



شركة الإلكترونيات المتقدمة
Advanced Electronics Company

AEC Corporate Governance Framework

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SECTION 1. THE CORPORATE GOVERNANCE FRAMEWORK

1.1 Introduction

AEC takes a serious stand on Corporate Governance in the overall management of the company. We view Corporate Governance as more than a piece of document. It is the essence of how the Company will be managed and operated in meeting to our Vision and Mission.

AEC realizes that good and effective Corporate Governance will bring forth:

1. Corporate growth and economic success;
2. Investors' / shareholders' confidence;
3. Reduction of wastages & mismanagement;
4. Better management of risks;
5. The AEC brand in being an ethical and professional company in its dealings.

To visualize the above beliefs, AEC envisaged its Corporate Governance framework in the form of 3 major components:

1. Structure;
2. Values;
3. Systems.

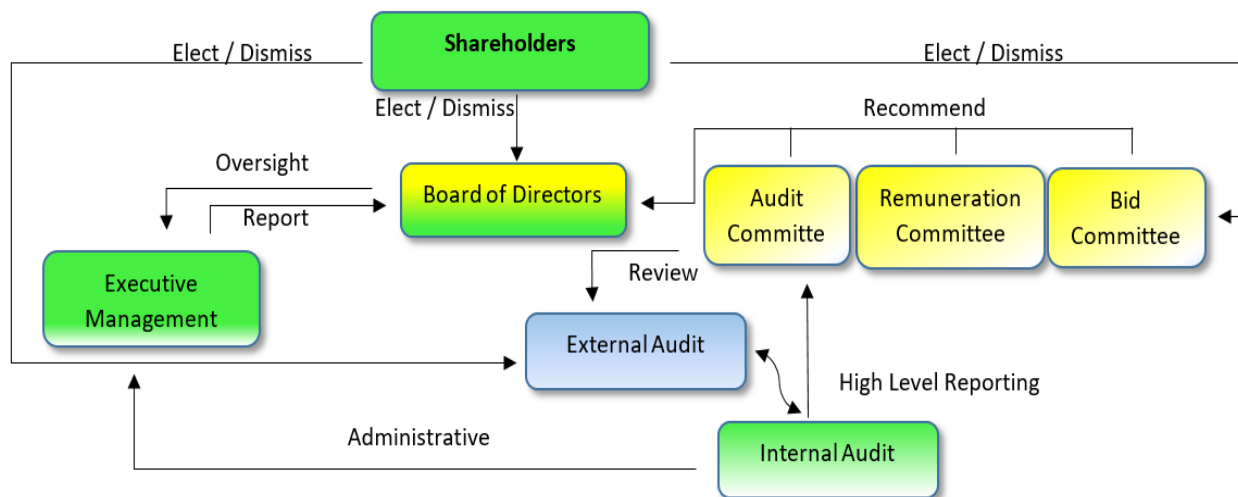
SECTION 2. CORPORATE GOVERNANCE COMPONENTS

2.1 Structure

Structure refers the major players in the operational and strategic management of AEC. To assist the players in discharging their responsibilities, a clearly defined review, oversight, and reporting mechanism is defined. The roles and responsibilities will be clearly identified, informed, and made understood by each player that includes the following but not limited to:

- The Shareholders;
- The Board of Directors (BoD) and its subsidiary committees;
- The Executive Management team and all of AEC employees;
- The Auditors

The diagram below explains the major players and the relationship that they have with each other:



The following paragraphs dictate the specific roles and responsibilities of each player in the structure of the AEC Corporate Governance framework.

Shareholders / Partners

The rights, authority, and responsibilities of each shareholder or partner of the company shall be in reference to:

1. AEC's Article of Association (AoA);
2. The Company By Law;

Board of Directors

Members of the BoD will be appointed by the shareholders in accordance to the AoA. The number, composition of the BoD, and the general modus operandi of the BoD meetings will be dictated by the AoA and the Company By Law.

The BoD is responsible for the good management of the Company and its principal aim shall be to enhance the Company's long-term value for the benefit of shareholders.

The BoD has the responsibilities:

1. To approve the strategic plans and main objectives of the company and supervising their implementation. The specific authorities that are reserved to the BoD are listed in the Company By Law;
2. To provide oversight on the operational management of the Company that is vested to the Executive Management.

