

GENERAL INSTRUCTION MANUAL

ISSUING ORG. ACCOUNTING POLICIES & SYSTEMS DEPARTMENT

ISSUE DATE

10-15-08

REPLACES

06-03-02

SUBJECT **POLICIES AND PROCEDURES FOR SAUDI ARAMCO APPOINTEES
COMPENSATION AND EXPENSES**

APPROVAL

RAK

PAGE NO.

1 OF 5

CONTENT: This Instruction outlines the policies and procedures for the handling of additional compensation received, or expenses incurred, by Saudi Aramco employees who serve as officers, directors or employees (each an 'Appointee') of Saudi Aramco subsidiary and affiliated companies, including joint venture entities in which Saudi Aramco or its subsidiaries have an ownership interest. This instruction is organized under the following subject headings:

1. General
2. Company Policy
3. Extraordinary Compensation Processing Procedures
4. Business Travel Expense Processing Procedures
5. Responsibilities

1. **GENERAL:**

Saudi Aramco (or 'the Company') strengthens its refining and marketing alliances through relationships with subsidiaries and affiliates and participation in domestic and international joint ventures (each an 'Affiliate'). Most of these arrangements provide for Saudi Aramco representation in Affiliate management and/or on the Board of Directors, either directly or through a subsidiary. Dependent upon the particular Affiliate's compensation policies, Appointees may receive compensation in addition to the compensation received as an employee of Saudi Aramco ('Extraordinary Compensation'). Extraordinary Compensation may include annual rewards, bonuses, various allowances or other special compensation plans (e.g. grants of joint venture company stock or stock options). The purpose of this Instruction is to address the handling of Extraordinary Compensation, as well as various travel expense reimbursements paid to Appointees.

2. **COMPANY POLICY:**

Saudi Aramco employees who serve as Affiliate Appointees do so without additional compensation, beyond local living, transportation and similar allowances in accordance with Company policy. Serving as an Appointee is an assignment performed in the capacity as an employee of Saudi Aramco. The employee shall experience neither additional financial gain, nor loss, as a result of these assignments.

This policy is consistent with Saudi Aramco's Corporate Policies on Conflict of Interest and Business Ethics, which was restated in a May 6, 2002 policy memorandum issued by the President and Chief Executive Officer of Saudi Aramco effective May 1, 2002 as follows:

Serving as directors, executives or loaned or seconded employees of Saudi Aramco subsidiary and affiliated companies, including joint venture entities in which the Company or its subsidiaries have an ownership interest, are duties we perform in our capacities as officers, executives and employees of the Company, for which we are duly compensated. Consistent with our corporate policies on Conflict of Interest and Business Ethics, it has been the long-standing policy of the Company that Company employees serving as executives, directors or loaned or seconded employees of Saudi Aramco and its subsidiary and affiliated companies, including those wholly or partially

GENERAL INSTRUCTION MANUAL

ISSUING ORG. ACCOUNTING POLICIES & SYSTEMS DEPARTMENT

ISSUE DATE
10-15-08REPLACES
06-03-02SUBJECT **POLICIES AND PROCEDURES FOR SAUDI ARAMCO APPOINTEES
COMPENSATION AND EXPENSES**APPROVAL
RAKPAGE NO.
2 OF 5

owned by the Company or its subsidiaries, serve in those capacities without additional compensation. Subject to the following guidelines, this policy allows no exceptions. The following guidelines are to be followed in implementing this policy:

- (1) *Where an affiliated company has a policy of compensating its Directors for their service on the Board, Company employees serving as Directors should make the necessary arrangements to be paid any amounts authorized to be paid as compensation for service as a Director. All such amounts are to be reported by the employee to the appropriate Administrative Area Head. On receipt of any such compensation, employees shall promptly remit the full amount to the Company in the manner prescribed by relevant provisions of the Company's General Instruction Manual.*
- (2) *Where an affiliated company is publicly traded, Company employees serving as Directors of such company may receive bonus or other extraordinary compensation in the form of shares of the company's stock or stock options. In such cases, the employee shall, as soon as legally permissible and practicable following receipt, convert such shares or options into cash and remit the net proceeds to the Company, again in accordance with relevant provisions of the Company's General Instruction Manual. Similarly, any dividends or other pecuniary benefits received as a result of such awards shall be remitted to the company.*
- (3) *If an affiliated company pays business expenses of its Directors, such as hotel bills, travel, meals and other business incidentals, amounts paid on a Director's behalf or provided in kind are not considered compensation and are not accountable under this policy as they defray expenses otherwise properly borne by the Company or the affiliate. Normal business expenses not borne by the affiliated company are submitted for payment or reimbursement in accordance with Saudi Aramco Expense Report procedures.*
- (4) *The foregoing policy and these guidelines also apply to bonus and other extraordinary compensation received by Company employees who are assigned, loaned or seconded to affiliated companies in executive and other positions whether or not they serve on the affiliated company's Board of Directors.*
- (5) *The policy and guidelines do not apply to service by an employee on a Board of Directors of another company in which neither Saudi Aramco nor any of its subsidiaries or affiliates have any direct or indirect ownership interest. However, the Company's Conflict of Interest policies governing disclosure and approval of such service apply to all such cases.*

The policies and practices of each Affiliate are unique to some extent, and therefore differences exist with respect to how they accommodate for officer, director or employee compensation and expense reimbursements. The policy of no gain or loss to Saudi Aramco's Appointees must be adhered to, even though processes may vary among Affiliates.

GENERAL INSTRUCTION MANUAL

ISSUING ORG. ACCOUNTING POLICIES & SYSTEMS DEPARTMENT

ISSUE DATE

10-15-08

REPLACES

06-03-02

SUBJECT **POLICIES AND PROCEDURES FOR SAUDI ARAMCO APPOINTEES
COMPENSATION AND EXPENSES**

APPROVAL

RAK

PAGE NO.

