



RISK MANAGEMENT CHARTER

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Risk Management Charter

1 Mission Statement

The Mission of the Risk Management Function is to manage risks through continual Analysis, Monitoring and Mitigation in addition to being responsible for all aspects of enterprise risk management including, but not restricted to strategic risk, market risk, compliance risk and operational risk. The Function reviews the policy on all risk issues and maintains oversight of all Company risks.

The following charter has been developed taking into consideration the CMA Corporate Governance rules and other regulatory requirements.

2 Vision Statement

The Function believes that correct Risk Management has a direct influence on the Company's solvency, economic reliability and its overall financial situation. Accordingly, the company places the highest degree of emphasis and focus on managing the risks faced by its business. Mushrif defines business risks as actions or inactions that could adversely affect its ability to achieve its objectives, and thus hinder the implementation of business strategies. An effective system of controls and monitoring measures help to manage business risks so that business objectives are achieved.

3 Objectives

The objectives of the Risk management Function are:

- Assist the Board in formulating the company's Risk strategy and Appetite; which is the total risk that the company is willing to take in order to achieve its strategic objectives and meet its obligations to stakeholders.
- Identify Risk Rating of significant issues by assessing and prioritizing the risk according to their likelihood and impact levels.
- Identify Risk Probability of significant issues by defining the chances that the risk may occur or materialized given the current operational scale and complexity.
- Identify Risk Impact; which is the consequences, implications and effects on the company's risk occurring
- Build the company's Risk Matrix.
- Support the company's management strategy and growth agenda.
- Identify the Risk Treatment Plan by either one of the following: implementing risk mitigation (reduction), transfer, avoidance and reserves for catastrophes.

4 Scope of Work

The scope of the work of the Risk Management Function shall cover all company's operations to ensure that proper risk management is in place at the process and company level. In doing so, the function should endure that:

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- Risks are appropriately identified, quantified and their impact assessed;
- Appropriate policies and procedures have been developed to manage the identified risks.
- Company's risk universe, appetite and limits is cascaded at the process level after being approved at the entity level.
- Risk register is maintained, approved and continuously updated outlining key risks related to the company and its operations.

5 Authority

For the purpose of its work, the Risk Management Function has unrestricted access at any time to all the records, personnel, property and operations. The Risk Management Function has responsibility for the safekeeping and confidentiality of all information provided.

The Function shall have the authority to the extent it deems necessary/appropriate to retain, utilize and rely on legal accountants or other advisors for advice and assistance in accordance with applicable regulations.

The Risk Management Officer reports functionally to the Risk Committee.

In order to be well informed on the strategic and business initiatives undertaken by the Company, the Risk Management Officer should be informed of all the major decisions taken by the Senior Management and BOD, through circulars /memos.

The Risk Management Function will determine whether there is a need for specialized expertise to assist it in the performance of its duties. Final approval for such decision will reside with the board.

6 Reporting

- The Risk Management Function reports functionally to the Risk Committee and administratively to the CEO. The Risk management Function will also report to the CEO's for matters within the CEO's authority and based on BRC discretion.
- Quarterly Risk Assessment Report which summarize the results of the conducted risk assessment which includes highlights on; operational, liquidity, market, strategic, reputational and legal risks.
- Quarterly Risk Appetite Report, which is a timely monitoring report on the risk appetite, which includes highlights for example on the following;
 - Parameters/Sub-dimensions
 - For each Parameter, brief summary of the measurement methodology
 - Normal Limit for each parameter (limit set on each parameter during Normal economic Conditions)

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- Stressed Limit for each parameter (limit set on each parameter during Stressed economic Conditions)
- Quarterly Risk Performance Monitoring report which summarize the performance of the risk management department against set key performance indicators (KPIs)
- Annual Review of Corporate Governance Framework prepared in cooperation with corporate governance Function , which is a report summarizing the results of the assessment of the efficiency and effectiveness of the corporate governance framework which includes highlights on the following as an example:
 - Corporate governance policy
 - Disclosure policy and framework
 - Board of Directors and committees charters
 - Related parties transactions policy
 - Whistle blowing policy
 - Shareholders protection policy
 - Stakeholders protection policy
 - Conflict of interests policy
 - Corporate social responsibility policy
 - Organization structure and delegation of authority
 - Internal controls and risk management framework
 - Remuneration framework
 - Changes in the code of conduct

7 Responsibilities of Other Functions/Departments

A key objective of the Risk Management Function is to achieve the integration of risk management into the culture of the company. Risk Management is a cultural issue that must be based on a top-down meets bottom-up approach. Every person should consider him/herself as a risk manager his/her own right.