Chairman of the Board

The BoD shall appoint one of its members to act as The Chairman of the Board. The Chairman's is responsible for creating the conditions for the effective working of the Board where specific responsibilities will include to:

1. Preside all BoD and Partners meetings;
2. Approve the final version of the minutes of meeting of the BoD.

Committees of the Board

The Board, at its discretion, may create standing committees and may nominate the members of the said committees as it deems fit.

In this aspect, Board shall periodically pursue the activities of such committees so as to ensure that the activities entrusted to those committees are duly performed. The Board shall approve the by-laws of all committees of the Board.

In return, the committees shall notify the Board of its activities, findings or decisions with complete transparency.

AEC's BoD has the following committees:

The Audit Committee

The Committee shall be appointed by the Board and shall comprise a Chairman and two other members.

The duties and responsibilities of the Audit Committee include the following:

Internal Control and Risk Assessment

1. The Committee shall keep under review the effectiveness of the Company's financial reporting and internal control policies and procedures for the identification, assessment and reporting of risk. In addition, it shall review specific risks as actioned by the Board.

Internal Audit

1. The Committee shall monitor the role and effectiveness of the Company's internal audit function and management response to its findings and recommendations.
2. The Committee shall consider and approve the Internal Audit Charter, the resourcing of the Internal Audit function and whether it has access to information to enable it to fulfill its mandate. It shall also be advised of the planned program of audits and progress against that program.
3. The Committee shall approve a program of internal audit work each year aimed at assessing the effectiveness of policies and processes relating to key areas of ethical and reputational risk. The Head of Internal Audit shall produce a report for each Committee meeting.
4. Members of the Committee shall receive a summary of all reports produced by the internal audit function and have access to all such reports in full.
5. Approve the appointment or removal of the head of the Company's internal audit function.
6. The head of the Company's internal audit function shall have direct access to the Chairman of the Committee.

Auditors (External)

1. The Committee shall consider and make recommendations to the Board as regards the appointment and re-appointment of the Company's Auditors, and shall ensure that the senior partner responsible for the Auditors' team is changed from time to time.
2. The Committee shall keep under review the relationship with the Auditors including (but not limited to):
 - a. Approving the terms of their engagement;
 - b. Agreeing the scope of their annual audit;
 - c. The independence and objectivity of the auditors;
 - d. Their qualifications, expertise and resources;
 - e. The effectiveness of the working relationship with the auditors;
 - f. Approving fees payable to the auditors in respect of audit work they undertake, and
 - g. Developing and implementing a policy on the supply of any non-audit work that the auditors may undertake for the company.
3. The Committee shall review with the Auditors their proposed audit program and the results of their audit of the Company's financial statements.
4. The Committee shall review the audit representation letters before signature by management.
5. The Committee shall review the management letter (or equivalent) and review and monitor management's responsiveness to the Auditor's findings and recommendations.
6. Committee shall review the processes that aim to ensure that the Auditors are aware of all information that is relevant to their audit. The output from such processes shall be reviewed by the Committee at the conclusion of each audit.
7. At the end of the annual audit cycle, the Committee shall assess the effectiveness of the audit process:
 - a. Reviewing whether the Auditors have met the agreed audit plan;
 - b. Considering the robustness and perceptiveness of the Auditor; and
 - c. Obtaining feedback from key individuals about the conduct of the audit.

Financial Statements

1. The Committee shall monitor the integrity of the Company's financial statements.
2. The Committee shall review the significant financial reporting issues and judgments made in relation to the preparation of the Company's annual financial statements. Such matters shall include (but not be limited to) accounting standards, accounting policies, the going concern assumption, the clarity of disclosures, adjustments resulting from the audit and conformity with legal and regulatory requirements.
3. The Committee shall review the proposed statement on internal control systems prior to endorsement by the Board. It shall also review the policies and processes for identifying and assessing business risk and the management of those risks.

Other Matters

1. In order to ensure that employees are able, in confidence, to raise concerns about possible improprieties in matters of financial reporting, the Committee shall receive a report each year from the head of internal audit on its review of the effectiveness of the Company's Ethics and Fraud Policies.
2. The Committee shall, to the extent provided for by shareholder controls and board representation, ensure that appropriate arrangements are in place for the audit of the group's joint venture companies and similar entities.
3. The Committee shall review on a regular basis its own performance and terms of reference to ensure that it is operating effectively.

