

Key Risks & Salik’s Risk Management Approach

The following summarizes Salik’s Key Risks and its management approach with the aim of enhancing stakeholder value and achieving sustainable performance. These key risks incorporate the impact of the Emerging Risks on Salik.

Risk Area	Description	Risk Management Approach
Operational 	Technology or process outages which could result in disruption in roadside tolling infrastructure, back-end processing and/or customer-facing services. While the ongoing strategic projects and revenue diversification initiatives do introduce change management complexities. Historical data indicate that while minor disruptions with “incidental” impact are “Likely”, these disruptions having no material impact due to the continuity arrangements in place.	Salik’s best-in-class roadside tolling technology is designed to deliver continuity and resilience. It was built on high-availability and high-redundancy designs that produce 99%+ uptimes across all toll gates as well as back-end processes. Disaster Recovery arrangements support the fundamentally robust technology supported by seamless notification, monitoring, communication, resolution of incidents and resuming services.
Operational 	Dependency on key sub-contractors for Toll operations and other revenue diversification initiatives could result in operational continuity difficulties, if any of the key sub-contractors discontinue their relationship with Salik. There has been no precedence of such scenario since the operations of tolling started in 2007, making the likelihood “remote” with “minor” impact if it occurs.	Appropriate contractual protections along with access to necessary intellectual property rights on continued usage of the technology for the Dubai Tolling Operations and other revenue diversification initiatives form the cornerstone for continuity. Moreover, revenue diversification initiatives are being de-leveraged from dependency on the same sub-contractor.
Strategic & Emerging 	As Salik seeks to pursue growth opportunities, it encounters operational, technology and regulatory readiness risks, while ensuring timely implementation and ongoing success of these strategic initiatives and other revenue diversification initiatives. The varied likelihood and impact of lower success in pursuing varied revenue diversification initiatives outweighs the opportunity and long-term growth benefits to our investors and other stakeholders.	Embedding robust project-management principles into every project in Salik ensures effective project-level risk management leading to project success. Salik’s cross-functional project teams and for toll-related projects, including RTA stakeholders, ensure complete contextual understanding of readiness including operational, technology and regulatory aspects. Approved risk-appetite considerations are embedded within the decision-making approach for growth opportunities and strategic initiatives. Keeping abreast of regulatory developments for other revenue diversification initiatives and reaching out to regulators for early understanding and approvals ensure that project success is not restricted by regulatory compliance matters.
Strategic 	Economic downturns and resultant reduction in traffic volumes can lead to declining revenues for Salik. The likelihood of knock-on effects from such events is “unlikely” with “minor” impact, if it occurs.	Salik focuses on strategic monitoring of triggers and emerging factors which could assist in identifying early signs of potential downturns. Salik is committed to fostering relationships with government bodies to remain informed about upcoming initiatives or projects that could spur growth. Additionally, maintaining operational efficiency and cost-control measures serve as additional measures to tone down the impact of revenue fluctuations. Salik’s strategic initiatives aim at de-risking revenue and geographical concentration risk through innovative projects and by diversifying its service offerings. Salik has already embarked on its journey to diversify revenue streams and support long-term sustainability of its business. Salik’s revenue diversification and inorganic growth strategy also aims to further mitigate the impact of such risks. Regular financial disclosures are made to stakeholders, ensuring transparency regarding the company’s operational performance and financial health.
Climate Change and Extreme Weather Events (Emerging) 	Extreme weather events triggered by climate change can lead to asset damages. The likelihood of such events materially impacting Salik’s operations is “Remote” and the impact being “incidental”, considering the protection measures and emergency response mechanisms which are in place.	At Salik we recognize that climate change can lead to extreme weather events at a higher frequency and understanding and managing this is inbuilt into our operational resilience mechanisms. Protection measures are in place as part of the design criteria of our toll gates and data centers. This is operational and supported by well-established crisis management protocols in coordination with RTA for timely identification and mitigation of event impacts. Adequate insurance coverages are also in place for any physical damage to the assets and resultant interruption losses. There was no material impact from the last extreme weather event of excessive rain and flooding in Dubai.