Responsibilities of the Board of Directors

- Set the tone of risk management of the company's right from the development of strategic plan which will set the direction of the company.
- Determine the degree of risk the company should tolerate
- Ensure that the company is legally compliant.
- Sets the company's code of conduct and ethics to safeguard the company from reputation risks.
- Approves policies for measuring and tracking risks and monitors the company's adherence to them.

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- Establish a Risk Management Committee.
- Create a supportive atmosphere or culture that has a low risk tolerance.
- Set out the nature, role, responsibility and authority of risk management function of the company.
- Review the risk management policies and system periodically.

Responsibilities of Risk Committee

- Review and approve for subsequent Board ratification the following:
 - Risk policies and related standards, methodologies used in managing the risks in the Company.
 - Adequate and comprehensive Risk Strategy and Risk Appetite of the Company, including strategic, market and operational risk;
 - Risk Universe;
 - Risk Charter of the Company; and
 - Advise the Board on the Company's present and future risk strategy and risk appetite and monitor the Executive Management in the implementation of this strategy.
- Review the Company's risk profile, risk strategy, risk appetite and risk control framework on an annual basis.
- Assist the Board in identifying and evaluating the acceptable risk limit and ensuring that the Company does not exceed the risk tolerance levels.
- Review and approve the Company's overall risk governance framework.
- Review the Company's risk management structure, roles, responsibilities and methodologies developed by the Executive Management prior to the Board's approval.
- Review and monitor the independence of the Risk Management Officer.
- Ensure that the risk management staff are independent from the activities leading to the exposure of the Company to risks.
- Ensure that the risk staff are fully aware and have an understanding of the Company's risks.
- Review and ensure the adequacy of the Risk Management function and ensure that it has adequate resources, infrastructure, Enterprise Risk Management (ERM) framework and appropriate access to information to enable it to perform its duties effectively.
- Provide adequate support to the Risk Management Officer imparting trust and importance to the Risk Management Function activities.
- Periodically assess and evaluate the Risk Management Officer and Risk Function performance.

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- Ensure the availability of adequate and effective management information systems for risk reporting and decision making that is in accordance with the scope, complexity and nature of the Company's activities.
- Ensure the independency of risk management employees on the activities that results in exposing the Company to risks.
- Ensure that the risk management employees has full understanding of the risks surrounding the Company, and work on increasing employee awareness of the risks and their knowledge of it.
- Review observations raised by the Board Audit Committee (BAC) which may affect the Company's risk management.
- Review the compliance risk processes that are in place to anticipate and effectively manage the impact of regulatory change on the Company's operations.
- Ensure the existence of clear lines of authority and accountability for managing, monitoring and reporting risks as performed internally and as required by applicable laws and regulations.
- Seek the assistance of external consulting firms experienced in risk management to enhance the Committee's efforts and role in the Company
- Periodically review the Company's Disaster Recovery and Business Continuity Plans to see if they are consistent with the current operations and business strategies, and any additional requirements by authorized regulators regarding the same issue.
- Review and approve statements to be included in the Annual Report concerning the Risk Management Division/Department.
- Monitor changes anticipated for the economic and business environment, including consideration of emerging trends and other factors considered relevant to the Company's risk profile and risk appetite.
- Ensure that proper and effective measurements and bylaws are in place for obtaining and exchanging information, so as to manage the risks of the Company as a whole and control the same effectively.
- The Committee shall regularly present periodic reports to the Board on the rapid developments and increased complications that risk management undergoes within the Company.
- The Committee Chairman shall, after each meeting, report formally to the Board on its proceedings on all matters within its duties and responsibilities.
- The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- The Committee will refer to the BAC any matters that have come to the attention of the Committee that are relevant for the BAC including any matters relating to accounting, internal control, audit or compliance concerns.

- Subject to applicable regulatory requirements, report annually to the shareholders describing the Committee's composition, role and responsibilities and how these were discharged and any other information required by regulations.

Responsibilities of Senior Management

- To identify, manage, monitor and review the operational, strategic and financial risks affecting the company.
- To monitor delivery by receiving regular reports from the various company officers for onward submission to the Risk Management Committee.
- To agree the priorities for action determined by the risk management process.
- The Senior Management Team will help to provide consistent central support and will encourage the uptake of good practice across the company.

Responsibilities of the Internal Audit Function

- Give assurance on the company's risk management processes and framework.

