

# RISK MANAGEMENT

Aldar has an established Enterprise Risk Management (ERM) function to ensure effective management of all risks that have the potential to hinder the Company from achieving its strategic objectives.

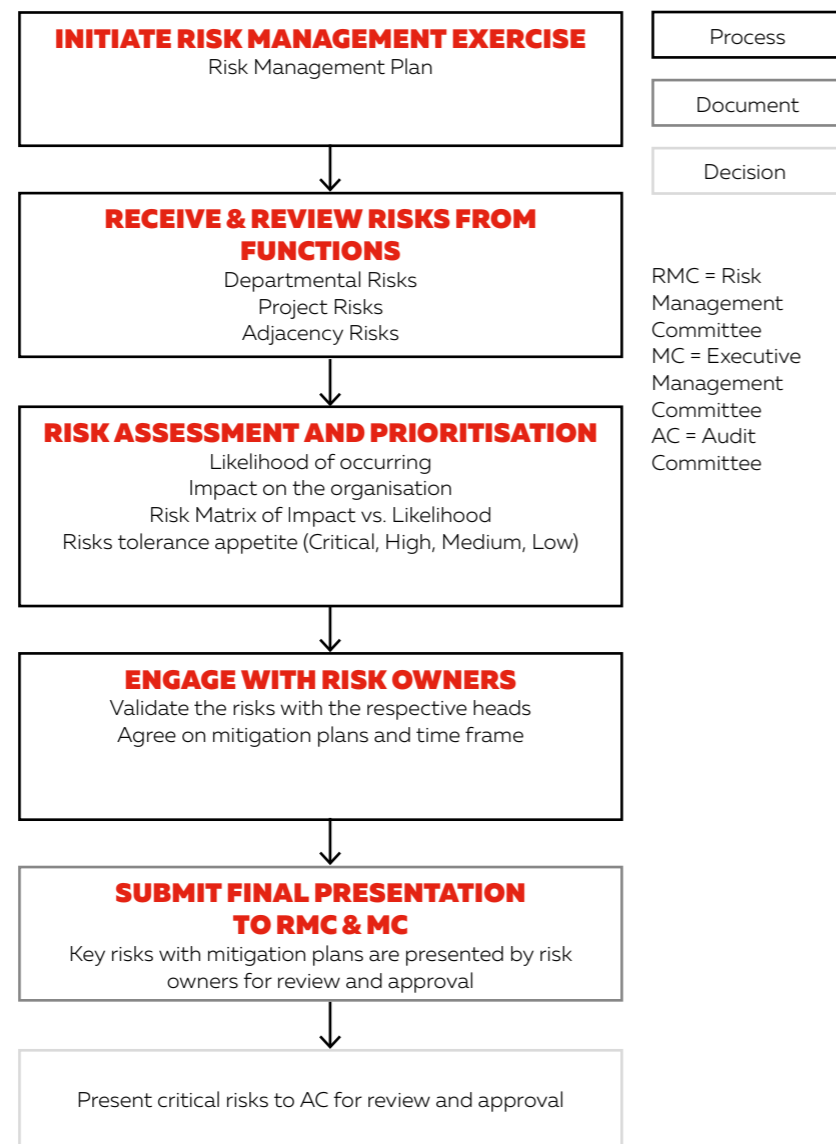
A dedicated ERM team is responsible for helping the Company's business units to identify, assess and put in place control plans for existing and emerging risks. It regularly conducts comprehensive reviews of best practices and benchmarks against other companies in the market with robust ERM activities.

Primarily, a bottom-up approach is used for business unit-specific risks, while enterprise-wide risks rely on a top-down approach.

Each risk is identified and assessed through an impact and likelihood matrix to prioritise its importance. The identified risks with their relevant mitigation plans are escalated to different hierarchical committees according to pre-defined criteria and mandates. The ERM team continuously monitors, liaises and follows up with risk owners for updates and progress on mitigation plans until the risk matches the agreed risk appetite.

