

# Risk management

This section provides an overview of Yahsat's approach to risk management and internal control, the principal risks facing the organisation, as well as processes and actions to identify, assess and mitigate these risks.

The deployment of effective risk management and internal control is a key success factor for realising Yahsat's objectives. Therefore, Yahsat has implemented a **Risk Management & Internal Control framework**. The underlying methodology is based on relevant principles as set forth by the Internal Standards Organisation (ISO) and the Committee of Sponsoring Organisations of the Treadway Commission (COSO).

## Responsibility

Ultimate accountability for risk management, internal control, governance and compliance lies with the Yahsat Board of Directors (governing body), which delegates the oversight of implementation and effectiveness to the Audit, Risk and Compliance Committee (ARCC), including policy-setting and application of the framework.

Yahsat's Risk Management & Internal Control (RMIC) function is responsible for implementation of the Group's integrated approach to risk management and internal control. This approach is in accordance with the Three Lines Model of the Institute for Internal Auditors (IIA). It is objective-centric and aims to ensure the effective management of risks that have the potential to obstruct Yahsat from achieving its strategic objectives.

The internal risk and control framework is embedded into the Group at three levels:

### First line

It is business management's duty to effectively identify, assess and manage the main risks of the Group. Each functional area has its own characteristics and requires tailored risk assessment approaches.

### Second line

The Risk Management and Compliance departments support the business functions to assess their risks by the development, communication, training and monitoring of governance, risk and compliance-related policies, processes and frameworks.

### Third line

Yahsat's Internal Audit function provides independent objective assurance over Yahsat's Risk Management and Internal Control system.

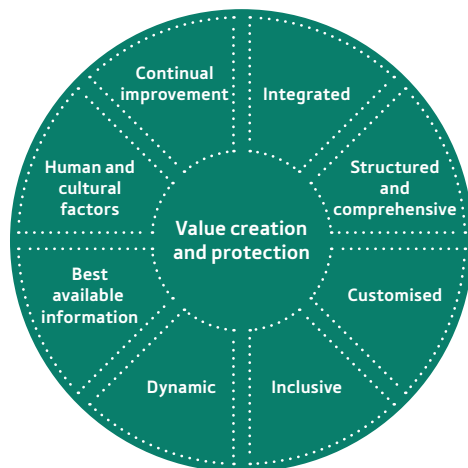
The EVP Internal Audit & Risk Management heads the RMIC function and reports functionally to the ARCC and administratively to the Yahsat CEO.

## Risk Management & Internal Control Framework

The purpose of the RMIC framework is to assist the organisation in integrating risk management and internal control into all of its day-to-day activities and functions. The framework is comprehensive and comprises a broad range of elements to support and sustain risk management and internal control throughout the organisation, including vision, mission, principles, guidelines and policies, objectives, mandate and commitment, plans, relationships, accountabilities, resources, processes and activities.