8 Risk Management Function's Roles and Responsibilities

The Risk Management Function has responsibility to:

- Develop the Risk Management Governance framework to include the following::
 - Risk policies and related standards, methodologies used in managing the risks in the Company.
 - Risk Universe; and
 - Risk Register;
- Advise the Board on the Company's present and future risk strategy and risk appetite and monitor the Executive Management in the implementation of this strategy.
- Assist the board to identify the acceptable risk limits and present to the Risk Committee.
- Upon approval of risk limits, ensure that the Company does not exceed the risk tolerance levels.
- Review and ensure the adequacy of the Risk Management function and ensure that it has adequate resources, infrastructure, Enterprise Risk Management (ERM) framework and appropriate access to information to enable it to perform its duties effectively.
- Assist in identification of Key Risk Indicators (KRIs). KRIs are useful tools for business lines managers, senior management and Board to help monitor the level of risk taking in an activity or by a company as a whole

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- Ensure the availability of adequate and effective management information systems for risk reporting and decision making that is in accordance with the scope, complexity and nature of the Company's activities.
- Review observations raised by the Board Audit Committee (BAC) which may affect the Company's risk management.
- Periodically review the Company's Disaster Recovery and Business Continuity Plans to see if they are consistent with the current operations and business strategies, and any additional requirements by authorized regulators regarding the same issue.
- Prepare statements to be included in the Annual Report concerning the Risk Management Division/Department.
- Prepare periodic reports and present the same to the Risk Committee on the rapid developments and increased complications that risk management undergoes within the Company as well as activities carried out by the Risk Management Function.
- Review proposed related party transaction and provide recommendation to the board
- Ensure that the risk management employees are independent from the activities leading to the exposure of the Company to risks.
- Ensure that the risk management employees has full understanding of the risks surrounding the Company, and work on increasing employee awareness of the risks and their knowledge of it.
- Periodically assess and evaluate the Risk Management employees' and Risk Management Function's performance.
- Wherever the business activities are conducted in a manner which exceeds the approved risk limits, a change is incorporated in the process to minimize the exposure to risk or the risk limit is properly modified and approved by the Risk Committee and the Board.
- Mushrif considers its Risk Management Cycle as under:



Set Objectives

- It is imperative to identify the objectives that Mushrif intends to achieve. MUSHRIF should then look at all possible events, people, and systems, processes that may hinder the achievement of objectives.

Risk Identification

- Mushrif can only manage those risks that have been identified. Risks identified need to be recorded in a structured format to describe the potential, likely consequences, likelihood of occurrence and current action or controls.

Risk Assessment

- Risk assessment is the evaluation and analysis of risks identified to establish the probability of the risk occurring and the impact the risks will have on Mushrif it enables risks identified to be ranked in accordance with their probability of occurrence and their effect on Mushrif should they occur.
- The rank accorded to each risk will determine the treatment that will be given to the risks with high risks getting the highest priority in mitigation

Risk Treatment / Plan strategy

- Risk Scoring helps Mushrif to make a decision on the appropriate treatment of risks. Risks are ranked according to the score starting with the highest going down to the lowest score and ranked from I to III
- The risk treatment can be planned using the following key strategies:
 - Risk Control or Mitigation, Reduction
 - Risk Transfer
 - Risk Avoidance

Monitoring and Review

- Risk management is a dynamic process, new risks will be identified, some will improve and some will be terminated in response to changing internal and external events. Mushrif's assessment of likelihood and impact levels will also need to be reviewed, particularly in the light of the management actions.

Risk Management Planning/Timetable

- A review of the Risk Management controls is undertaken at least quarterly in the Compliance Monitoring Program or more frequently if circumstances warrant it.
- The following summarizes the timetable for the review of existing risk controls or planning for amended, expanded or new controls when required by changes in market volatility, macroeconomic changes or new product development. These procedures are embedded in the Risk Register but are summarized here for convenience.

The result of the application of risk management procedures by way of documented processes and regular oversight by Board is to embed a Risk Management culture within Mushrif, provide a robust reporting process and ensure that Management Information is provided in an accurate and timely fashion to the relevant stakeholders within the Management of Mushrif.

9 Accountability

The Risk Management Function Officer, in the discharge of his duties shall be accountable to the Company BOD to:

- Recommend risk strategy and policy.
- Lead the process of updating and revising the risk manual.
- Ensure compliance with the procedures set in the Risk Manual, particularly with respect to the reporting by the respective Risk Owners.
- Document risk assessments and monitor thresholds.
- Report to Senior Management and Board when thresholds are exceeded, or when the risk trend is increasing towards the threshold and formulates strategies to mitigate it.
- Regularly oversee possible risk areas and annually update the overall risk assessment of the company.

10 Independence and Objectivity

Risk Management employees shall maintain their independence in substance and appearance at all times from operational activities and shall not assume any responsibilities or perform any duties within the Company that are outside the Risk Management Function.

