Ethics & Governance
Program Plan 2019

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Table of Contents

SECTION 1. FORWARD

1.1 Introduction

Director, Corporate Governance & Internal Audit plans the Corporate Governance activities as part of his duties in the overall management of AEC's corporate governance, ethics, anti-fraud / corruption, risk management, and compliance initiatives.

AEC continually identifies, measures, and lists mitigating action to manage the risks related to governance and ethics.

The following paragraphs details the activities planned in 2019 in maintaining and improving governance and transparency.

SECTION 2. ACTIVITIES PLANNED FOR 2019

2.1 Improving the overall Governance, Risk, Compliance, and Assurance (GRCA) Capability

The GRCA functions of AEC have been merged under one umbrella effective 2018 arising from the organizational re-structuring of AEC conducted between November 2017 to March 2018. The above provides a more focused efforts in ensuring AEC has an effective GRCA Capability.

The Director, CG&IA envisaged a Vision for AEC's GRCA Capability with the overall concept of having an integrated GRCA Capability for AEC within the next 5 years. The diagrams below, entail the Vision and Road Map towards AEC's GRCA Capability:
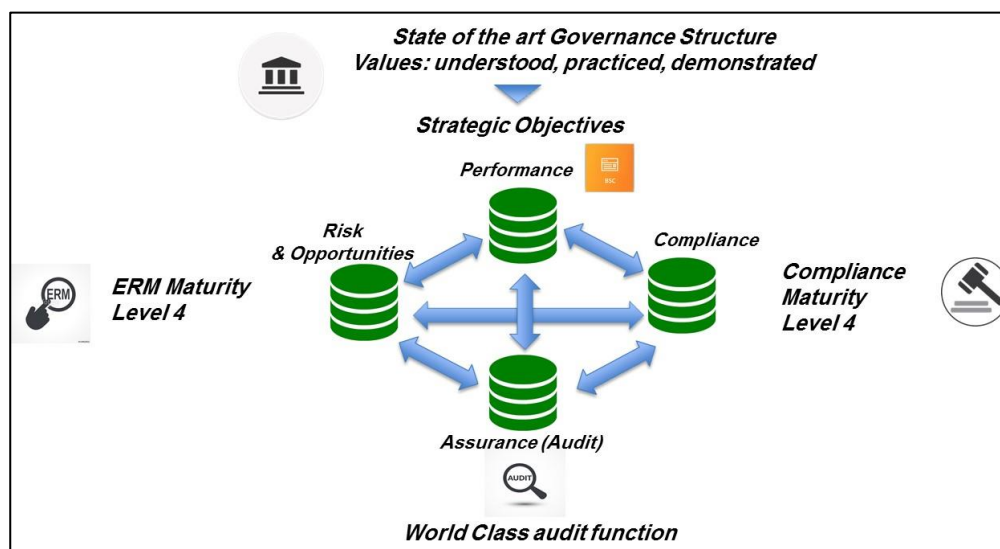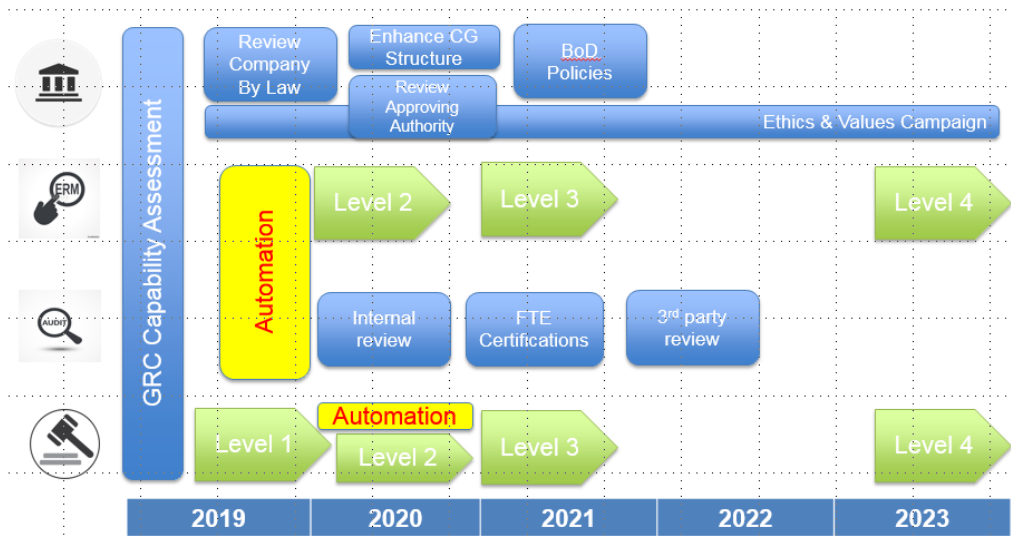
Diagram 1: GRCA Vision