## RMIC Vision, Mission and Key Beliefs

### Risk Management Principles



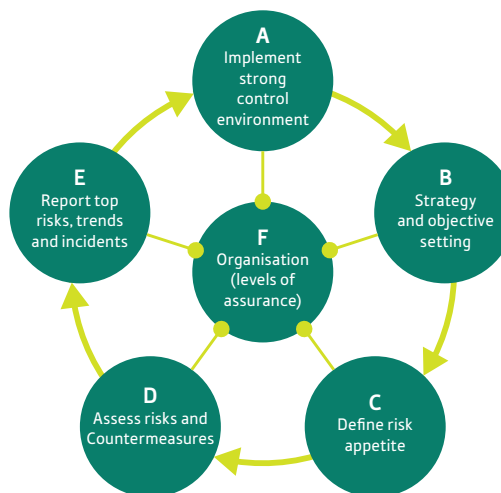
Source: ISO 31000:2018

### Internal Control Principles

Control Environment	Risk Assessment	Control Activities	Information & Communication	Monitoring
<ol style="list-style-type: none"> <li>1 Demonstrates commitment to integrity and ethical values</li> <li>2 Exercises oversight responsibility</li> <li>3 Establishes structure, authority, and responsibility</li> <li>4 Demonstrates commitment to competence</li> <li>5 Enforces accountability</li> </ol>	<ol style="list-style-type: none"> <li>6 Specifies suitable objectives</li> <li>7 Identifies and analyses risk</li> <li>8 Assesses fraud risk</li> <li>9 Identifies and analyses significant change</li> </ol>	<ol style="list-style-type: none"> <li>10 Selects and develops control activities</li> <li>11 Selects and develops general controls over technology</li> <li>12 Deploys through policies and procedures</li> </ol>	<ol style="list-style-type: none"> <li>13 Uses relevant information</li> <li>14 Communicates internally</li> <li>15 Communicates externally</li> </ol>	<ol style="list-style-type: none"> <li>16 Conducts ongoing and/or separate evaluations</li> <li>17 Evaluates and communicates deficiencies</li> </ol>

Source: COSO Internal Control – Integrated Framework: 2013

### Risk Management Implementation



### RMIC Roles & Responsibilities

### RMIC Activities & Reporting

### RMIC Roadmap

## Risk management continued

### Accomplishments and Enhancements

Yahsat continuously strives to strengthen and enhance its risk management, internal control and compliance practices. In 2021, the following activities were performed and enhancements made:

- Introduced regular, periodic reporting to the ARCC on the key uncertainties and threats to Yahsat's strategic priorities
- Effectiveness of the Internal Control Over Financial Reporting (ICOFR) framework tested
- Several risk assessments performed to support management decision-making
- Compliance with the SCA Corporate Governance Guide assessed and relevant corporate policies updated or drafted and implemented (as appropriate)
- Yahsat Fraud Risk Management framework (including the corresponding fraud risk management policy) formalised
- Yahsat Risk Appetite Statement and Risk Dashboard developed
- Yahsat Policy Framework created to ensure streamlined policies
- Training and awareness of Yahsat Group employees on several risk and compliance topics, including but not limited to fraud, information security, code of ethics, trading Yahsat shares and disclosure requirements
- Continuous and ongoing monitoring of the external compliance requirements conducted and non-compliances proactively highlighted through various compliance activities
- Yahsat's own Code of Ethics introduced and standalone Ethics and Compliance function created
- Company-wide compliance trainings conducted to build upon the Group's 'ethics and compliance oriented' culture

### Principal Risks and Risk Appetite

Yahsat's principal risks have the potential to prevent Yahsat from meeting its strategic and operational objectives and financial targets. If these risks would partially or fully materialise they may also damage Yahsat's reputation, result in regulatory fines or pose a threat to security and/or safety of employees, customers or (data) assets.

In the pursuit of Yahsat's strategic objectives, the Board is willing to accept measured risks in a responsible way, taking into account our stakeholders' interests. The Board annually reviews and sets Yahsat's strategic objectives,

while considering opportunities and threats. All major investment decisions (strategic projects, mergers and acquisitions) require Board endorsement. Yahsat has a *flexible* risk approach to technological innovation, whereas the approach of the Company towards other risk categories could be qualified as cautious, and for regulatory and compliance risks, there is a *zero tolerance* approach.

Yahsat's overall risk profile has been impacted by COVID-19, which has ramifications for the principal risks. Nevertheless, there have been no major changes in risk ratings, but shifts in focus in existing risks did occur, mainly due to increase in impact and/or probability.

The following list of principal risks is not an exhaustive description of all possible risks. There may be risks not known or risks not fully assessed yet. Existing risks, which are not significant could evolve into a material exposure in the future. Yahsat's internal risk and control systems have been designed to identify, mitigate, and respond to risks in a timely manner. However, full assurance over all risks cannot be guaranteed.