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If a situation arises whereby members of the Risk Management Function believe their independence or objectivity is impacted, or may be seen to be impacted, the Head of Risk Management should be advised immediately and any other appropriate action should be taken in coordination with the Risk Committee.

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Head of Risk Management Function's Job Description

Head of Risk Management

Department	Risk Management	Title	Head of Risk Management
Job Code		Direct Manager	Board Risk Committee

Purpose of the Position

Leading the Risk Management Function to ensure that all risk management related activities are carried in an efficient and timely manner in line with the Company's overall strategy and strategic objectives.

Roles and Responsibilities

Strategic

1. Formulate the department's strategy in line with the overall corporate strategy and sets clear objectives in order to enhance business results.
2. Provide input from risk perspective during the Company's strategy formulation process to ensure that strategic objectives consider present and potential risks that face or may face the Company.
3. Facilitate Risk Appetite definition development and approval by the Risk Management Committee.
4. Develop the Risk Management Framework and present the same to the Board Risk Committee for review prior to obtaining Board approval.
5. Review policies and procedures of the function and ensure it reflects key processes & activities related to risk management in line with the function's mandate and related rules and regulations.
6. Ensure that the team Contributes in the identification of Key Risk Indicators (KRIs).
7. Ensuring that Risk Management systems, policies and procedures are in place for the Department to be able to handle its role in measuring and monitoring all types of risks that the Company may be imposed to as well as reviewing and updating such systems, policies and procedures on a periodical basis.
8. Review Job Descriptions of various positions within the Function to ensure their alignment with the roles and responsibilities and key activities handled by the Department

Risk Management

Operational

1. Ensure that the Risk Management framework exercise is derived, in coordination with other Departments, and ensure implementation of the framework to assist the company in identifying, assessing, monitoring, and reporting key business risks on a continuous basis.
2. Oversee the periodic review of the Risk Management Framework and present recommendations to

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the Board Risk Committee.

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3. Ensure coordination with concerned departments during the process of creating risk identification and classification and liaise with Board Risk Committee in defining risk tolerances and obtaining Board approval on acceptable risk limits.
4. Ensure that the risk team contributes in the setting of the company's risk appetite/tolerance levels as aligned to the company's overall mandate and strategic objectives.
5. Coordinate with the Executive Management/ various departments to embed risk management activities within key business processes and related activities.
6. Ensure that activities are performed within Company's approved risk limits and ensure that deviations are reported to the Board Risk Committee.
7. Ensure that risk reporting is performed in accordance with the agreed-upon templates and calendar.
8. Ensure that periodic risk assessment is conducted to identify key risks facing the company and report findings to the Board Risk Committee and that implementation of necessary risk mitigation activities is properly monitored.
9. Maintain organizational independence of the Risk Management Function as well as the individual objectivity of its employees.
10. Review proposed transactions between the Company and related parties and provide required recommendations to the Board of Directors.

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1. Promoting the Risk Management culture.
2. Builds strong relationships within the team through cascading the strategic objectives across.
3. Leads and motivates the team to ensure the optimization of their competencies and enhance the expansion of the business at all levels.
4. Manage team performance by providing timely and constructive feedback, conducting performance reviews, performance planning and coaching and approve their development plans.
5. Ensure that Employees have the right set of competencies and technical capabilities through Training and developing subordinates to ensure that the department has the necessary skill base and that subordinates are able to maximize their potential and contribute to the growth and sustainability of the Company.

Key Business Relationships

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1. Consultants/ Outsourced Team
2. Regulatory Authorities

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1. Board of Directors
2. Executive Management
3. Board Risk Committee
4. Board Audit Committee
5. Internal Audit Function
6. All company Departments

Professional Experience

Academic Background

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Head of Risk Management Function's Job Description

- | | |
|--|---|
| <ol style="list-style-type: none">1. A minimum of 7 years of experience in Risk management of which 3 years are spent in a managerial role.2. At least 3 years in a similar sector. | <ol style="list-style-type: none">1. Bachelor Degree in Business or any other relevant major.2. Master Degree or Professional qualification in Risk Management is preferred. |
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Competencies (Knowledge, Skills and Abilities):

1. Bilingual (Proficient in Arabic and English)
2. Team work and Leadership
3. Decision making and Problem Solving
4. Innovation and Creativity
5. Strong knowledge in risk management practices, international and local
6. Strong analytical and evaluation ability
7. Strong communication skills, both verbal and written
8. Influencing and negotiation ability
9. Strong planning and organizational skills
10. MS Office Suite

Acknowledgment of Receipt

Head of Risk Management

Date: _____

Chairman (on behalf of BOD)

Date: _____

Human Resources

Date: _____