Aldar has a Board-approved ERM Charter and Policy & Procedure documents in place, which are periodically reviewed and updated. The meetings of the various mandated committees are convened periodically, which has helped to improve the function across the Company. Aldar's Board and management firmly believe in continuous improvement and will persist to build on this solid foundation to strengthen risk management.

## RISK MANAGEMENT PROCEDURE



Aldar's Risk Management Framework is highly linked and adapted to its business model, using the widely-accepted COSO enterprise risk management framework as its foundation.

Risks are classified into the following four categories:

- **Strategic:** High-level risks that can have a direct impact on the Company's strategic objectives.
- **Operational:** Risks related to performance, customers, and the effective and efficient use of resources.
- **Financial:** Risks that can have a direct impact on the Company's earnings and cash flow.
- **Reporting & Compliance:** Risks related to the reliability of reporting and compliance with applicable real estate-related laws and regulations.

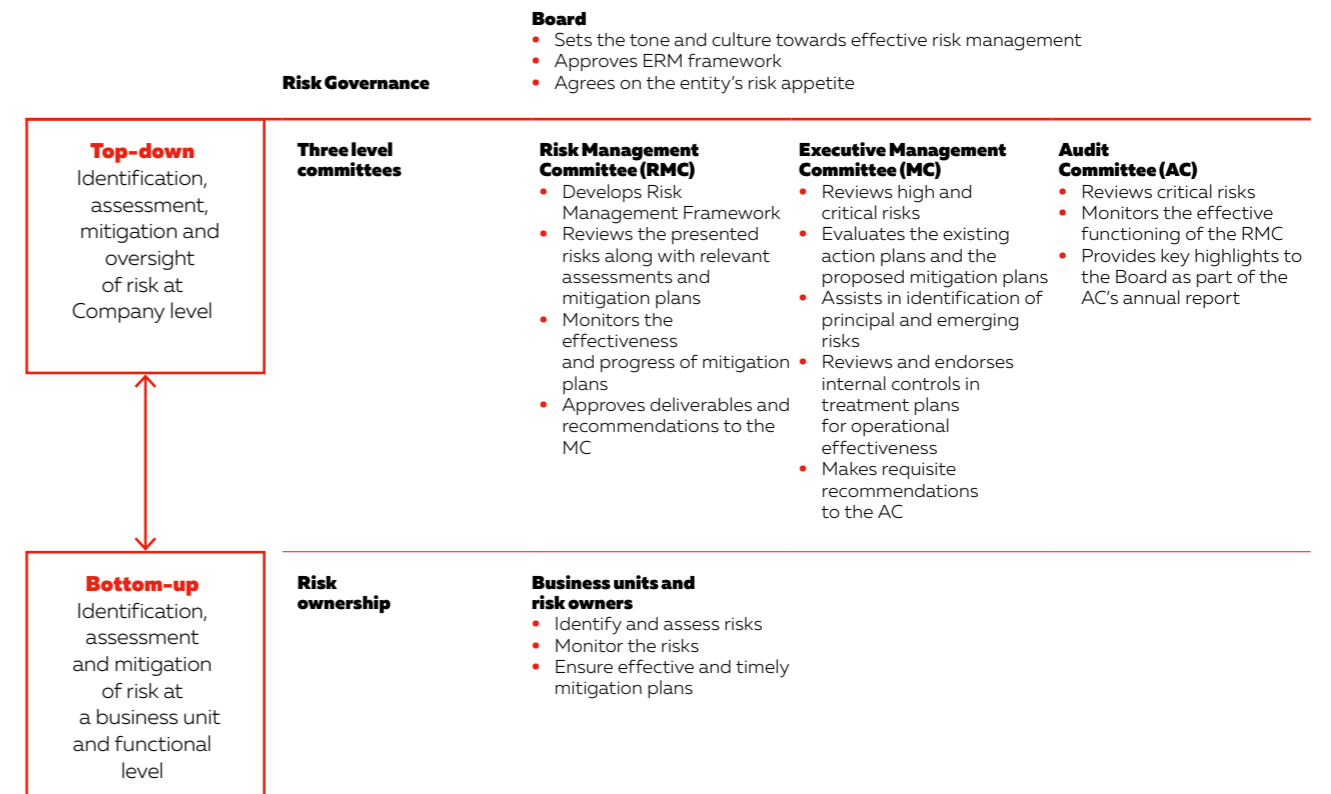
## THREE LEVEL COMMITTEE STRUCTURE

Aldar's ERM Charter specifies three levels of reporting. The business units, through the ERM team, raise the risks and updates to be considered by the Risk Management Committee according to certain defined thresholds. These risks are presented to the Executive Management Committee and thereafter to the Audit Committee in line with risk level hierarchy. The ERM team continuously liaise with the risk owners and periodically report to relevant committees.

The periodic reporting mechanism as per risk level hierarchy is as follows:

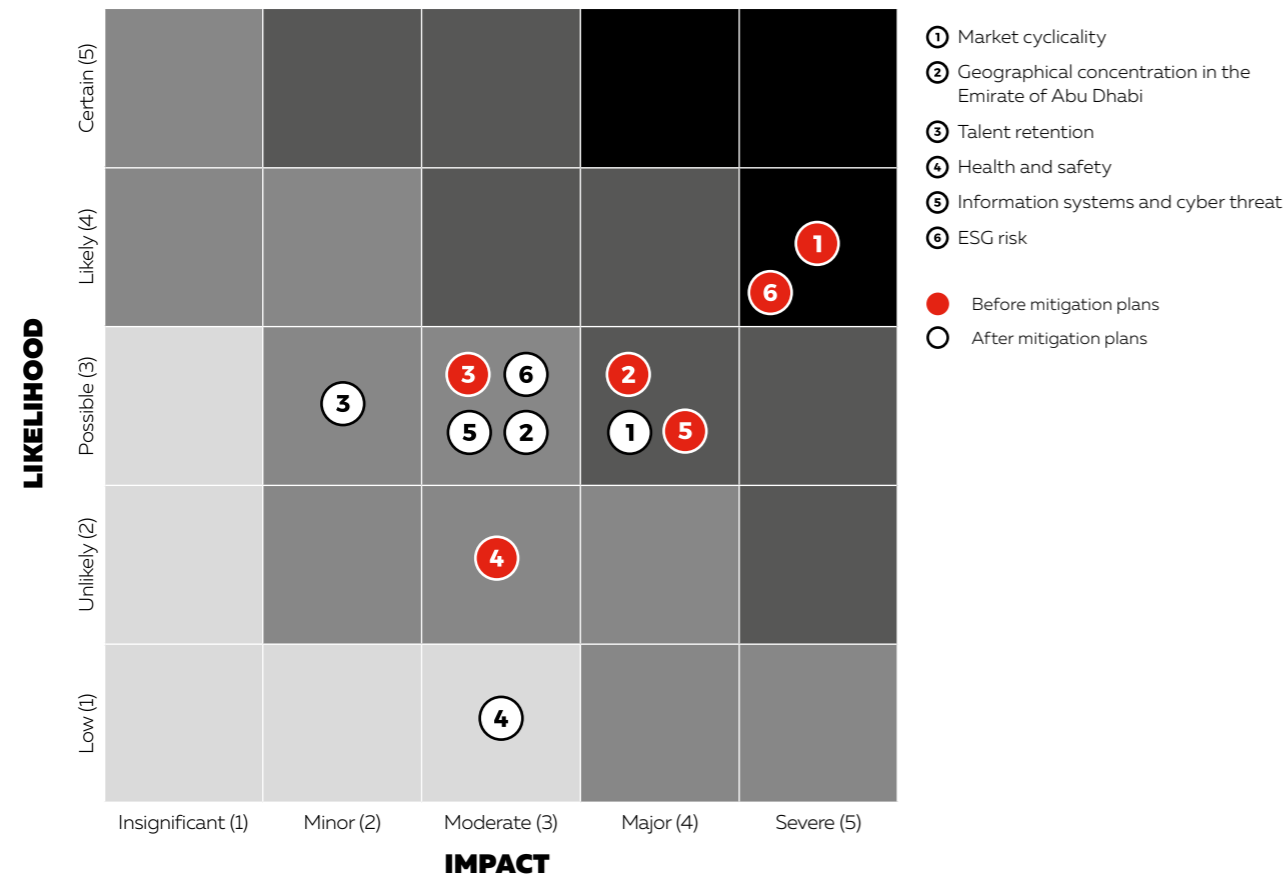
<b>LEVEL C</b>	<b>Critical Risks</b> Report to Audit Committee
<b>LEVEL B</b>	<b>High &amp; Critical Risks</b> Report to Executive Management Committee
<b>LEVEL A</b>	<b>All Levels of Risks</b> Report to Risk Management Committee