### Mapping our principal risks to our Strategic Pillars

Principal Risks	Strategic Objectives			
	Expand core government business in infrastructure and managed solutions	Diversify and expand commercial business	Invest and partner to diversify and grow	Build on position as the UAE's flagship satellite operator
1 Deteriorating economic and market conditions	✓	✓	✓	✓
2 Increasing business competition	✓	✓		
3 Sustainability challenges	✓	✓	✓	✓
4 Service disruptions	✓	✓		
5 Supplier and supply chain dependency	✓	✓	✓	
6 Customer dependency	✓			
7 Satellite development project risk		✓	✓	
8 Inability to attract and retain qualified people	✓	✓	✓	✓
9 Liquidity risk	✓	✓	✓	
10 Interest rate risk	✓	✓	✓	
11 Currency risk		✓		
12 Credit risk			✓	✓
13 Changes in tax regulation	✓	✓	✓	✓
14 Legal and regulatory challenges	✓	✓	✓	
15 Orbital slots and spectrum risks	✓	✓	✓	✓

Principal Risk	Description	Mitigation	Responsible Manager
<b>Strategic Challenges</b>			
<b>1 Deteriorating economic and market conditions</b>	A deterioration in global and regional (MENA) economic conditions may have an adverse effect on the Group's revenue. The impact of these conditions on the overall revenue will depend on the severity of the economic issue, the countries or regions affected and potential government responses.	<ul style="list-style-type: none"> <li>Economic and market conditions in the Group's key markets are considered during the annual budget and business planning processes. The most significant risks are subject to a sensitivity analysis and related mitigating measures are identified and, if required, implemented.</li> </ul>	Chief Financial Officer
<b>2 Increasing business competition</b>	<p>The satellite communications market is highly competitive. Increased competition may arise from current competitors and/or new market entrants. Also, new technologies introduced by competitors may reduce demand for Yahsat's services or may render Yahsat's technologies obsolete.</p> <p>These challenges could hinder or prevent the Group from implementing its business strategy and expanding its operations as planned.</p>	<ul style="list-style-type: none"> <li>The business case for new satellite programmes is typically underpinned by long-term capacity agreements to justify the cost and ensure long-term utilisation. For example: <ul style="list-style-type: none"> <li>A long-term services agreement with UAE Government for managed capacity services over a 15-year period supported the build costs and projected utilisation rate of Thuraya-4 NGS. This contract added more than US\$ 700 million to contracted future revenues and provides security of future cash flows.</li> <li>The Company's appointment to assess two potential new satellites (Al Yah 4 and Al Yah 5) for the UAE Government are to be supported by a new long term-capacity agreement.</li> </ul> </li> <li>New partnerships have been established in both our Mobility and Managed Solutions businesses for vertical integration and innovation.</li> <li>Launched attractive and differentiated new mobility products for maritime and increased focus on new IoT and data products to align to customer focus and demand.</li> <li>Ongoing expansion of Data Solutions consumer subscriber base and investing in the Enterprise segment.</li> <li>Established a joint venture, Star Technologies, to increase value chain control by developing and manufacturing critical satellite communication equipment in the UAE.</li> <li>Signed a Memorandum of Understanding (MoU) with G42 to collaborate on the remote sensing and situational awareness markets, potentially diversifying the Company's business and capabilities.</li> </ul>	Heads of business lines
<b>3 Sustainability challenges</b>	Yahsat may fail to meet stakeholder expectations relating to environmental, social and governance (ESG) or fail to comply with the growing portfolio of ESG legislation and government regulations. This could lead to customer loss, lower profits in the future and brand and reputational damage.	<ul style="list-style-type: none"> <li>The implementation of a Yahsat sustainability framework, including strategy and performance indicators, has been started in 2021 and is being pursued as both a discrete area of focus and a principal consideration when forming other aspects of the Group's strategy.</li> </ul>	Chief Executive Officer