The Remuneration Committee

The purpose of the Committee is to establish a formal and transparent procedure for developing policy on executive targets and remuneration, to set the remuneration packages of the Company's President and CEO and any other key members as agreed by the BoD, to review general Company bonus schemes and Key Employee succession planning, all as more fully set out in below.

The Committee shall be appointed by the Board and shall include a Remco Chairman and at least two other members of the board.

The duties and responsibilities of this committee include the following:

1. Determine and agree the framework and policy for the Remuneration of the CEO and other senior executives who report directly to the CEO. No Manager or employee shall be involved in any decisions as to his or her own remuneration.
2. Ensure that the HR policy on the terms and conditions exists, to be included in the service agreements for the direct reports, including termination payments and compensation commitments and any other allowances, where applicable.
3. Review AEC employees bonus or performance related schemes operated by the Company and any targets for such scheme, to ensure that all compensation and bounce schemes are allocated fairly.
4. Liaise with shareholders to ensure that the Committee is aware of their views and policies concerning executive remuneration and takes account of such views when discharging its duties.
5. Review the Company's succession and development planning for Key potential Employees.
6. Ensure that the company has a competitive pay scale and incentive structure compared to the industry.

Executive Management

The Executive Management team is headed by the President & CEO. He in turn appoints a group of his most senior line and functional leaders to review and agree on issues and actions of Company-wide significance. Its main areas of focus are:

- Developing and delivering the Company's strategy, strategic objectives and business portfolio actions.
- Leading the Company's high performance culture.
- Reviewing operational and financial performance at Company level.
- Discussing customer, shareholder and Board issues.
- Approving recommended policies and processes for mandated implementation across the Company.
- Addressing line and functional management issues.
- Establishing and monitoring the control and co-ordination of internal controls and risk management throughout the business.
- Ownership for the identification and management of enterprise risk across AEC.
- Establishing and monitoring compliance with relevant legislation and regulations, and accreditations that allow the business to function.

According to the bylaws of AEC, the board has delegated authority to the President & CEO to manage the company. The President & CEO by the authority invested in him by the board will use the Management Executive Committee to make decisions regarding the managing of the company.

The Management Executive Committee is chaired by the President & CEO. The members of the committee shall comprise:

- EVP, SVPs, and VP Business;
- EVP, SVPs Engineering & Operations;
- EVP Shared Services & Corporate Affairs
- SVP Finance;
- Director Executive Office;
- Director, Corporate Governance & Internal Audit;
- Director, Corporate Legal.

Attendance by other employees shall be at the discretion of the President & CEO. The committee shall meet on Bio-Weekly and shall deliberate on the following matters:

- Recommending objectives and strategy for AEC in the development of its business, having regard to the interests of its Board, customers, employees and other stakeholders.
- Executing the objectives and strategy approved by the Board.
- Presenting proposals for the AEC's budgets and business plans to the Board and, following their adoption, overseeing the achievement of the budgets and plans.
- Reviewing the corporate (and if required operational) performance of AEC against the objectives and strategy through the balance scorecard.
- Reporting to the Board on the business performance of AEC including identifying key issues for the Board's attention.
- Developing active liaison, co-ordination and co-operation between Divisions including the review of the accomplishment of the inter-divisional agreements.
- Establishing and implementing appropriate levels of authority delegated to senior management throughout the business.
- Ownership for the identification and management of enterprise risk across AEC. Establishing and monitoring the control and co-ordination of internal controls and risk management throughout the business.
- Accountable for establishing a Compliance function to act as a focal point for all compliance, and for monitoring compliance with relevant legislation and regulations, and accreditations that allow the business to function.

