

# SAUDI ARABIAN OIL COMPANY (Saudi Aramco)

## GENERAL INSTRUCTION MANUAL

GI NUMBER Approved  
155.008

ISSUING ORG.	PERSONNEL DEPARTMENT	ISSUE DATE <b>01/01/2012</b>	REPLACES <b>04/01/2011</b>
SUBJECT	<b>PROCEDURE FOR HANDLING SAUDI ARAB AND FOREIGN CONTRACT EMPLOYEES' RETIREMENT AND POST-RETIREMENT DEATH BENEFITS</b>	APPROVAL SAD	PAGE NO. 1 of 9

### Content:

This General Instruction outlines the procedures for handling retirement and post-retirement death benefits of Saudi Arab and eligible Foreign Contract Employees and the benefits provided under the respective Supplemental Retirement Income Plans. The text includes:

1. Objective
2. Eligibility
3. Retirement Benefits
4. Post-Retirement Death Benefits
5. Retirement Processing
6. Buyout of Annuity
7. Control of Annuity Payment
8. Post-Retirement Medical Coverage
9. Post-Retirement Saudi Riyal Thrift Plan Participation
10. Processing of Post-Retirement Death Benefits
11. Annuitant's ID & Vehicle Stickers
12. Other Information

#### 1.0 Objective:

The objective of the Supplemental Retirement Income Plan (SRIP) is to provide Saudi Arab and eligible Foreign Contract employees, after a full career with the Company, a level of retirement income from all sources, which is equivalent to 2% of their last 24 months average wages, including 13<sup>th</sup> month pay and Annual Ramadan Payment for Saudi Arab employees only, for each year of continuous service. (The sources of income for this purpose are GOSI annuity for Saudi Arabs, Annuity Value of Severance for Foreign Contract employees, and Supplemental Retirement Income Plan annuity.)

#### 2.0 Eligibility:

- 2.1 Employees become eligible for early retirement benefits upon reaching age 50 years Gregorian, if they have at least fifteen (15) years of continuous service, or normal retirement benefit at age 60 years Gregorian, regardless of the length of service.
- 2.2 In case of a break in service, the actual benefits are calculated on the basis of the new service after the break(s), if any.

#### 3.0 Retirement Benefits:

##### 3.1 Saudi Arab Employees:

- 3.1.1. Employees who retire at **normal retirement** age will receive a supplemental monthly annuity, which when added to the primary Social Insurance old age annuity attributable to the Company's service, will be equal to **2% of their final average monthly pay** times total continuous Gregorian years of service. (Partial year of service is prorated.)

- \* 3.1.2. The **final average monthly pay** is determined by multiplying the average of the highest twenty-four months base salary during the last 120 months of continuous service by 1.16667 to include the monthly equivalent of the 13<sup>th</sup> month pay and Annual Ramadan Payment.

- 3.1.3. Employees **with 15 years or more continuous service** taking normal retirement will be at least eligible to receive a minimum annuity of SR 3,000 from all sources.

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3.1.4. Employees who have completed fifteen (15) years of continuous service and attained fifty years of age will qualify for **early retirement benefits** which are calculated in accordance with the provisions for normal retirement but adjusted by the appropriate early retirement discount factors.

3.1.4.1 If the employee has completed 25 years of service, retirement documents will be forwarded to GOSI for the processing of Early Retirement benefits and the Company's pension will be offset by the GOSI annuity amount if the GOSI annuity is less than the Company pension. If the GOSI annuity is greater to or equal to the Saudi Aramco calculated pension, Saudi Aramco's Company actual pension will be ZERO and the annuitant will receive his/her pension from GOSI only.

3.1.4.2 If the employee has not completed 25 years of services with Saudi Aramco, he/she will be paid a Company annuity if applicable as above until he/she completes 25 years with GOSI. In order to receive the Company's supplemental annuity in full, the early retiree must provide GOSI documentation that he/she is not yet eligible for the GOSI annuity. The retiree will be required to update the GOSI documentation as part of the existing annual declaration process. The Company's pension will be offset by the GOSI annuity amount if the GOSI annuity is less than the Company pension, and if the GOSI annuity is greater to or equal to the Saudi Aramco calculated pension, Saudi Aramco's Company actual pension will be ZERO and the annuitant will receive his/her pension from GOSI only.

