



شركة الإلكترونيات المتقدمة  
Advanced Electronics Company

# Fraud and Corruption Risk Management

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## Table of Contents

<b>SECTION 1. AEC’S POLICY ON FRAUD AND CONRRUPTION.....</b>	<b>3</b>
1.1 Introduction .....	3
<b>SECTION 2. APPROACH TO MANAGE FRAUD AND CORRUPTION RISK.....</b>	<b>4</b>
2.1 Managing Opportunity to perpetrate fraud.....	5
2.2 Managing Pressure to perpetrate fraud .....	5
2.3 Managing Rationalization to perpetrate fraud .....	6
<b>SECTION 3. CONFIDENTIALITY OF INFORMATION PROVIDED.....</b>	<b>6</b>
<b>SECTION 4. WHISTLEBLOWING POLICY.....</b>	<b>7</b>
<b>SECTION 5. CONSEQUENCES OF INFRINGEMENT OF POLICY .....</b>	<b>7</b>

## SECTION 1. AEC'S POLICY ON FRAUD AND CONRRUPTION

### 1.1 Introduction

AEC defines FRAUD as “Wrongful or criminal deception intended to result in financial or personal gain and/or to inflict damage onto an individual, or entity by way of defalcating, misappropriating, concealing, and misuse of data, information, records, or documents.”

Examples of fraudulent acts include, but are not limited to:

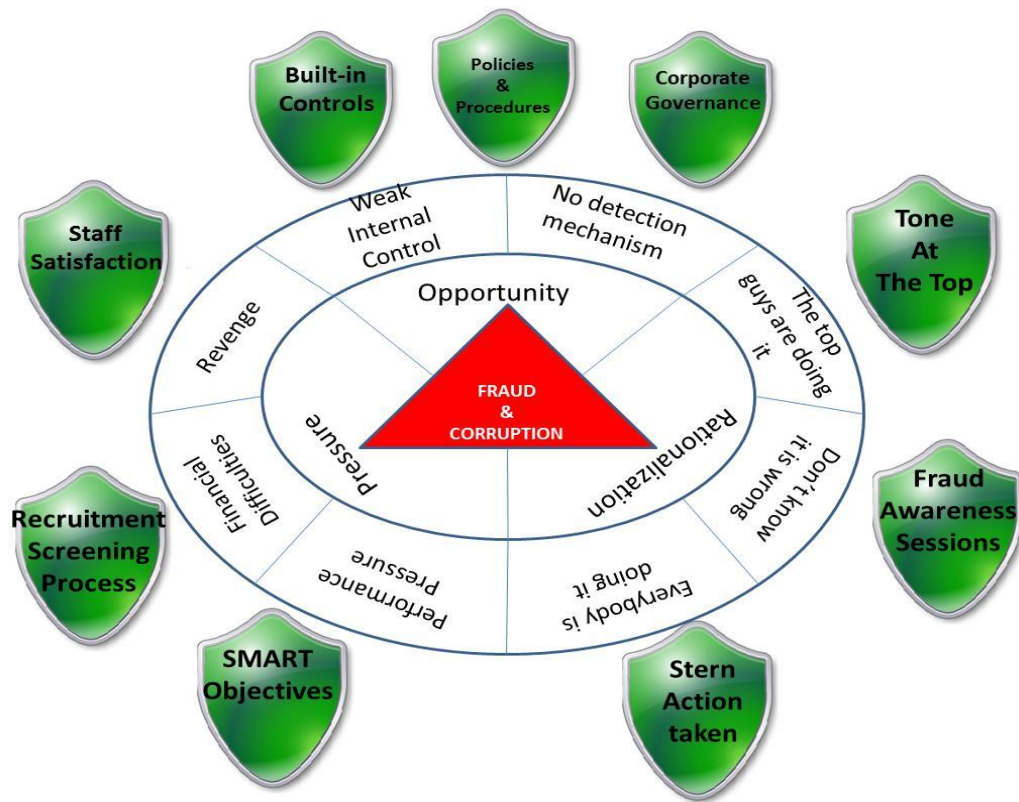
1. Misappropriation of funds, securities, supplies, or other assets.
2. Impropriety in the handling or reporting of money or financial transactions.
3. Profiteering as a result of insider knowledge of company activities.
4. Disclosing to other person(s) activities engaged in or contemplated by the company.
5. Seeking and accepting anything of material value from contractors, vendors, or persons providing services/materials to the Company. Exception: Gifts less than SR 500 in value.
6. Offering or giving bribe to induce someone to behave, or to reward someone for behaving, improperly and / or requesting or accepting a bribe either in exchange for acting improperly, or where the request or acceptance is itself improper.
7. Facilitation of payment - a payment made to a public or government official that acts as incentive for the official to complete some action or process expeditiously, to the benefit of the party making the payment.
8. Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment; and/or
9. Forgery: altering documents or signatures;
10. False accounting: giving incorrect information, untrue details or fake invoices / documents;
11. Failing to disclose an interest that could be construed as conflict of interest.
12. Extortion: obtaining favors by the use of threats / blackmail;
13. Conspiracy, collusion and corruption: entering into agreement with others to carry out illegal activities;
14. Any similar or related irregularity.