Diagram 2: Roadmap to GRCA Vision

2.2 Automation of Internal Audit and Risk Management

The basis of an integrated GRCA system is the use of a common information and data linked to each other. This could be achieved by having the processes within each component to be automated thus allowing data capture and information sharing to trigger appropriate actions.

For 2019, GRCA team plans to automate the Risk Management and the Internal Audit systems.

2.3 Governance

The Company's By Law document shall be reviewed in 2019 to ensure its alignment to the new organizational structure as well as to compliance to the new Saudi Companies Law.

The Governance team plans to continue with its efforts to inform and reinforce AEC's Ethical Conduct expectations and AEC's values by providing awareness sessions and specific Anti-Fraud training to selected departments. In addition, plans are in place to promote ethics and anti-fraud aspects posters, banners, and special events.

Last but not least, the Supplier Ethical Code of Conduct shall be reviewed and updated to be in line with current requirements.

2.4 Enterprise Risk Management (ERM) & Business Continuity Management (BCM)

The main task of the ERM/BCM team for 2019 is to improve AEC's ERM Maturity level from Level 1 to Level 2. This involves activities such as:

1. Articulating and implementing the concept of risk appetite into the Risk Registers;
2. Continuing risk management awareness through awareness sessions to targeted departments and having working group meetings with Risk and Business Continuity representatives;

On Business Continuity, continued testing shall be conducted. At the same time, the Disaster/Crises Response & Recovery Plan and the Disaster/Crisis Communication Plan will be revisited to provide better guidance to relevant groups in case of a disaster or crisis.

2.5 Export Control Compliance

The Export Control Compliance team shall continue its Compliance Program by:

1. Updating the Export Control Compliance policies and procedures;

2. Conducting awareness sessions on Export Control Compliance to selected departments;

3. Embedding Export Control requirements into the Factory tour systems, Project Creation Module in AEC's Project Management application (AIM+), and during the creation of items and materials in AEC's ERP system;

4. Conducting audit on various aspects to ensure AEC is in compliance to relevant export control regulatory requirements; and

5. Conducting Regulatory Reviews.

2.6 Regulatory Compliance

This function was created under the purview of the CG&IA department in the last quarter of 2018. The main role and responsibility of this function is to design and implement specific Compliance Program in ensuring that AEC is operating in compliant to the Rules & Regulations of the Kingdom of Saudi Arabia.

To kick off, the Regulatory Compliance team shall be compiling a list of all laws and regulations and be conducting a gap analysis of selected laws and regulations. Following which, the team shall be working closely with relevant departments to design and then on implement at least four compliance programs for 2019.

2.7 Review and Update of Policies & Procedures

To guide employees in the discharge of their responsibilities, AEC has an extensive array of policies and procedures ranging from Corporate Strategic Planning to leave application.

The policies and procedures are reviewed every three years to ensure their applicability to meet business requirements but at the same time embedded with necessary controls to manage the risks attributed to each process.

45 procedure (process maps) and 65 policies are due for review in 2019.

SECTION 3. CONCLUSION & SUMMARY

AEC's Governance & Ethics Program encompasses aspects ranging from corporate governance, ethics, to anti-fraud / corruption.

The Director of Corporate Governance & Internal Audit shall provide periodic report to Senior Management and the Audit Committee on all activities mentioned above as well as any other activities that will have an impact on governance and ethics of the company.