3.1.4.3 In addition, employees with service prior to 1977 will also receive SR 100 per month.

3.1.5. **Early Retirement Discount Factors** for Saudi Arab employee who opt for early retirement are as follows:

<u>Age at Retirement</u>	<u>Benefit Percentage from Normal Retirement Benefit</u>
50	60%
51	65%
52	70%
53	75%
54	80%
55	85%
56	90%
57	95%
58	100%
59	100%
60	100%

## 3.2 Foreign Contract Employees:

3.2.1. Employees who retire at **normal retirement** age will receive a supplemental monthly annuity, which when added to their monthly annuity value of the severance benefits, will equal to 2% of their final average monthly pay times total continuous Gregorian years of service.

(Note: Annuity value of severance is calculated by dividing the total severance amount by the number of months remaining to reach the age 74 Gregorian.)

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- \* 3.2.2. The final average monthly pay is determined by multiplying the average of the highest twenty-four months base salary during the last 120 months of continuous service by 1.08333 to include the monthly equivalent of the 13<sup>th</sup> month pay.
- 3.2.3. Employees who have completed fifteen years of continuous service and attained fifty years of age will qualify for **early retirement benefits** which are calculated in accordance with the provisions for normal retirement but adjusted by the appropriate early retirement discount factors.
- 3.2.4. Early Retirement Discount Factors for Foreign Contract employee are as follows:

<u>Age at Retirement</u>	<u>Benefit Percentage from Normal Retirement Benefit</u>
50	60%
51	65%
52	70%
53	75%
54	80%
55	85%
56	88%
57	91%
58	94%
59	97%
60	100%

### 4.0 Post-Retirement Death Benefits:

#### 4.1 Saudi Arab Annuitant with hire date before April 1, 2001:

- 4.1.1 A Saudi Arab employee can, at the time of his retirement, opt for a post-retirement death benefits of a one-time lump sum benefit to the legal heirs as stated below in paragraph 4.1.2, or an ex-gratia widow(s)/ widower income as stated in paragraph 4.1.3, payable after his/her death to the widow/widower on record at the time of retirement.
- 4.1.2 **Lump sum Benefit:** Upon the death of a Saudi Arab annuitant who selected this option, his/her legal heirs will be entitled to a one-time lump sum post-retirement death benefits payment based on his/her monthly salary for the final month of active service as follows:

<u>Period After Retirement Date</u>	<u>Death Benefit</u>
First Year	27 times base monthly salary
Second Year	24 times base monthly salary
Third Year	21 times base monthly salary
Fourth Year	18 times base monthly salary
Fifth Year	15 times base monthly salary
Sixth Year & thereafter	12 times base monthly salary

- 4.1.3 **Widow(s)/Widower Income:** Upon the death of a Saudi Arab annuitant who selected this option, his/her widow/widower on record at the date of retirement would receive a total monthly annuity equal to 15% of the final monthly base salary plus a one-time lump sum payment of SR 15,000 (divided among wives if more than one wife exists).

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4.1.4 **Surviving Spouse Benefits:** Upon the death of a Saudi Arab retiree who is receiving SR SRIP supplemental annuity and retired at age 58.2 Gregorian or older on or after April 1, 2001, his/her surviving spouse/spouses is eligible for a monthly ex-gratia payment equivalent to 50% of the amount of the SR SRIP supplemental annuity that the eligible Saudi Retiree is receiving prior his/her death. The effective date of the surviving spouse benefits is July 1, 2008.

4.1.5 Upon the death of a Saudi Arab annuitant who retired prior to January 1, 1983, and died prior to January 1983, his/her legal heirs would receive an ex-gratia lump sum death benefits equivalent to his/her six months base salary at the time of retirement, or six months annuity or SR15,000 whichever is greater . **However if the annuitant retired prior to January 1, 1983 and died after January 1, 1983, wife/spouse or wives on record would receive a total monthly annuity equal to 15% whichever is greater of base pay or his/her annuity.**

4.1.6 In order to receive post-retirement death benefits, the eligible legal heirs should submit to the Administrator, Area Human Resource Services Center Division (AHRSCD), an authenticated copy of the annuitant's death certificate, a Succession Certificate showing the names of all legal heirs and a Power of Attorney signed by all legal heirs authorizing one person as a legal representative to receive the death benefits.