- Approving initiatives, which are likely to have a material impact from a regulatory or competition perspective, or on AEC's reputation.
- Safeguarding the integrity of management information and financial reporting systems and reviewing the integrity of AEC's financial statements included in its results announcements, Annual Report and Accounts and other formal documents containing financial statements.
- Examining all major investment and capital expenditure proposals and the recommendation to the Board of those which in the context of the business are matters reserved to the Board.
- Accountable for providing leadership and commitment within the organization
- Business on security, safety, health and environmental matters.
- Establishing relevant committees with clear terms of reference and with fixed term mandates to support implementation of items contained within these terms of reference.
- Establishing and maintaining the provision of adequate management development and succession.
- Accountable for ensuring adequate disaster response and business continuity planning is in place.

The External Auditors

The External Auditors will be appointed by the partners of the company during the annual General Meeting of the Partners. The terms of reference of the External Auditors are defined in the AoA and the Company By Law.

The Internal Auditors

The Company maintains an Internal Audit function. It is to provide reasonable assurance to all levels of management concerning the overall control over assets and the effectiveness of the system of internal control in achieving its broad objectives.

To provide for the independence of Internal Audit Department, its personnel reports to the CG&IA Head, who reports functionally to the Audit Committee and administratively to the President & CEO.

2.2 Values

These are the set of values that will be upheld and practiced by each player and stakeholder of AEC. The values adopted by AEC are driven by its vision and mission, they are:

Value					
	ACCOUNTABILITY	TEAM SPIRIT	CUSTOMER FOCUS	LEARNING & GROWTH	INTEGRITY & TRANSPARENCY
Tagline	"Taking Responsibility"	"One Team"	"Customer First"	"Growth Mindset"	"Doing the Right Thing"
Descriptor	We are empowered to take full responsibility for our own actions and decisions. We take ownership for everything we do and honor our commitments and promises.	We work together as one team with open communication, trust and respect.	We live by and for our customers' satisfaction. Everything we do is focused on building and sustaining our customers' trust, confidence and loyalty .	We believe in and value the contribution of every single employee at AEC and we foster professional growth and personal development for everyone.	We are guided by the principles of ethical conduct in our interactions with others through fairness, honesty, respect and transparent communication.
Competencies	Empowerment & Delegation Driving Execution Reliability	Teamwork Relationship Building Communication	Customer Focus Communication Quality Orientation Results Focus	Learning Agility Coaching & Developing Others	Building Trust

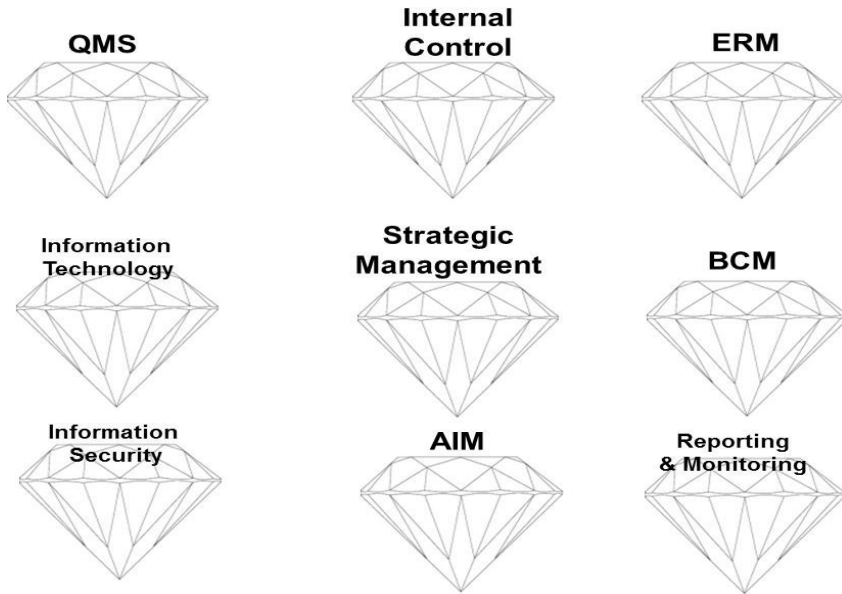
These values will be demonstrated in the form of policies. The policies will act as guides and demonstrate the expected behavioral traits. The policies include:

- Ethical Conduct Handbook;
- Conflict of Interest policy;
- Approving Authority Policy;
- Anti-Fraud & Corruption Policy;
- Gift Policy;

And other sets of policies may be documented as need arises.

2.3 Systems

Refers to the arrays of systems available in AEC that will include but not limited to:





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