s key stages;
- Monitor evolution of contingencies and ensure cost and schedule targets are kept; and
- Ensure feedback of lessons learnt to feed the risks library.

Through dedicated training and coaching sessions, all project teams have been familiarised with this approach, which has been documented through a standard project risk management plan that is now part of the Group’s standard project management procedures.

Risk identification and risk evaluation sessions for all projects allow projects to develop their own risk register and decide on mitigation actions geared at controlling those risks and diminishing their potential impact on the cost, schedule or quality of the project.

Risk review sessions are regularly organised to follow-up the risk profile of projects and the progress of decided actions.

Risks are part of the standard project reports to management and are on the agenda of regular performance reviews.

### Tender Risk Management
Arabtec implements a formalised 4-Gate Work-Winning Process that aims to better control the risks related to its commercial and contractual commitments and, by extension, to project execution.

This mandatory process allows Arabtec to optimise the commercial costs of the organisation, to support a tender decision-making process based on objective risk information and to ensure that contractual commitments are in line with the organisation’s objectives and its defined risk appetite.

At each stage, a decision is taken as to whether or not to pursue the commercial opportunity based on a thorough risk analysis that supports the decision-making process through objective risk criteria.

### 4-Gate Work-Winning Process

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<th>Gate 1</th>
<th>Gate 2</th>
<th>Gate 3</th>
<th>Gate 4</th>
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<tbody>
<tr>
<td>APPROVAL TO PURSUE OPPORTUNITIES</td>
<td>APPROVAL TO PREPARE A TENDER</td>
<td>APPROVAL TO SUBMIT A TENDER</td>
<td>APPROVAL TO SIGN A CONTRACT</td>
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<td>Determine how the opportunity compares with selective better quality opportunities where Arabtec can add value</td>
<td>Consider tender strategies to reduce risk and improve financial outcomes</td>
<td>Prepare and review every tender in full detail, both technically and commercially</td>
<td>Ensure significant matters and changes to the tender and/or submission are signed off by an appropriate member of management under the original delegated approval process</td>
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<td>Do not submit a tender until the necessary reviews have been carried out and approvals are in place</td>
<td>Conduct final thorough review and approval prior to signing a contract</td>
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Ensuring Integrity
Arabtec is committed to conducting its business with the highest standards of honesty and integrity and equally expects all employees and subcontractors to maintain the same. All organisations face the risk of employees conducting themselves unethically or in breach of the Code of Conduct. A culture of integrity and accountability in line with Arabtec’s core values is essential in order to prevent such situations occurring and to be able to address them appropriately and quickly when they do occur.

Board Members and all employees are obliged to sign Arabtec’s Code of Conduct to ensure they adhere to Arabtec’s high standard of business ethics and discipline. Arabtec is committed to an environment where open and honest communication is the expectation, not the exception.

Arabtec provides a Whistleblowing Hotline & Reporting Page hosted by a third-party provider to encourage employees and business partners to report violations of the Code of Conduct, policies and procedures or the law.

At Arabtec, integrity means that we do the right thing in a reliable way, creating value both for our business and for our communities, and that we demonstrate honest and ethical behaviour in everything we do.