## Risk management continued

Principal Risk	Description	Mitigation	Responsible Manager
<b>Operational Threats</b>			
<b>4 Service disruptions</b>	<p>Yahsat's ability to deliver services to its customers depends heavily on its critical network assets, including satellites and ground and IT systems.</p> <p>Yahsat could face service disruption due to technical malfunctions or physical damage caused by either natural uncontrollable events or by manmade events like terrorism and cyber attacks.</p>	<ul style="list-style-type: none"> <li>The Group has effective business continuity and crisis management protocols established, which are regularly reviewed and tested.</li> <li>Continued implementation of regularly updated information security activities and protocols.</li> <li>Various back-up and redundancy measures are in place for the satellite, ground and IT infrastructure, with certain systems being air-gapped to dramatically reduce the likelihood of external interference.</li> <li>Robust satellite operations and oversight processes have been implemented. The health of the satellite fleet is continuously monitored and assessed.</li> <li>Proactive monitoring of IT and network by Enterprise Security team to identify and mitigate security threats.</li> <li>The Group's cyber security capability is continuously being strengthened to improve security visibility and risk intelligence.</li> <li>Regular communications to educate and increase awareness of personnel regarding security and privacy.</li> <li>In-orbit insurance policies are in place to provide for satellite failure or loss (subject to customary exclusions).</li> </ul>	<p>Chief Technology Officer</p> <p>Chief Operations Officer</p>
<b>5 Supplier and supply chain dependency</b>	<p>The Group relies on a limited number of third parties for key equipment, technology and services, as well on the supply chain to receive and deliver goods. Our operational results may be materially adversely affected if any of these third party providers fails to perform as contracted. Also, any breach by these suppliers of relevant legislation such as data protection, security, export controls, sanction compliance, privacy, human rights and/or environmental laws, could negatively impact Yahsat's reputation.</p>	<ul style="list-style-type: none"> <li>Central procurement processes have been established including due diligence screening of potential suppliers.</li> <li>Each supplier is required to confirm compliance with our Business Partner Code of Conduct, with supporting evidence as appropriate.</li> <li>Agreements with suppliers include requirements for compliance with Yahsat's corporate policies (e.g. data protection, trade controls, human rights and environmental laws) and, if applicable, termination, exit and right to audit clauses.</li> <li>For key suppliers, service level agreements are defined, which are closely monitored by the responsible business owners.</li> <li>See also Risk 7 below (Satellite development project risk).</li> </ul>	<p>Chief Financial Officer (Procurement)</p> <p>Heads of department (Supplier management)</p>

Principal Risk	Description	Mitigation	Responsible Manager
<b>Operational Threats</b>			
<b>6 Customer dependency</b>	The Group is reliant on a single large customer for more than half of its revenue and the loss of, or any significant reduction in expenditure by, this customer could materially adversely affect the Group's business.	<ul style="list-style-type: none"> <li>Strong relationships with the UAE Government, underpinned by the Al Yah 1 &amp; 2 CSA and the recent 15-year Thuraya-4 NGS Managed Capacity Services Agreement, commencing in 2024, as well as the recently announced a five-year mandate to provide enhanced managed services for ground satellite communications services and solutions.</li> <li>New satellite programmes and associated long-term capacity agreements with UAE Government are under discussion.</li> <li>Close relationship management activities are undertaken to ensure that the UAE Government's communications needs are understood, anticipated and addressed with industry-leading, cost-effective solutions.</li> <li>Diversification initiatives in place with focus on other regional government, large enterprises and establishing partnerships in the value chain.</li> </ul>	General Manager – Yahsat Government Solutions
<b>7 Satellite development project risk</b>	Yahsat is managing high-value, long-term satellite development projects. These projects contribute significantly to sustain and grow our business. In addition to the regular project risks like delays, cost overruns and quality issues, these projects are also subject to construction and launch risks. If any of these issues or risks occur, it could have a material and adverse effect on the Group's operations and financial results.	<ul style="list-style-type: none"> <li>Robust and stringent management has been established for the Thuraya-4 NGS programme, with frequent direct interaction with the constructor and regular in-country reviews of project progress.</li> <li>Yahsat is further strengthening its PMO processes in light of expected new satellite programmes.</li> <li>Additional time buffer is built into satellite development programmes to provide a limited amount of protection against delay and schedule risk. Furthermore, certain technical solutions may also be factored into the satellite design or launcher specification to reduce orbit-raising times.</li> <li>For key suppliers, service level agreements are defined, which are closely monitored by review of deliverables (preliminary design reviews, critical design reviews, etc.).</li> <li>Comprehensive launch and in-orbit insurance policies are in place to provide for satellite failure or loss.</li> </ul>	Chief Technology Officer
<b>8 Inability to attract and retain qualified people</b>	Failure to effectively attract, develop and retain talent with the skills and experience to deliver on current and future requirements, could impact our ability to achieve growth ambitions and operate effectively.	<ul style="list-style-type: none"> <li>Reward and recognition programmes have been implemented, including a LTIP for key management positions, with such total reward approach being periodically benchmarked and reviewed.</li> <li>Succession planning is periodically updated.</li> <li>Working with best recruitment agencies to fill vacancies.</li> <li>Focus on visibility of organisation, being an employer of choice and employees being Yahsat ambassadors.</li> </ul>	Chief Human Capital and Administration Officer

