



Everyone's Smart University (ESU)

Assignment (1) [Spring 2021]

Student Name: Abdullah Hussain Al-Ghamdi

Student I.D.: 2021201769

Section: Master

Date: 18 Feb., 2021

Table of Contents

- 1. Introduction**
- 2. Body of the thesis**
 - a. The four (4) Risks in Saudi Aramco
 - I. Definition of the risk
 - II. Type(s) of the risk
 - III. Likelihood of the risk? How is the impact?
 - IV. Strategies used to manage the risk
- 3. Conclusion and Recommendations**
- 4. Reference(s)**

INTROUDUCTION:

I have chosen the biggest company in the world and specialized in Oil and Gas industry; that is Saudi Aramco. Saudi Aramco is the main company in Saudi Arabia has the privilege to manage unique reserves and resources base to optimize production and maximize long-term value. The objective is to increase the probability and the impact of positive risks and decrease the probability and the impact of negative risks.

I have to talk about four (4) risks the company will have to oversee and manage in a proactive way. These four (4) risks are:

1. **Terrorism Attack Risk**
2. **Operations Risks**
3. **Environmental Risk**
4. **Opportunity (positive) Risk**

At the beginning we have to define the word Risk which means a chance or possibility of danger, loss, injury or other adverse consequences', and the definition of at risks' exposed to danger' , Risk could have a negative or positive impact.

Saudi Aramco will try their best with all their Enterprise Risk management framework as they have three (3) levels of counterattack risks, the first line defense, and the executive team and the board in addition to the Audit committee which deal mainly with finance compliance and governance.

Risks Management Methodologies:

1. Terrorism Attack Risk

Definition of the Risk: the sabotage attack by armed conflict with the neighboring country " Yemen" that can be either launching a rocket or using a drone remotely controlled to damage Saudi Aramco facilities

Type(s) of the risk: this risk is control, hazard risks

Likelihood of the risk and how is the impact; it is possible to happen now, and if it happens many devastating outcomes will take place.

Strategies used to manage the Risk: Saudi Aramco is coordinating with the government and the military will be vigilante and attentive to any sort of attack and as a lesson learned from previous incident , there is a risk management responses and crisis management is administered in these cases.

2. Operations Risk

Definition of the Risk: The risk of any incidents happens to the operation to stop it; like pipeline rupture, Oil leakage, fire, etc.

Type(s) of the risk: Saudi Aramco operates in an industry with high hazardous operations, with uncertain products outcomes. The attitude of Saudi Aramco towards risk is high and it has a high appetite for hazardous operations. There are three (3) types of risks; namely Hazards, control, and compliance risks.

The Likelihood of the risk and how is the impact? : The impact if it occurs is high with very destructive consequences.

Strategies used to manage the Risk: so many precautions taken in operating methodology, safety management, and preventing all company loss as there is a department called "Loss Prevention Dept. dealing with any kind of loss to the company; including, Products, finance, world supply of oil, etc.

3. Environmental Risk

Definition of the Risk: the risk of polluting Air, water, ground, and all types of wastes (domestic, hazardous, and radioactive)

Type(s) of the risk: the risks is compliance, control, and hazards

Likelihood of the risk and how is the impact: pollution all over the kingdom in Air , water and ground and wastes will be all around ; the impact will be very huge that will be a health catastrophe and people will suffer a lot of these pollutions.

Strategies used to manage the Risk: Saudi Aramco is very concerned over the environment and the welfare of people. The have a policy for preservations of the environment

4. Opportunity Risk

Definition of the Risk: This risk will be a positive risk with high gain, if all operations of Saudi Aramco and no terrorism or cyber Attack occurs; the investment of Saudi Aramco and the shares will go well.

Type(s) of the risk: Hazard and Control Risks are the types of the risk observed

Likelihood of the risk and how is the impact : it is fortunate and the shares are doing well in the market and gaining more credibility and trust. The impact will be high for investors and to the company wealth.

Strategies used to manage the Risk:Saudi Aramco will try their best with all their Enterprise Risk management framework as they have three (3) levels of counterattack risks, the first line defense, and the executive team and the board in addition to the Audit committee which deal mainly with finance compliance and governance.

CONCLUSION:

As it is natural to have all these risks in these, somewhat sophisticated operations works that deals with. Oil & Gas the energy main source and by working on the Enterprise Risk management and building enough defenses to put all these risks to sleep. The use of ways to response to risks if it is opportunity, will embrace, if it control , will mitigate, if it hazards all precautions and safety measures will be taken against and if it compliance risk we comply with it.

REFERENCE(S):

1. Fundamentals of Risk Management, by Paul Hopkin

Submitted by : Abdullah H. Al-Ghamdi

Student No. : 2021201769