



شركة الإلكترونيات المتقدمة  
Advanced Electronics Company

## Enterprise Risk Management

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## SECTION 1. PURPOSE

The purpose of this policy is to provide an overview to all AEC stakeholders on the ERM Principles, Framework and Process.

## SECTION 2. OBJECTIVE

- To explain the ERM Principles, Framework and Process.
- To explain the roles and responsibilities of all ERM stakeholders.
- To explain how potential risks associated with AEC's enterprise and departmental level objectives are identified, managed, treated and reported.

## SECTION 3. DEFINITIONS

AEC - Advanced Electronics Company

CG&IA - Corporate Governance and Internal Audit

CG - Corporate Governance

ExCom - Executive Management Committee

ERM - Enterprise Risk Management, one of the functions under the CG Department that is tasked to manage the overall ERM activities in AEC.

Risk - According to [ISO 31000: 2018](#), risk is the "effect of uncertainty on objectives"; usually used in a negative sense and called a threat but the effect could also be positive i.e. an opportunity.

## SECTION 4. PRINCIPLES

The ERM policy is developed based on the following principles:

- 1- **Integrated:** ERM risk assessments are integrated with AEC's enterprise strategic objectives and each departmental objectives. This to provide more visibility of the potential risks and proactively managed those risks that are linked to AEC's objectives from operational and strategic levels.
- 2- **Structured and Comprehensive:** ERM process is based on a structured approach that is aligned with the [ISO 31000: 2018](#) standard. It is a comprehensive process where it covers all types of risks including threats & opportunities. The assessments also assess the effectiveness of the business current controls to bridge any gaps that may lead to potential threats to the business.

- 3- **Customized:** ERM process is customized to be aligned with the business objectives and tailored to the business needs. Assess the risks associated with AEC's objectives from internal and external contexts.
- 4- **Inclusive:** ERM process is based on inclusive approach to assure appropriate and timely involvement of key stakeholders in the business to gather their knowledge and views to be reflected in the risk management process.
- 5- **Dynamic:** Risk assessment outputs is reviewed quarterly by the respective departments and units to assure the risk registers covers all potential emerging risks, in order to respond to it in an appropriate and timely manner.
- 6- **Best Available Information:** The risk assessment input is collected from senior levels whom are the subject matter experts related to the nature of risk, in order to assure receiving the most accurate and reliable information.
- 7- **Human and Cultural Factor:** The risk management culture is raised throughout the risk assessment activities to assure a high level of understanding among all ERM stakeholders.
- 8- **Continual Improvement:** ERM process is continually improved by learning from past assessments and feedback received by all stakeholders to deliver the highest value-added risk assessments to the business stakeholders.

## SECTION 5. FRAMEWORK

ERM framework is based on the following components:

- 1- **Leadership and Commitment:** The audit committee is the oversight body of the ERM process implementation in AEC. The CEO and ExCom also provide the required supports to assure successful implementation by providing the necessary resources.
- 2- **Integration:** The ERM process is fully integrated with the organization's strategic and departmental objectives. All employees have a responsibility to identify and manage their respective risks.
- 3- **Design:** The ERM process designed to be an objective based risk assessment. The risk assessment covers all angles which may impact the business objectives from external and internal contexts. The process also designed to meet the business stakeholders' needs and expectations.
- 4- **Implementation:** The ERM strategy is to provide a comprehensive understanding of the risk management principles among key stakeholders in the business from the executive level down to departmental head level. Currently, risk awareness programs are delivered as part of the risk assessment process. The goal is to embed the risk assessments within all critical decisions in the business.

- 5- **Evaluation:** The risk management framework and process is frequently assessed against the business needs, stakeholders' expectations and risk management standards. The goal for the evaluation to assure the ERM outcomes supports the achievement of the business short and long-term objectives.
- 6- **Improvement:** The risk management framework and process is frequently reviewed and assessed to ensure the latest practices are implemented and to provide the most value-added risk assessments outcomes.

## SECTION 6. PROCESS

### 1- Communication and Consultation

- ERM function communicates risk assessment progressions and outcomes to ERM stakeholders such as ExCom, Audit Committee, and CEO. These communications enrich and raise and CEO the risk maturity level in the business.
- In addition, risk awareness programs are communicated to all ERM stakeholders to promote consistent understanding of risk.