## RISK MANAGEMENT FRAMEWORK



# PRINCIPAL RISKS

## PRINCIPAL RISKS HEAT MAP



Risk Level	Score	Mitigation Plan Requirement	Recommended Actions
<b>Critical</b>	20 to 25	<ul style="list-style-type: none"> <li>Mandatory for all risks</li> </ul>	<ul style="list-style-type: none"> <li>Treat (Reduce)</li> <li>Transfer</li> <li>Terminate</li> </ul>
<b>High</b>	10 to 16		
<b>Medium</b>	4 to 9	<ul style="list-style-type: none"> <li>Risks rated &gt;8 are assessed on a case-by-case basis</li> <li>Not mandatory for risks rated &lt;6 as risks can be tolerated</li> </ul>	<ul style="list-style-type: none"> <li>Tolerate (Accept)</li> </ul>
<b>Low</b>	1 to 3	<ul style="list-style-type: none"> <li>Not mandatory as risks can be tolerated</li> </ul>	

The Risk	Risk Analysis	Treatment Plan
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**Strategic:** High-level risks that can have a direct impact on the Company's strategic objectives.

### 1. Market cyclicality

NO CHANGE

- Ability for Aldar to effectively respond to local and regional changing market conditions.

#### Consequences

- Potential negative impact on launching of new developments and performance of asset portfolio.
- Potential negative impact on sales revenue, cash flows, asset valuations, debt / capital and credit rating.

The Board mitigates market risk through the review of the Group's strategy on a regular basis and discussions are held to ensure the strategy is still appropriate or if it needs updating.

The Company is also actively implementing the risk treatment plan:

#### Development Projects

- Ensure accurate and appropriate business plans are in place to anticipate customer preferences.
- Launch projects in phases to reduce cashflow exposure.
- Product diversification.
- Enhanced market readiness to capitalise on any opportunity via infrastructure enabled lands.
- Expanding fee-based projects portfolio.
- Actively pursuing geographical expansion.

#### Asset Portfolio

- Combined focus on tenant selection and trading performance e.g., proactive leasing, targeted marketing initiatives and asset upgrading.
- Full merchandising strategy in retail assets; zoning and category optimisation, sustainable pricing and innovative re-purposing.
- Continued focus on corporate deals to provide long term revenue visibility and de-risk residential portfolio revenue streams.
- Sustainability initiatives leading to cost saving through energy audit and energy saving initiatives.
- Product diversification.
- Enhancing customer experience through cross-selling across asset classes and introduction of loyalty programmes.

### 2. Geographical concentration in the Emirates of Abu Dhabi

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REDUCED

- Geographical concentration from only operating in Abu Dhabi.

#### Consequences

- Exposure to Abu Dhabi as a single market will potentially constrain Aldar's ability to grow and achieve its strategic objectives to deliver sustainable returns for shareholders.

The company realises the inherent risk of geographical concentration of operations and is steadily mitigating it by:

- Entering joint ventures within the wider UAE and in GCC markets.
- Developing regional and international sales and marketing capability to expand investor pool.
- Actively pursuing geographical expansion.