3 OF 5

3. EXTRAORDINARY COMPENSATION PROCESSING PROCEDURES:**3.1 Gathering of Compensation Information**

In accordance with the Company's policy, Appointees shall report to the Executive Director of Marketing, Supply and Joint Venture Coordination* or the appropriate Administrative Area Head, or his designee ('Administrative Area Head') any Extraordinary Compensation paid by the respective Affiliate to, or on behalf of, the Appointee, as well as any changes to the Affiliate's policies or practices with respect to the compensation of company officers, directors or employees, within 30 days of such payment or policy change.

3.2 Remittance of Extraordinary Compensation to the Company

Company employees serving as Appointees should make the necessary arrangements to be paid any Extraordinary Compensation due them for their service as an executive, director or employee of the Affiliate. This may be either through direct payment or through remittance to the Company.

- a. Monetary Compensation – If Extraordinary Compensation is paid directly to the Appointee, it should be remitted to Saudi Aramco promptly as per policy memorandum guidelines discussed in Section 2 above in the manner prescribed in Section 3.2c (wire transfer) or 3.2d (check draft) below.
- b. Non-monetary Compensation – Certain Affiliates sponsor non-monetary compensation plans for their officers, directors and/or employees, such as stock bonuses or stock option plans involving company stock. Such non-monetary compensation constitutes Extraordinary Compensation for the purposes of this Instruction. Extraordinary Compensation received by Appointees pursuant to such compensation plans should be reported immediately to the Administrative Area Head. If the Affiliate and the Appointee cannot arrange for a direct cash payment to be made to Saudi Aramco, in lieu of payment of the Extraordinary Compensation to the Appointee, the Administrative Area Head will advise the Appointee regarding the liquidation of such Extraordinary Compensation, and remittance of the net proceeds to Saudi Aramco. Such proceeds should be remitted to Saudi Aramco promptly as in Section 3.2a above.
- c. Remittance instructions for wire transfers from the Appointee or Affiliate are:

In Saudi Riyals

Pay by wire transfer to:

Saudi Aramco SR General Account No. 051 16 146 000 103

National Commercial Bank

Al-Khobar Main Branch

Saudi Arabia

GENERAL INSTRUCTION MANUAL

ISSUING ORG. ACCOUNTING POLICIES & SYSTEMS DEPARTMENT

ISSUE DATE
10-15-08REPLACES
06-03-02SUBJECT **POLICIES AND PROCEDURES FOR SAUDI ARAMCO APPOINTEES
COMPENSATION AND EXPENSES**APPROVAL
RAKPAGE NO.
4 OF 5In U.S. Dollars

Pay by wire transfer to:

HSBC Bank USA, New York*

SWIFT: MRMDUS33

For Gulf International Bank (UK) Ltd, London

SWIFT: SINTGB2L

For Saudi Aramco Demand Account No. 569201

IBAN: GB59SINT60928000569201

- d. If compensation is remitted by the Appointee or directly by the Affiliate to the Company by check, it should be addressed to:

Treasury Services Department
Banking Operations Division*
Saudi Arabian Oil Company
Tower Building, Room T-485
Dhahran 31311
Saudi Arabia

Payment received either through 3.2c or 3.2d above should be credited to General Ledger account 7409821 using Cost Center 208-200/208-300 (for Domestic Joint Venture Appointees), or 208-600 (for Asia Joint Venture Appointees)**, or other organizations' cost centers as appropriate.

3.3 Reporting of Remittances

- a. Appointees receiving Extraordinary Compensation directly from an Affiliate should submit a wire transfer advice to the appropriate Administrative Area Head, within one week of its receipt.
- b. Appointees receiving Extraordinary Compensation through remittance by the Affiliate directly to the Company by wire transfer or by check should report such remittance by letter to the Administrative Area Head including the amount and date thereof within one week of learning of the award or payment of such Extraordinary Compensation.

3.4 Reconciliation of Remittances with Company Records

Each Administrative Area is responsible for reconciling reported remittances by the Affiliates for which they are responsible against Company records, reporting any discrepancies to the Administrative Area Head and maintaining a record of the reconciliation in department files for periodic audit review. The reconciliation will verify receipt by the Company of payments to or on behalf of Appointees, as well as the timelines of such remittances to the Company.

GENERAL INSTRUCTION MANUAL

ISSUING ORG. ACCOUNTING POLICIES & SYSTEMS DEPARTMENT

ISSUE DATE
10-15-08REPLACES
06-03-02SUBJECT **POLICIES AND PROCEDURES FOR SAUDI ARAMCO APPOINTEES
COMPENSATION AND EXPENSES**APPROVAL
RAKPAGE NO.
5 OF 5**4. BUSINESS TRAVEL EXPENSE PROCESSING PROCEDURES:**

Where an Affiliate pays for business expenses on an Appointee's behalf, such amounts are not considered additional compensation since they defray expenses that would otherwise have been incurred by Saudi Aramco. They should not be submitted for reimbursement by Saudi Aramco. Any normal business expenses not paid by the concerned Affiliate are to be submitted for reimbursement in accordance with Saudi Aramco's normal Company policies and practices with respect to business travel and expenses.

5. RESPONSIBILITIES:

Appropriate Administrative Area Heads are responsible for monitoring compliance with the revised Corporate Policy on Compensation of Directors, as stated by the President and Chief Executive Officer on May 6, 2002, as it relates to Saudi Aramco's Appointees.

Approved: Original Approved by R.A. KRYGSMAN

R.A. KRYGSMAN, Manager
Accounting Policies & Systems
Department

ABT (T2439)