



شركة الإلكترونيات المتقدمة  
Advanced Electronics Company

## Ethics & Governance Program Report 2020

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## SECTION 1. FORWARD

### 1.1 Introduction

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

This is an annual report on the activities under AEC's Governance & Ethics Program.

This report is made by Corporate Governance as part of the duties in the overall management of AEC's corporate governance, ethics, anti-fraud / corruption, and transparency initiatives.

Corporate Governance also makes quarterly report to the Audit Committee (in charge to review the effectiveness of all ethics and governance program).

The following paragraphs details the activities undertaken by the company as a whole in maintaining and improving governance and transparency.

## SECTION 2. ACTIVITIES UNDERTAKEN IN 2020



### 2.1 Awareness Sessions

As a part of Corporate Governance objectives is to obtain engagement from all employees, and to enhance employee's knowledge regarding corporate governance in general, continuous awareness sessions on various topics related to governance, were conducted.

The following sessions were conducted in 2020:



**Enterprise Risk Management:** 8 sessions were communicated to AEC employees.



**Export Control:** 35 sessions were communicated to AEC employees.



Sessions were conducted during the preparation period to related employees or upon request for the total of **128 employees**.



**Governance and Ethics:** 10 awareness messages regarding AEC ethical conduct and internal audit were communicated to AEC employees.

Channels used:

- Corporate Communication Center.
- Post in the factory bulletin boards.
- Virtual meeting sessions.

## 2.2 Conflict of Interest Disclosure

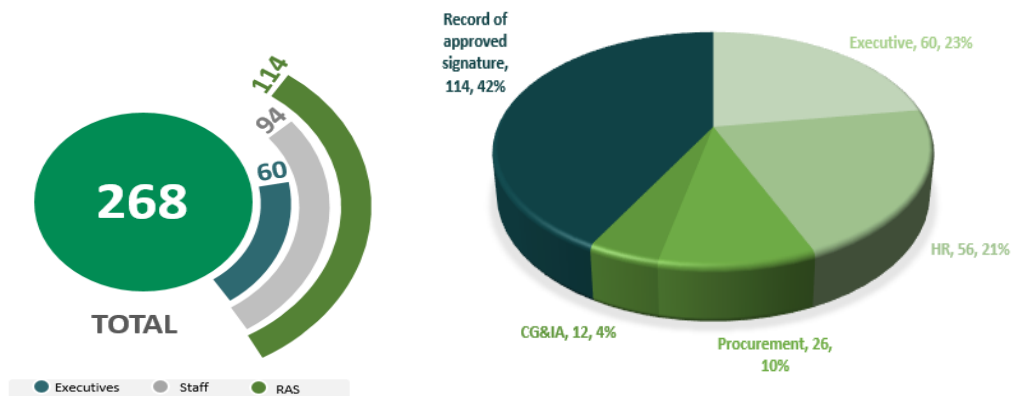
AEC Conflict of Interest Policy aims at reinforcing the internal control mechanisms and to prevent, detect and to deal with any case of conflict of interest that may occur in the Company in line with conflict-of-interest policy, which will ultimately protect the Company interest, properties, and the rights of stakeholders.

AEC has a policy requiring employees who have been given financial authority limits and employees who are customer or supplier facing, to provide disclosures with regard to any potential or actual conflict of interest situations while discharging their duties.

During 2020, total of 268 employee have submitted their conflict-of-interest disclosure. Only 2 conflict of interest cases were rectified and totally eliminated the potential risk. As for the other 266 disclosures, we are glad to report that there are no instances of actual or potential conflict of interest being reported.

Moreover, Conflict of Interest policy were updated to include the submission of the Conflict-of-Interest disclosure form during hiring of new employees and employees internal transfer process.

Below charts summarize the 2020 results of conflict of interest practice:





## 2.3 Ethical Conduct Agreement

AEC believes in the conduct of affairs of its constituents in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical behavior.

To maintain high standards of business ethical conduct, AEC established the ethical conduct handbook as basis and reference guide, which aims to summarize principles and standards of business conduct expected of all AEC employees.

The handbook is already part of our onboarding process where any new AEC employee will be giving a copy of the handbook and will sign the Ethical Conduct Agreement to confirm his/her understanding, abiding and cooperation.

Moreover, in 2020 Corporate Governance shared the Ethical Conduct Handbook copy to all Executives and obtained their agreement and abiding to it.



## 2.4 Enterprise Risk & Business Continuity Management

During the year of 2020, ERM has successfully conducted number of risk assessments to all AEC departments and units.

In addition, a well-known vendor has been chosen for the automation of the ERM process to enhance ERM data gathering, data accuracy, reports and follow-ups with stakeholders in the business.

On the other hand, BCM conducted a total of 8 tests covers AEC. Resulting of all passed except for one area partially passed, where corrective action is implemented.

During the COVID-19 global pandemic, ERM has identified and assessed the critical risks associated with COVID-19 to AEC, including their business impact levels, current controls, and mitigation actions. Continuous assessments are ongoing to capture any emerging risks such as COVID-19 second and third waves. The value of these assessments to ensure AEC's business to be on track and the same time to maintain the health of employees from getting effected. One of the mitigations plans that was successfully implemented is increasing the percentage of working remotely to 80%.



## 2.5 Ethics & Governance Hotline & Email

Studies from the Association of Certified Fraud Examiners (ACFE) indicates that more than 50% of frauds are being highlighted and reported by employees compared to any other sources. In line with this, Corporate Governance have created the Ethics & Governance hotline ext. 4444 and email [GNE@aecl.com](mailto:GNE@aecl.com) to enable any employee to provide reports of suspected fraudulent activities or to raise questions with regard to ethical conduct, governance, and transparency as well.

During 2020, Corporate Governance received one query through ethics & Governance hotline which has been reviewed and resolved



## 2.6 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.

A total of 307 policy/procedure and 232 Process (called process maps) documents were reviewed and found to be up to date during 2020, representing 95% & 94% accordingly.

## SECTION 3. CONCLUSION & SUMMARY

Corporate Governance is the focal point to receive all queries, complaints, and reports with regard to the ethics and governance. For 2020, we are glad to indicate that the overall governance and ethics of the company is effective in supporting the company in meeting its vision & mission and achieving its objectives.





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