# PRINCIPAL RISKS continued

The Risk	Risk Analysis	Treatment Plan
<b>Operational:</b> Risks related to performance, customers, and the effective and efficient use of resources.		
<b>3. Talent retention</b> NO CHANGE	<ul style="list-style-type: none"> <li>Ability to attract and retain talented pool of employees with the right skills and experience.</li> </ul> <p><b>Consequences</b></p> <ul style="list-style-type: none"> <li>Potentially a negative impact on Company's ability to deliver the business plan.</li> </ul>	People and Performance strategy and treatment plan encompasses: <ul style="list-style-type: none"> <li>Long term incentive programme to assist retention of critical personnel.</li> <li>Succession planning and career path programmes for high potential personnel.</li> <li>Organisational wide Employee Satisfaction Survey conducted annually to identify areas for improvements.</li> <li>Exit interviews to identify critical areas of improvement for People and Performance policy and practices.</li> <li>Proactively identifying employee's satisfaction parameter by conducting annual survey "Great place to work" to identify potential gaps – accredited Great Place to Work for 2020–2021.</li> </ul>
<b>4. Health and safety</b> NO CHANGE	<ul style="list-style-type: none"> <li>Serious OSH (Occupational Safety and Health) incident.</li> </ul> <p><b>Consequences</b></p> <ul style="list-style-type: none"> <li>Potentially material impact on Company's vision and brand locally and internationally with consequential financial implication due to project delays, civil suit and fines.</li> </ul>	The Company has a comprehensive and integrated health and safety strategy and implementation plan: <ul style="list-style-type: none"> <li>ALDAR Projects has a comprehensive OSH Management System that is implemented on all projects along with specific OSH/EHS project plan.</li> <li>All PMCs, consultants and principal contractors must register with OSHAD (Abu Dhabi Occupational Safety and Health Centre), comply with Aldar OSH Policy and abide by their standards, conduct Hazard Identification and Risk Assessment to reduce the risk of incident.</li> <li>Produce monthly OSH statistic to monitor performance and trends across the projects and the portfolio of assets, develop lesson learnt and analyse trends to ensure and promote safest practices.</li> <li>Proactive integration between QHSE (Quality, Health, Safety &amp; Environment) and project teams for an effective implementation of the OSH monitoring programme, i.e. internal and external OSH audit, committee meeting, OSH meeting and periodic inspections.</li> <li>Raising staff awareness by conducting trainings and OSH campaigns, updating and communicating the Company's OSH/EHS Management System and regulatory requirements, maintaining legal compliance register, and issuing Occupational Safety and Health alert, Covid-19 prevention and control plan.</li> </ul>

