

GENERAL INSTRUCTION MANUALISSUING FINANCIAL ANALYSIS & PERFORMANCE ADVISORY
ORG. DEPARTMENTISSUE DATE 06/11/2011
REPLACES 12/01/2002

SUBJECT CAPITAL PROGRAM AND BUDGET

APPROVAL BAA
PAGE NO. 1 OF 3**CONTENT**

This Instruction outlines the objectives and scope of the Capital Program and Budget and describes procedures for development, processing, approval and distribution of the Capital Program and Budget. The text includes:

- (1) Objectives
- (2) Scope
- (3) Capital Program
- (4) Capital Budget
- (5) Responsibilities and Procedures
- (6) Review, Approval and Publication
- (7) Revisions to the Budget
- (8) Accountability
- (9) Related Instructions

1.0 OBJECTIVES

Saudi Aramco administers the five-year Capital Program and annual Capital Budget to plan, budget and control the major capital investment requirements of the enterprise and to communicate these requirements to those concerned with the coordination and accomplishment of these requirements.

2.0 SCOPE

The Capital Program and Budget includes all costs (capital and expense) associated with Budget Items, grouped by Business Line and Program, established to accomplish Corporate objectives.

- 2.1 Major Capital Projects are those with a cost over \$4,000,000 and are reflected in the annual Capital Budget as separate Budget Items.
- 2.2 Miscellaneous Projects and Purchases are those with a minimum cost of \$20,000 and a maximum cost of \$4,000,000 and are included in the Capital Budget under a consolidated Budget Item 19. (GI 20.620 covers BI-19 Projects).
- 2.3 The Non-Capital Budget is used to plan, budget and control those major projects and programs costing over \$4,000,000 which are entirely chargeable to expense. (GI 20.110 outlines the Non-Capital Budget and Program.)

3.0 CAPITAL PROGRAM

The Capital Program is the overall plan for capital investment during the Business Plan cycle and consists of the aggregate of facilities, additions and improvements required to accomplish Corporate strategic imperatives. The Corporate Planning Organization has the responsibility to coordinate and consolidate the five-year Business Plan.

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APPROVAL BAA
PAGE NO. 2 OF 3**4.0 CAPITAL BUDGET**

The Capital Budget includes budget briefs describing those budget items included in the first year of the five-year Capital Program for which funding will be requested (an Expenditure Request submitted). Budget briefs are prepared in accordance with the *Preparation Guidelines for Planning, Budget and Expenditure Request Briefs* issued by the Facilities Planning Department and GI 20.500, *Expenditure Requests*.

5.0 RESPONSIBILITIES AND PROCEDURES

5.1 Each Proponent with assistance from the Long Range Planning Department, the Business Analysis Department and the Facilities Planning Department, must formulate specific goals and objectives that are consistent with Saudi Aramco strategic imperatives. These goals and objectives drive capital investment requirements which are developed into:

- Capital Program (defined in Section 3.0 above).
- Projects which are a subdivision of a Program and include the new facilities, additions or improvements required to accomplish a specific program objective.

Budget Items which are basic constructible units which may be for a single facility or for several related facilities which logically make up a constructible unit.5.2 Proponents in conjunction with Facilities Planning Department prepare a draft of proposed Budget Items and forward them to the Facilities Planning Department for further handling.

5.3 Planning Briefs, Budget Briefs and Expenditure Requests are prepared in accordance with the *Preparation Guidelines for Planning, Budget and Expenditure Request Briefs* issued by the Facilities Planning Department and GI 20.500.

5.4 The Facilities Planning Department, the Project Management Office Department, the Business Analysis Department and the assigned Construction Agency will provide staff assistance in engineering review, preparation of cost estimates, development of economic justifications, development of project schedules, and time-phased expenditure estimates.

5.5 The Capital Programs, Forecast & Analysis Division (CPF&AD) reviews the Planning Briefs, Budget Briefs and Expenditure Requests for adherence to applicable policies and procedures.

6.0 REVIEW, APPROVAL AND PUBLICATION

6.1 The Capital Program is submitted to the Executive Advisory Committee and the Management Committee for review and recommendations during the annual Business Plan cycle.

6.2 The Capital Program is endorsed by the Board of Directors at their spring meeting. The Capital Budget is approved at the fall Board of Directors meeting.

SAUDI ARABIAN OIL COMPANY (Saudi Aramco)

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ISSUE DATE 06/11/2011 REPLACES 12/01/2002

APPROVAL BAA PAGE NO. 3 OF 3

- 6.3 CPF&AD publishes the annual Capital Budget, and Facilities Planning Department publishes the five-year Capital Program. CPF&AD coordinates and provides the Finance Organization's input into the review and analysis of the Capital Program and Budget.

7.0 REVISIONS TO THE BUDGET

The Capital Budget is revised as necessary based on approved Expenditure Requests processed in accordance with GI 20.500 and approved as required in Section IV of the Management Guide.

8.0 ACCOUNTABILITY

On a quarterly basis for accountability, CPF&AD issues the AR 190-2, Capital/Non-Capital Expenditures Report which compares actual and forecast expenditures with approved funds by Budget Item and the AR 190-3, Completed Projects Report.

CPF&AD also issues the Capital Budgets Status Report (AR 197) subsequent to each meeting of the Board of Directors or its Executive Committee which compares approved Expenditure Requests with the original Budget for both Capital and Non-Capital projects.

9.0 RELATED INSTRUCTIONS

GI 20.081	Exploration Program and Budget
GI 20.101	Development Program and Budget
GI 20.110	Non-Capital Program and Budget
GI 20.500	Expenditure Requests
GI 20.620	Miscellaneous Projects and Purchases
GI 21.201	Approval Authority

Approved:

BASIL A. ABUL-HAMAYEL
Manager (A) – Financial Analysis &
Performance Advisory Department