AEC furthers define CORRUPTION as “Abuse of bestowed power or position to acquire a personal benefit.”

The company is committed to maintain and implement effective policies and procedures designed to detect, prevent, and punish fraud and corruption. **The company has ZERO tolerance with fraud and corruption, and will take all necessary action to manage fraud and corruption risks.**

## SECTION 2. APPROACH TO MANAGE FRAUD AND CORRUPTION RISK

The following diagrams depict AEC's approach towards managing the risks of fraud and corruption:



## 2.1 Managing Opportunity to perpetrate fraud

AEC takes the approach of minimizing the opportunity of any party to perpetrate any act of fraud against the company. This is achieved by having a clearly defined Corporate Governance framework that details clear roles and responsibilities of all parties within the governance structure.

This is further supported by having an extensive array of documented and enforced policies and procedures.

Controls are embedded into these policies and procedures as well as to all computerized systems utilized by the company.

## 2.2 Managing Pressure to perpetrate fraud

The pressure of any employee to perpetrate fraud is managed by ensuring that AEC employs the right staff at point of recruitment. Rigorous controls are in place to screen prospective employees.

In addition to employees screening, AEC conducts appropriate due diligence of when engaging others for products and services.

Periodic employee satisfaction survey is conducted to gauge their level of satisfaction during their employment with AEC. AEC further provides competitive remuneration packages and benefits to maintain staff satisfaction, motivation, and retention.

Employees' performance objectives are reviewed periodically to ensure that all objectives are realistic and achievable given the changing economic environment.

## 2.3 Managing Rationalization to perpetrate fraud

The company has zero tolerance to fraud and corruption. This policy is echoed by all senior executives. Each senior executive plays further roles to act ethically and comply with all internal policies, rules & regulations that bounds the activities within the company.

AEC has its Ethical Conduct Handbook that describes the acceptable behaviors expected from all of its employees. The handbook contains Frequently Asked Questions that provides suggested actions that could be taken should the employee is faced with an ethical dilemma situation.

The company conducts awareness sessions to all new employees with regard to ethical conduct. All employees are required to sign an Ethical Conduct Agreement which also includes the requirement for them to be aware, acknowledges, and abide to AEC anti-fraud and anti-corruption policy.

Periodic awareness sessions are being conducted to existing employees with regard to fraud and corruption.

AEC's Anti-Fraud / Anti-Corruption Policy provides an avenue for any employee to report any suspected fraudulent or corrupt activities. Any party could raise reports, concerns, and queries on fraud and corruption through the Ethic Hotline ext. 4444 or email [GNE@aecl.com](mailto:GNE@aecl.com). Procedure is available on how these reports will be handled, managed, and reported. Upon receipt of any report, an investigation will be conducted to ascertain the validity of the report.

## SECTION 3. CONFIDENTIALITY OF INFORMATION PROVIDED

All data and information pertaining to the report of suspected fraud, details of the individual reporting the fraud and, investigation shall be treated with strict confidence.

Confidentiality will also include protection of the identity of the whistleblower. However, the identity may be disclosed if required by law.



## SECTION 4. WHISTLEBLOWING POLICY

AEC will not retaliate against a whistleblower. This includes but not limited to, protection from retaliation act such as termination of employment or contract, compensation decreases, poor work assignments, or threat of physical harm.

Any whistleblowers who believe that they have been retaliated upon, shall report the matter to the Ethics hotline ext. 4444 or email [GNE@aecl.com](mailto:GNE@aecl.com), or to the Corporate Governance & Internal Audit Department.

The above mentioned protection will also be extended to any employees who are being called to participate as a witness during the investigation, hearing or inquiry.

Notwithstanding the above, the protection against retaliation does not include immunity from any personal wrongdoing of the whistleblower or the witness themselves (if any).

While we strong encourage reporting of fraud and potential fraud, a whistleblower that makes a report not done in good faith (i.e. in spite of revenge, false accusation, framing, with malice) is subject to disciplinary action including termination of employment or contract or other legal means to protect the reputation of AEC.

## SECTION 5. CONSEQUENCES OF INFRINGEMENT OF POLICY

If the investigation substantiates that fraudulent activities have occurred, a report will be submitted to the appropriate designated personnel.

Fraudulent act by any employee of AEC will be treated as a disciplinary matter. Where the allegations are substantiated, disciplinary action, up to and including termination of employment may be taken. Individuals will normally be prosecuted and AEC will seek to recover losses.

Fraudulent act by any other party will result in a recommendation to terminate their contract with AEC or terminate the engagement of the individual(s), within that contracting entity. AEC will seek to recover losses in accordance to the contractual agreement between AEC and the other party.

Decision to prosecute or refer the results of the investigation report to appropriate law enforcement and/or regulatory agencies will be made by the President & CEO.



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