

SAUDI ARABIAN OIL COMPANY (Saudi Aramco)

GENERAL INSTRUCTION MANUAL

ISSUING ORG. SAUDI ARAMCO AFFAIRS

SUBJECT PUBLIC SERVICE PROJECTS

GI NUMBER Approved

886.000

ISSUE DATE

01/26/2005

REPLACES

03/25/2001

APPROVAL

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CONTENT:

This instruction specifies the criteria and defines the Public Service Projects, their aspects, regulations thereof and execution of the Projects. The text includes:

1. General
2. Types of Public Service Activities
3. Approval
4. Budgeting for Public Service Costs
5. Responsibilities and Procedures

Refer to Accounting Instruction No. 721 regarding administering cost of Public Service Projects.

1.0 GENERAL:

Public Service Projects are defined as projects made on a one time or continuing basis, which involve projects not directly associated with SAUDI ARAMCO's basic oil operations. Public Service Projects may result from any of the following:

- 1.1 The Saudi Arab Government specifically requests SAUDI ARAMCO to undertake an activity for the benefit of the Government, the general public, or local communities.
- 1.2 SAUDI ARAMCO undertakes an activity which would normally be the responsibility of the Government or local municipalities to provide needed services or facilities. Examples of these types of activities are water and sewer utilities construction, street paving and lighting, maintenance of public roads, maintenance and operation of home ownership utilities, other Home Ownership and Community Development construction and certain pipe-crossing construction.
- 1.3 SAUDI ARAMCO performs certain services for Government agencies or for the general public which are not subsequently recorded as receivables from the Government or others, but are absorbed by SAUDI ARAMCO as a Public Service Cost.

The proponent for Public Service Projects should be a SAUDI ARAMCO organization whose operation is directly affected by the project proposed for categorization as a Public Service Project.

The list of examples of Public Service Projects given above is not intended to be all-inclusive. The circumstances under which Public Service Projects may be approved are very broad in scope, and judgment on an individual basis is used in the determination of whether proposed projects qualify as Public Service Projects.

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2.0 TYPES OF PUBLIC SERVICE ACTIVITIES:

There are two types of Public Service activities: Those in the Public Domain, and those in the SAUDI ARAMCO domain. These are defined as follows:

- 4.1 Within the Public Domain: Activities performed by SAUDI ARAMCO which have no direct association with on-going SAUDI ARAMCO oil operations and which, under other circumstances, would usually be undertaken by municipalities or other Governmental agencies for the benefit of local communities and the public.
- 4.2 Within the SAUDI ARAMCO Domain: Work undertaken by SAUDI ARAMCO within its area of operations as a result of non-Company activities being carried out under the sponsorship of the Government, or to aid in the Government's support of Company activities.

3.0 APPROVAL:

Where a new project requires classification as a Public Service Project, approval of the Admin Area Head, Saudi Aramco Affairs is to be obtained either on a memo or Saudi Aramco Form 1410, Special Project Notice. Proponents seeking approval to have a project treated as a Public Service Project must provide documentation in the File submitted to the Admin Area Head, Saudi Aramco Affairs to support categorization of the project as a Public Service Project. A letter of request from the Saudi Arab Government is the preferred documentation, but an Aide Memoire, a Memo to File, or other correspondence may be used if it clearly demonstrates the appropriateness of such categorization.

Form 1410 is not required if the project has already been approved under a Budget Item (Capital/Non-Capital), and a portion of the Budget Item is classified as Public Service requiring reallocation of expenditures to a Public Service account. However, approval of the Admin Area Head, Saudi Aramco Affairs should be obtained in writing during the development of the Budget Item with a copy of the approval to Fixed Assets and Work-In-Progress Accounting Department.

Approval of the Admin Area Head, Saudi Aramco Affairs only attests classification of a particular project as 'Public Service Project,' unless Saudi Aramco Affairs is the project's proponent. Where Saudi Aramco Affairs is the proponent of a particular project not covered under a Budget Item, the Admin Area Head, Saudi Aramco Affairs can (at his discretion) approve classification and funding of the 'Public Service Project.'

4.0 BUDGETING FOR PUBLIC SERVICE COSTS:

Proponent organizations should include their Public Service Projects under one of the following budgets:

- 4.1 The Capital or Non-Capital Budget when the Budget Item appropriately includes the planned Public Service Project. Any Public Service Project estimated at over \$2 million must be budgeted as part of a Capital or Non-Capital Budget Item, or as a separate Non-Capital Budget Item.
- 4.2 Net Direct Expenditures Budget when maintaining public roads.

* CHANGE

** ADDITION

NEW INSTRUCTION ☐

COMPLETE REVISION ☐

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Projects that require classification and funding as a Public Service Project, but are not included in either 4.1 or 4.2, must be approved by the Admin Area Head, Saudi Aramco Affairs by use of Saudi Aramco Form 1410, Special Project Notice, prior to establishing a Special Project Account.

5.0 RESPONSIBILITIES AND PROCEDURES:

5.1 Resources Planning Department is responsible for assisting the proponent organization/construction agency in the preparation of an ER (Expenditure Request) estimate and project schedule. Facilities Planning is responsible for reviewing project scope and justification on Public Service projects with a cost of over \$2,000,000.

5.2 The proponent of a Public Service Project has overall responsibility for the project's approval, funding, cost and completion. When the proponent is not the construction agency, the proponent will need to assure appropriate coordination with the construction agency. Project execution will be the primary responsibility of the Construction Agency. This responsibility will cover areas such as adhering to Company policies and procedures, maintaining effective cost and financial controls and ensuring that project completion is achieved by the expected completion date.

* 5.3 Project Review & Coordination Division, SAA, will coordinate with appropriate SAUDI ARAMCO organization the execution of non-SAUDI ARAMCO projects identified as Public Service Projects. Staff Group, Saudi Aramco Affairs will coordinate with appropriate SAUDI ARAMCO organization the execution of other projects approved-as Public Service Projects.

Approved:

Executive Director, Saudi Aramco Affairs.

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