### 4.2 **Modified Post-Retirement Death Benefits Policy Guidelines:**

The existing post-retirement death benefits options will be replaced by a fixed 12 months lump sum payment for future retirees with hire date on or after April 1, 2001. The modified policy provides a fixed ex-gratia post-retirement death benefits totaling twelve (12) times final base salary, distributed to the surviving spouse(s) only. The fixed lump-sum payment replaces the two (2) post-retirement death benefits options that are currently offered to eligible beneficiaries of retiring Saudi Arab. Eligibility for the modified post-retirement death benefits will be applicable to the surviving spouses of employee who was hired on or after April 01, 2001 and retired either as early or normal retirement under the SR SRIP.

### 4.3 **Foreign Contract Annuitant:**

4.2.1 Upon the death of a Foreign Contract annuitant his/her legal heirs will receive a one-time lump sum post-retirement death benefits payment equivalent to six months base salary based on the annuitant's final months base salary.

4.2.2 Legal heirs of Foreign Contract annuitant who had opted for and received the lump sum for buyout of annuity and post-retirement death benefits will not be eligible for post-retirement death benefits mentioned in paragraph 4.2.1.

4.2.3 In order to receive post-retirement death benefits, the legal heirs of the deceased Foreign Contract annuitant should submit to the Administrator, Area HRSCD, an authenticated copy of the annuitant's death certificate, a Succession Certificate showing the names of all legal heirs and a Power of Attorney signed by all legal heirs authorizing one person as a legal representative to receive the death benefits.

## 5.0 **Retirement Processing:**

### 5.1 **Normal Retirement:**

The Area HRSCD, which handles retirement processing of Saudi Arab and Foreign Contract employees, will take the following actions in case of normal retirements:

SAUDI ARABIAN OIL COMPANY (Saudi Aramco) <b>GENERAL INSTRUCTION MANUAL</b>		GI NUMBER <span style="float: right;">Approved</span> 155.008	
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SUBJECT	<b>PROCEDURE FOR HANDLING SAUDI ARAB AND FOREIGN CONTRACT EMPLOYEES' RETIREMENT AND POST-RETIREMENT DEATH BENEFITS</b>	APPROVAL SAD	PAGE NO. 5 of 9
<p>5.1.1 Inform the employee's department through (System Batch Program) which generate and sends a notifications' letter to due normal retirement employee's department three months prior to the retirement date and ask them to prepare the termination package for processing, i.e. SA-1180-C (Separation Request), "initiate online Departure Clearance form (SA-3447), copy of family Government booklet/Card, and copy of passport for Foreign Contract Employees and send/forward them to the Area HRSCD.</p> <p>5.1.2 Obtain a copy of Social Insurance Contribution Statement from GOSI for Saudi Arab employees, to verify the name, period of employee's contribution to GOSI and birth date with the Company records and prepare calculation sheet for GOSI annuity.</p> <p>5.1.3 Arrange an interview with the retiring employee at least two months prior to his/her retirement date, brief him about his entitlements/retirement benefits and obtain the following documents from him: (1) His/her original Family Booklet/Card and Government ID Card for review and a copy of these documents for file/e-file, (2) a copy of his/her passport for Foreign Contract employee, (3) his Bank account number and address of the bank, (4) Residence Address and phone number, mobile number &amp; E-mail if any, (5) signed the post-retirement death benefits options form SA-8623, and (6) the letter of understanding related to Saudi Riyal Thrift Plan (SRTP).</p> <p>5.1.4 Input the necessary data into SAP Final Settlement Subsystem, ensure that the input data is processed successfully, print the Termination Record and obtain the approval of the Supervisor of Retirement Processing &amp; Annuitants' Affairs Unit/Area HRSCD.</p> <p>5.1.5 Monitoring the online Departure Clearance form (SA-3447) initiated by the employee's department and rotated electronically to the all concerned departments. Saudi Arab Retiree should approach Industrial Security for issuing Retiree ID and Vehicle Sticker.</p> <p>5.1.6 The retiree will collect the Final Settlement checks, Saudi Riyal Thrift Plan (SRTP) checks, if any and the Annuity Buyout checks, if any from Area Payroll Office three working days before the retirement date.</p> <p>5.1.7 Ensure that the retiring employee has paid all his outstanding dues to the Company. If there are any charges in the PDE (Payroll Data Entry) against the employee that are not collected from the final settlement check, direct the employee to Area Payroll Office to clear receivables and release the final check only after production of the original cash receipt issued by the bank, or a clearance memo from the Payroll Office.</p> <p>5.1.8 Retiring Saudi Arab employees are eligible for a written-off/forgiveness of a maximum of SR 10,000 of his home loan balance provided that there was no change in age and he did not borrow against his service benefits. If there is an outstanding home loan after the written-off/forgiveness amount of SR 10,000, the Company will apply 50% of their Severance Award towards repayment of outstanding home loan and for the remaining loans, deduct from the monthly annuity an amount equal to the amount the employee used to pay prior to his retirement (as monthly installment home loan repayment).</p> <p>5.2 <b><u>Early Retirement:</u></b></p> <p>5.2.1 Processing of early retirement is done in the same manner as detailed above for normal retirement with the exception of steps stated in paragraphs 5.1.1 and 5.1.3.</p> <p>5.2.2 Employee opting for Early Retirement is required to give the Company at least 30-day prior notice. The employee's department should prepare the termination package for processing,</p>			
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i.e. the original early retirement letter, SA-1180-C (Separation Request), "initiate online Departure Clearance form (SA-3447), copy of family Government booklet/Card, and copy of passport for Foreign Contract Employees and send/forward them to the Area HRSCD.