The Risk	Risk Analysis	Treatment Plan
<b>Operational:</b> Risks related to performance, customers, and the effective and efficient use of resources.		
<b>5. Information Systems and Cyber Threat</b> NO CHANGE	<ul style="list-style-type: none"> <li>System vulnerabilities and control weaknesses are exploited by malicious actors over the internet.</li> </ul> <p><b>Consequences</b></p> <ul style="list-style-type: none"> <li>If digital assets are not adequately protected from cyberthreats, it can lead to disruption of business operations, financial losses and loss of reputation.</li> </ul>	Information Security & Compliance function continue to assess and strengthen security & compliance readiness of its IT function. The unit undertakes but not limited to below: <ul style="list-style-type: none"> <li>Comprehensive information security policies framework to mitigate cyber threats. All policies and IT Risk Management Framework are aligned with COBIT, ISO27001 and NIST.</li> <li>ISO/IEC 27001 certification which recognises the existence of systems and processes to protect all its corporate and client information assets achieved in 2017 with re-certification in Q4'2020.</li> <li>Surveillance audit conducted by the Lead Auditors annually.</li> <li>Robust security architecture and up-to-date security technologies to prevent cyber threats and detect security incidents. Advanced Threat Protection based on artificial intelligence (AI) and machine learning (ML), deployed to detect, and mitigate cyber threats.</li> <li>Vulnerability management programme in place to identify and mitigate system weakness from hacker's perspective.</li> <li>Email security controls enhanced further by introduction of security controls based on AI &amp; ML.</li> <li>User authentication framework strengthened further by implementing multi-factor authentication and tightly mapped to user's device.</li> <li>Security enhancements undertaken as part of risk assessment to mitigate threats from internal &amp; external threat vectors and to fill any gap, w.r.t. people, process, and technology so that Aldar security posture always remain current &amp; robust.</li> <li>Access to Data and all information assets strictly based on need-to-know and need-to-have principles.</li> <li>Information Classification &amp; labelling implemented with all users required to classify their information/data stored in files.</li> <li>Data leakage prevention technology control deployed to prevent data leakage incidents.</li> <li>Advanced Threat Protection layer deployed on endpoints and perimeter to detect and mitigate any cyber threats. Specific tools deployed to detect cyber threats and anomalies based on artificial intelligence and machine learning without human intervention.</li> <li>DNS Security controls in place to proactively identify, block, and mitigate targeted threats that exploit the Domain Name System (DNS).</li> <li>Security monitoring system, including Data Loss Prevention control, in place to correlate security events and trigger alerts.</li> <li>24x7 Security Operation Center to monitor the security alerts.</li> <li>Organisation-wide mandatory security awareness training programme in place.</li> <li>Disaster recovery strategy and plan in place, reviewed and tested on regular basis.</li> </ul>

# PRINCIPAL RISKS continued

The Risk	Risk Analysis	Treatment Plan
<b>Strategic:</b> High-level risks that can have a direct impact on the company's strategic objectives.		
<b>6. ESG Risk</b>	<ul style="list-style-type: none"> <li>Ability for Aldar to minimise the impact of its operations on environment while maximising its positive societal influence and conducting business with the highest Governance standards.</li> </ul> <p><b>Consequences</b></p> <ul style="list-style-type: none"> <li>Potential negative impact on long term sustainable growth.</li> <li>Potential loss of trust and engagement of key stakeholders.</li> </ul>	<p>Aldar Board and Management mitigate ESG risk by establishing the appropriate governance across the Group, allocating the right level of resources and taking proactive mitigation measures while developing a Group understanding of key ESG risks:</p> <p><b>Environmental</b></p> <ul style="list-style-type: none"> <li>Launching decarbonisation plan aiming to reduce our operational impact.</li> <li>Launching a portfolio-wide energy management project to reduce its energy consumption by approximately 20% across 80 assets including hotels, schools, commercial, leisure, retail, and residential buildings.</li> <li>Managing climate-related risks and opportunities by expanding sustainability disclosures aligned with the Task Force on Climate-related Financial.</li> <li>Disclosures (TCFD).</li> <li>Implemented the first solar hybrid power plant, which contributes to reducing the construction offices energy consumption related emissions by 25%.</li> </ul> <p><b>Social</b></p> <ul style="list-style-type: none"> <li>Pledging AED 15 million to Sandooq Al Watan, totalling the investment to AED 150 million overall.</li> <li>Launching volunteering programme in 2021 where beach and mangrove cleaning and mangrove planting were organised.</li> <li>Investing in Ma'an's first Social Impact Bond, which aims to enable People of Determination with the skills for employment.</li> <li>Supporting sustainability awareness development by attending key local events, e.g. Abu Dhabi Sustainable Leadership Awards and Forum 2021.</li> <li>Aldar also joined the United Nations Global Compact (UNGC), with the aim of further aligning the strategy and initiatives with the United Nations Global Agenda.</li> </ul> <p><b>Governance</b></p> <ul style="list-style-type: none"> <li>We developed individual Councils within Aldar Development and Aldar Investment to implement strategy, monitor targets and strengthen governance across each business unit.</li> <li>Recruiting dedicated Sustainability lead for Aldar Development and Aldar Investment.</li> <li>Committing to develop specific ESG risk registers and establishing proper governance around ESG issues with accountability at the management and board levels.</li> </ul>