## Risk management continued

Principal Risk	Description	Mitigation	Responsible Manager
<b>Financial Threats</b>			
9 <b>Liquidity risk</b>	Risk that the Group will not be able to meet its financial obligations as they fall due.	<ul style="list-style-type: none"> <li>The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group ensures that it has sufficient cash and liquid assets on demand to meet its expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.</li> <li>The Group has a robust planning and reporting process to manage its short- and longer-term cash position and requirements. Active working capital management, business planning, rolling short- and longer-term cash flow forecasts are regularly prepared and reviewed by the Group's CFO.</li> <li>The Group has historically maintained a strong cash balance, which as of December 2021 stands at over US\$ 400 million and low leverage.</li> <li>The Group also maintains long-standing relationships with lenders and banks.</li> <li>Certain liabilities are covered by insurance policies.</li> </ul>	Chief Financial Officer
10 <b>Interest rate risk</b>	Changes in market interest rates may have an adverse effect on the Group's borrowings, bank deposits and net finance.	<ul style="list-style-type: none"> <li>The Group's interest-rate risk arises mainly in connection with its borrowings which typically bear variable interest rates (e.g. at LIBOR plus a margin). To mitigate the uncertainties associated with variable interest rates, the Group enters into interest swap agreements to fix the interest rates.</li> <li>For example, the Group entered into a cash flow hedge, by acquiring an interest rate swaps (IRS), to hedge the variability in interest rates with respect to Term Loan and ECA facility entered into in June 2021. Under the IRS agreements, the Group received a variable rate of interest equal to LIBOR and pays fixed rate on notional amounts that mirror the drawdown and repayment schedule of the loan.</li> <li>The Group invests surplus cash in short-term bank deposits on a fixed interest rate basis.</li> </ul>	Chief Financial Officer
11 <b>Currency risk</b>	Fluctuations in exchange rates of assets and liabilities held in foreign currency or changes to the USD/AED peg can adversely affect Yahsat's results.	<ul style="list-style-type: none"> <li>The Group's revenues as well as spend are predominantly priced in USD (which is also the Group's functional currency) and in AED which is pegged to USD.</li> <li>The Group is exposed to currency risk in respect of its investment in its Brazilian associate, and regularly monitors the movement in exchange rates to assess the sensitivity and impact to its long-term business plan.</li> </ul>	Chief Financial Officer
12 <b>Credit risk</b>	The Group may face financial losses if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This risk arise principally in relation to the Group's receivables and cash held at bank.	<ul style="list-style-type: none"> <li>The Group considers the risk of concentration as low, with respect to trade receivables and contract assets, since credit risk is mitigated by the financial stability of its customers, with nearly half of the receivables due from related parties and government-related entities.</li> <li>Under certain circumstances the Group also seeks performance bonds and payments guarantees from counterparties to support the due performance of their obligations.</li> <li>With respect to cash and short-term deposits, the Group minimises its exposure to credit risks by entering into agreements with reputable financial institutions and banks.</li> </ul>	Chief Financial Officer
13 <b>Changes in tax regulation</b>	Introduction of corporate income tax in the UAE and any subsequent amendment, could adversely affect the Company's financial results.	<ul style="list-style-type: none"> <li>The UAE corporate tax will apply to the Group from 1 January 2024. As part of the implementation, the Group has started reviewing the available guidance issued by the UAE Tax Authority and will perform a thorough assessment to put in place an optimum and compliant tax structure based on the detailed regulations, expected to be released in mid-2022.</li> <li>The Group's corporate income tax exposure in respect of its foreign operations is not material. The Group has historically been tax compliant and regularly reviews changes in local tax legislations to ensure continued compliance.</li> </ul>	Chief Financial Officer