- 5.2.3 Saudi Arab employees opting for Early Retirement are not eligible for any written-off/forgiveness of home loan balance. If there is an outstanding home loan, the Company will apply 50% of their Severance Award towards repayment of outstanding home loan and for the remaining loans, deduct from the monthly annuity an amount equal to the amount the employee used to pay prior to his retirement (as monthly installment home loan repayment).

## 6.0 Buyout of Annuity:

- 6.1 Foreign Contract employees eligible for monthly annuity are given an option, at the time of retirement, either to receive monthly annuity or to receive the annuity and post-retirement death benefits in one lump sum.
- 6.2 Saudi Arab annuitants are offered lump sum payment in lieu of monthly annuity, including Annual Ramadan Payment, only in cases where the monthly annuity, after offsetting the primary GOSI annuity, lies within the range of SR 101.00 to SR 500.00.
- 6.3 Effective January 01, 2011, Mandatory buyout of annuities through Final Settlement System (FSS) for all Saudi Arab Retirees whose annuity is between SR 1 and SR 100 (Pre January 01, 2011, continue as optional buyout for annuities less than or equal to SR 100).
- 6.4 The Advisor handling retirement processing will generate a computer printout indicating the lump sum buy out amount, explain the benefits to the annuitant and offer him/her the option form.
- 6.5 Annuitants who opt for lump sum buyout of annuity and post-retirement death benefits will receive their buyout checks at the time of receiving their final settlement.
- 6.6 Foreign Contract Annuitants who opted for monthly annuity may, if they decide later on to receive lump sum buy out of annuity and post-retirement death benefits, may write to the Administrator, Area HRSCD, about their decision to receive the lump sum payment in lieu of monthly annuity.
- 6.7 When a Foreign Contract annuitant subsequently writes to the Administrator, Area HRSCD, opting for lump sum buyout of annuity and post-retirement death benefits, the Advisor handling annuity payments will take the following actions:
  - 6.7.1 Generate a computer printout indicating the lump sum buyout amount based on the annuitant's age at the time of his/her exercising this option.
  - 6.7.2 Write a letter to the annuitant informing him/her of the lump sum buyout amount and asking him/her to sign the option form accepting the lump sum amount in lieu of annuity.
  - 6.7.3 Prepare SAP System Payment Authorization (MPS) and obtain the necessary approval authority.
  - 6.7.4 Obtain the check from Payroll Processing Unit and send it to the annuitant either directly through a registered mail or through the Company's Agent where he is available, asking the annuitant to sign an acknowledgment and send the signed acknowledgment back to the Company/Area HRSCD.
  - 6.7.5 File the acknowledgment form signed by the annuitant in the annuitant's Personnel folder/e-file and close the case in the active annuitant's file/e-file.