### 2- Risk Assessment

- Risk Assessment is the overall process of risk identification, analysis, and evaluation.
  - Risk Assessment is conducted at various levels in accordance with the different objectives' levels available in AEC, where:
    - Corporate Risks is assessed on the Corporate Objectives;
    - Departmental Risks is assessed on the Departmental Objectives;
    - Project and Operational Risks is assessed on Project Objectives;
    - Process Risks is assessed against Process Objectives.
- a. Risk Identification**
- The risk identification phase covers the events, root causes and their potential consequences.
  - The risk input is based on sources such as historical data, theoretical analysis and expert opinion.
  - Any of the identified risk is linked to the strategic objectives associated with the business.

## **b. Risk Analysis**

During this step, the below factors are considered;

- Analyze the risk likelihood and consequences.
- Analyze the effectiveness of existing controls.
- Risk analysis output is used as input during the risk evaluation step, to decide how the risk should be effectively treated.

## **c. Risk Evaluation**

The level of risk as determined during the risk analysis is compared with the relevant Risk Criteria. AEC risk criteria and thresholds consist of strategic, financial, operational, compliance, and human resources measures. The heat map depicts the risk profile and priorities the risks for the relevant area / department and is used by the risk owners and concerned stakeholders for making the decision as regards to risk response.

## **3- Risk Response**

AEC is committed to address all its risks by appropriate responses. Risk exposure that are within the risk appetite may not be subjected to formal risk response. Those risks with exposures beyond the risk appetite are subjected to formal risk response.

## **4- Risk Monitoring and Review**

Risks are continually monitored and reviewed and the ERM team and the assessed stakeholder in the business, to ensure all registered risks are valid and up to date.

## **5- Risk Recording and Reporting**

ERM function implement adequate reports of risks and risk management performance as appropriate. This includes reports generated to various stakeholders in the business such as Executives, ExCom, and Audit Committee.

## SECTION 7. ROLES AND RESPONSIBILITIES

### **Audit Committee**

- Provide an oversight of the ERM activities in AEC.
- Monitor and follow up the effectiveness of implementing the ERM policy.
- Provide recommendations regarding ERM strategies and risk assessment approaches in a manner that does not conflict with the [ISO 31000: 2018](#) standard.
- Ensure the risks are adequately considered when setting the organization's objectives.
- Understand the risks facing the organization in pursuit of its objectives.
- Ensure the risk information and their management is properly communicated.

### **Executive Committee**

- Oversee the ERM activities within the company.
- Review critical corporate risks and response actions.
- Ensure adequate resource allocation and training for various ERM stakeholders.
- Promote risk management culture in AEC.

### **CG&IA Head**

- Approve the ERM policy, ERM strategies and risk assessment approaches.
- Ensure the successful implementation of ERM activities.
- Reviews ERM risk assessment outputs and provide recommendations.
- Facilitate Audit Committee with regard to corporate risks.
- Inform the executive and audit committee about risks that could impact the ability of AEC to achieve its strategic objectives.

### **CG Head**

- Review the ERM policy, ERM strategies and risk assessment approaches.
- Ensure the implementation of ERM activities.

- Review ERM risk assessment outputs and provide recommendations if necessary.
- Facilitate ExCom with regard to corporate risks.
- Oversee risk management culture and training programs across all stakeholders in AEC to enable them to comply with the policy.
- Report to ExCom and Audit Committee on the status, results of corporate risks and progression of ERM activities.

## ERM Team

- Design, implement, and improve the ERM policy, ERM strategies and risk assessment approaches through processes and policies.
- Facilitate risk assessments with respective stakeholders.
- Review and follow up with risk owners on their respective risk registers in a quarterly basis.
- Prepare reports to ExCom and Audit Committee on the status, results of corporate Risks and progression of ERM activities.
- Maintain all ERM records.
- Conduct awareness sessions to all relevant stakeholders on AEC ERM process.

## Risk Owners / Department Heads

- Identify potential risks associated with their respective objectives.
- Analyze and evaluate risk levels.
- Identify action plans to address risks.
- Identify actioners to implement risk responses / action plans.
- Conduct a quarterly review of departmental risks and action plans.
- Provide a quarterly report to the ERM on the status and results of risk responses / actions plans.

## Risk Actioners

- Develop and implement risk response / action plans as identified by Risk Owners.
- Update the status of the assigned actions.





شركة الإلكترونيات المتقدمة  
**Advanced Electronics Company**

King Khalid International Airport,  
Industrial Estate  
POBox 90916, Riyadh 11623  
Saudi Arabia

Tel: +966 11 220 1350  
Fax: +966 11 220 1355  
Email: [info@aecl.com](mailto:info@aecl.com)  
Web: [www.aecl.com](http://www.aecl.com)