Principal Risk	Description	Mitigation	Responsible Manager
<b>Compliance Challenges</b>			
<b>14 Legal and regulatory challenges</b>	<p>The Group can be exposed to non-compliance with laws and regulations across different jurisdictions, or a breach of internal policies, including but not limited to, those related to bribery and corruption, fraud, insider trading, data privacy, trade sanctions and competition law. As our business spreads geographically, covering some markets with a higher exposure from a compliance point of view, the Group may face legal and regulatory risks or challenges due to changing local, regional or global policies.</p> <p>Non-compliance could result in fines, restrictions on business, third party claims, and reputational and brand damage.</p>	<ul style="list-style-type: none"> <li>The Group's Code of Ethics sets out the principles, standards and behaviours necessary to achieve our objectives and uphold our values. It makes clear that we not only follow the law, but strive to operate with the highest levels of ethics and integrity.</li> <li>The Code of Ethics is supplemented and supported by a number of policies, including policies relating to anti-bribery and corruption, working with governments, insider trading, securities trading, fair competition, export control and sanctions compliance and confidentiality and data privacy.</li> <li>A comprehensive Ethics and Compliance programme is in place addressing compliance monitoring, reporting, risk assessments, training and investigations.</li> <li>Key Ethics &amp; Compliance controls are tested for design and effectiveness annually as part of the Group's ICOFR framework.</li> <li>Security screening of all new employees and contractors.</li> <li>Each supplier is required to confirm compliance with our Business Partner Code of Conduct, with supporting evidence as appropriate.</li> <li>The Group maintains relationships with key legal and other advisors in relevant jurisdictions to seek to remain abreast of legal and regulatory developments.</li> </ul>	General Counsel
<b>15 Orbital slots and spectrum risks</b>	<p>Yahsat is subject to orbital slot and spectrum access requirements of the ITU and regulatory and licensing requirements in each of the countries in which the Group provides services.</p> <p>Yahsat could lose access to certain frequency bands or fail to maintain or obtain required orbital slots due to non-adherence with ITU operating procedures, space debris requirements, international satellite regulations, conflicting/overlapping frequency bands or slots becoming unavailable for acquisition. This may result in inability to perform government and commercial business plans, loss of business partners and have a significant adverse revenue impact.</p>	<ul style="list-style-type: none"> <li>Yahsat proactively participates in advocacy with the ITU and continuously looks for opportune orbital position filings to make. The Group currently has more than 200 active ITU filings.</li> <li>The spectrum team has developed a three-year roadmap for filing maintenance, to identify filings in which Yahsat is looking to maintain priority for future use.</li> <li>Orbital slots for future satellites have been secured.</li> <li>Yahsat complies with stringent space debris requirements as per ITU and IADC (Inter-Agency Space Debris Coordination Committee).</li> </ul>	Chief Strategy Officer