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SUBJECT	<b>PROCEDURE FOR HANDLING SAUDI ARAB AND FOREIGN CONTRACT EMPLOYEES' RETIREMENT AND POST-RETIREMENT DEATH BENEFITS</b>	APPROVAL SAD	PAGE NO. 7 of 9

## 7.0 Control of Annuity Payment:

- 7.1 Once a year, the Area HRSCD will mail each Saudi Arab annuitant, PTD, CMC and widows receiving monthly annuity from Saudi Aramco an annual declaration form in Arabic asking each of them to complete the form, have it signed by two witnesses and return it to Area HRSCD within three months.
- 7.2 Foreign Contract Annuitants who opted for the monthly annuity will be asked to submit a declaration, authenticated by a Notary Public or Court, stating that they are alive and receiving the monthly annuity.
- 7.3 Area HRSCD will review all the forms received from the annuitants, PTD, CMC and widows, update the information in the annuitants' database.
- 7.4 Area HRSCD will only maintain the latest declaration forms and destroy the old ones.
- 7.5 If no response is received after the three-month period, the Advisor handling annuitants' matters will request Payroll Benefits, Payment & Reconciliation Unit/Payroll Division/Operations Accounting Department to suspend such annuitants' monthly payments until the annual declaration is received.
- 7.6 If the annual declaration form is subsequently received, Area HRSCD will verify the declaration and request Payroll Benefits, Payment & Reconciliation Unit/Payroll Division/Operations Accounting Department to reinstate the monthly annuity and pay the outstanding monthly annuity.

## 8.0 Post-Retirement Medical Coverage:

- 8.1 Saudi Arab retirees, Permanent and Totally Disabled (PTD) annuitants, Chronic Medical Condition (CMC) and Annuitant's/PTD's/CMC's spouse(s) registered at the time of retirement (or termination in case of CMC/PTD) are eligible for free medical coverage in the Kingdom in accordance with the policy of Saudi Aramco Medical Organization (SAMSO) related to these cases reflected in the Industrial Relations Manual, Chapter 5.
- 8.2 In case of death of the old spouse who was registered at the time of retirement, the retiree's/PTD's/CMC's new spouse, if any, will be eligible for medical coverage under this Program.
- 8.3 The medical care is provided by the Medical Designated Facilities (MDF) opted by the retirees within the Kingdom and the medical registration/de-registration is controlled by the Area HRSCD.

## 9.0 Post-Retirement Saudi Riyal Thrift Plan Participation:

- 9.1 Effective July 1, 2000, Saudi Arab retirees, CMC and PTD annuitants are allowed to continue their participation in the Saudi Riyal Thrift Plan (SRTP), which is a voluntary program.
- 9.2 Participants in this program can keep their Thrift Plan Assets for a maximum of five years starting from their retirement date and will be allowed to make up to four withdrawals within 365 days starting from retirement date.
- 9.3 The retiree will not be allowed to make any monthly contributions or repayments to his Saudi Riyal Thrift Plan (SRTP) and the Company will not make any contributions to this Plan. Retiree is also not eligible for SRTP loan. However, the Company will protect the total plan assets for investment purposes, similar to active employees.

## 10.0 Processing of Post-Retirement Death Benefits:

In case of Post-Retirement Death Benefits, the Area HRSCD will take the following action:

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\*\* ADDITION

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SAUDI ARABIAN OIL COMPANY (Saudi Aramco) <b>GENERAL INSTRUCTION MANUAL</b>		GI NUMBER <span style="color: blue;">Approved</span> 155.008	
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SUBJECT	<b>PROCEDURE FOR HANDLING SAUDI ARAB AND FOREIGN CONTRACT EMPLOYEES' RETIREMENT AND POST-RETIREMENT DEATH BENEFITS</b>	APPROVAL SAD	PAGE NO. 8 of 9
<p>10.1 Request Payroll Benefits, Payment &amp; Reconciliation Unit/Payroll Division/Operations Accounting Department, to stop the annuity payment of the concerned annuitant and provide Area HRSCD with information on any under/overpayment of annuity.</p> <p>10.2 Write to the legal heirs of the deceased annuitant to submit an authenticated death certificate, a succession certificate and a power of attorney designating one legal representative to receive the post-retirement death benefits from the Company.</p> <p>10.3 Review the legal documents with the Law Department whether or not the payment can be made on the basis of these documents.</p> <p>10.4 If Law Department's approval/concurrence is obtained, check the status of the deceased's annuity amount on SAP if the annuitant opted for the lump sum benefit, then prepare SAP Payment Authorization (MPS) to pay the post-retirement death benefits after obtaining the necessary approval authority.</p> <p>10.5 In case of Widow's Monthly Annuity (for Saudi Arabs), update widow's Bank information and attach all information on SAP Annuity System. Send an E-mail to Payroll Benefits, Payment &amp; Reconciliation Unit, Payroll Division, Operations Accounting Department to start paying the Widows Annuity &amp; Post Retirement Death Benefits.</p> <p>10.6 Write to the Industrial Security Department to cancel ID card and Vehicle Stickers, inform the legal representative to pick up the check, close the case and e-file the whole documents into SAP Annuity System.</p> <p>10.7 Cancel the medical registration of the annuitant.</p> <p><b>11.0 <u>Annuitant's ID &amp; Vehicle Stickers:</u></b></p> <p>11.1 Dependents of GC 11+ retirees, in the age group of 12 to 19, are issued ID cards for 2 years. Sons and daughters aged 19 to 25 years enrolled in full time studies are eligible for dependent ID cards. ID cards will be revoked if the dependent has become employed for a wage with any Company or if the dependent daughter marries.</p> <p>11.2 Retired executives are issued up to three vehicle stickers, GC 11+ retirees are issued up to two vehicle stickers and GC 3-10 retirees are issued one vehicle sticker to permit them to enter the Company's appropriate residential communities.</p> <p>11.3 Domestic servants (houseboy/driver/maid) of retired executives are issued ID cards valid for two years after producing proper documents approved by Retirement Processing &amp; Annuitant Affairs Unit (RP&amp;AAU), HRSCD through SAP Annuity System workflow.</p> <p>11.4 Former SAMAREC retirees (those who retired prior to the merger) are issued GC 3-10 facility temporary vehicle sticker valid for Five years and an ID card also valid for Five years approved by the Industrial Security Department.</p> <p>11.5 In case of misbehavior or violations of Company's traffic, safety or recreational regulations by dependents, the dependent's ID card and/or vehicle stickers issued to them may be withdrawn by the Industrial Security Organization.</p> <p>11.6 Expatriate retirees, who desire to have a Saudi Aramco retiree ID card, may request Industrial Security for issuance of ID at the time of retirement. This ID card will give no access to Company facilities but can be used for identification purpose. Expatriate retirees, who have a valid Saudi residence and allowed</p>			
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officially to live in Saudi Arabia for reasons or others or conversely live in the Kingdom of Bahrain, will be granted a Saudi Aramco ID & Car Sticker to allow them access the main camps and utilize the recreational facilities.

**12.0 Other Information:**

- 12.1 Extension of Service: Extension of Service up to seven months or to year end beyond age 60 Gregorian can be approved, depending on justifiable operational needs, by Business Line Heads. Any extension exceeding the above requires the endorsement of the Senior Vice President, Industrial Relations & Affairs and the approval of President & CEO.
- 12.1 Pre-Retirement Counseling: Saudi Arab employees, who are due for normal retirement, are provided one-day Pre-Retirement Counseling three months prior to their retirement. Area HRSCD arranges this Pre-Retirement Counseling in each area and speakers from SAMSO (Health Education) and representatives from local banks provide valuable information.
- 12.2 13<sup>th</sup> Month Payment: Employees whose services are terminated due to retirement, death, CMC and PTD are paid pro-rated 13<sup>th</sup> Month Payment.
- 12.3 Annual Ramadan Payment: Saudi employees whose services are terminated due to retirement, death, CMC and PTD are paid pro-rated Annual Ramadan Payment.
- 12.4 Merit Increase: Employees leaving the Company due to the Company-initiated age 60 separation will be entitled for merit increase if their merit cycle falls in the same month of attaining age 60.
- 12.5 SR Thrift Plan Repayments: Employees eligible for retirement are not required to make lump sum repayment before retirement in order to receive the accrued Company contributions. Employees who terminate their service for any reason (other than termination for cause) will be credited with the Accrued company contributions pertaining to outstanding withdrawals as if all outstanding withdrawals had been repaid.
- 12.6 Retiree Reunion: Saudi Arab Retiree Reunion is organized once every two years, sponsored by Personnel Department, in order to provide Saudi Arab retirees residing in the Kingdom an opportunity to interact with the Company's Management and to socialize with their fellow retirees. Participation in this event is voluntary and the annuitants have to make their own arrangements for travel to the location of the event.

Approved:

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**SULAIMAN A. AL-DOUIHI**, Director  
Personnel Department