

SAUDI ARABIAN OIL COMPANY (Saudi Aramco)		GI NO. APPROVED	
GENERAL INSTRUCTION MANUAL		203.005	
ISSUING ORG.	ACCOUNTING POLICIES & SYSTEMS DEPARTMENT	ISSUE DATE 31-03-16	REPLACES NEW
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CONTENT: This instruction outlines the internal processes and procedures generally required (i) prior to the formation of a new subsidiary of the Company and (ii) prior to the commencement of operations. Subsidiaries of the Company should follow similar processes and procedures when forming their own subsidiaries to ensure the objectives, strategies and directives of the Company are accomplished and that transactions are executed in accordance with management's general or specific authorization. The text of this instruction includes:

1. Glossary
2. Definitions
3. Background
4. Pre-formation Controls
5. Operational Controls
6. Formation of Indirect Subsidiaries
7. Funding Authority Assessment
8. Accounting Matters Relating to Under Formation Account
9. Entity Systems Set-Up
10. Derivatives - Financial Instruments
11. Roles and Responsibilities

1. GLOSSARY

1.1. ABBREVIATIONS & ACRONYMS

AP&SD	-	Accounting Policies & Systems Department
CS	-	Corporate Secretariat
FAD	-	Financial Accounting Department
HR	-	Human Resources
IT	-	Information Technology
JVS&FCD	-	Joint Venture Support & Financial Consulting Department
MC	-	Management Committee
MOCI	-	Ministry of Commerce and Industry
MPS	-	Miscellaneous Payment System
NBD	-	New Business Development

1.2. RELATED POLICY DOCUMENTS

Saudi Aramco Management Guide – Section IV Approval Authorities

AI 154	-	Capital vs Operating Leases Classification & Lease Accounting When Saudi Aramco is the Lessee
AI 705	-	Procedures for Hedging Activities
GI 020.031	-	Capital Program and Budget
GI 020.110	-	Non-Capital Program and Budget

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GI 020.620	-	Miscellaneous Projects and Purchases Master Appropriation (BI-19)
GI 021.201	-	Approval Authority
GI 030.001	-	Transaction Development Guidelines
GI 203.002	-	Joint Arrangement Development – Financial Controls
GI 203.003	-	Agreements – Functional Review Guidelines
GI 203.004	-	Corporate and Wholly Owned Subsidiaries Financial Accounting and Advisory Services
GI 211.070	-	Miscellaneous Payments
GI 216.600	-	Accounting Basic Code System
GI 230.010	-	Identification of Embedded Derivatives
GI 286.030	-	Policies and Procedures for Saudi Aramco Appointees Remuneration and Expenses
GI 287.001	-	Full Costing
GI 288.001	-	Subsidiary and Affiliate Cash Calls
GI 288.002	-	Provision of Services and Sale of Materials to External Parties
GI 288.006	-	Company Issued Guarantees and Other Support Obligations
GI 431.001	-	Protection of Intellectual Property

2. DEFINITIONS

Affiliate – with respect to a particular company or other legal entity, an entity controlling, controlled by or under common control with that particular company. The Company's subsidiaries are all Affiliates but the term subsidiary (without further modification such as indirect, second-tier or third-tier) generally denotes a direct relationship between the parent and the subsidiary.

Approved Funding – funding approved by the Board for use by Management. Management is authorized to use Approved Funding in accordance with and subject to the general and specific guidelines set forth in the relevant board approvals. In addition to any specific guidance in relevant board resolutions, Management has adopted internal approval authority levels that are reflected in the Approval Authority Engine and certain additional guidelines and procedures to ensure Approved Funding is utilized as directed.

Board – means the Board of Directors of the Company, and for purposes of this General Instruction, the Executive Committee of the Board.

Company – Saudi Arabian Oil Company.

Corporate Governance – the principles of formal governance of an entity and are embodied in relevant corporate codes, the Organizational Documents of the entity and formal guidelines and procedures adopted by management of the entity as internal controls.

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Commercial Registration – in Saudi Arabia, the certificate issued by the Ministry of Commerce and Industry as evidence of the formation of the company. A company is “formed” in Saudi Arabia on the date the Commercial Registration is issued.

Transaction Team – representatives from the Proponent and relevant corporate support functions, including Law, Treasury and Controller’s (JVS&FCD), Corporate Planning, NBD and others noted in GI 030.001 - Transaction Development Guidelines.

Expenditures – payments for which Approved Funding is required, and which include:

- I. Operating Expenses - expenditures recorded in the income statement related to a cost that has incurred, was used up or was necessary in order to earn the revenues during the current period of operation of the Company’s business, and includes both fixed and variable costs.
- II. Capital Expenditures – expenditures incurred for the benefit of the Company which are not exhausted within the current year, as defined in GI 020.620 Miscellaneous Projects and Purchases Master Appropriation.
- III. Investment in Subsidiary – a transfer of funds by the Company to a subsidiary that is recorded as an asset on the books of the Company and as shareholders’ equity on the subsidiary’s books. Investments in Subsidiaries are eliminated in consolidated financial statements.
- IV. Guarantee – a promise or assurance given in writing that a payment or a certain performance, will be undertaken by the Company (including assurances underwritten by the Company on behalf of a subsidiary), and the Company will perform or pay the promised amount to a third party in the future if certain agreed upon events take place within a specified time period – as per GI 288.006 – Company Issued Guarantees & Other Support Obligations.
- V. Minimum Capital – the share capital that must be deposited by founding shareholders at the time the entity is formed in accordance with relevant corporate law. This amount, if any, varies by jurisdiction and type of entity and is confirmed by Law and is accounted for as an Investment in Subsidiary

Organizational Documents – the legal documents required for the formation or organization of an entity. Examples include Articles of Association, By-Laws, Articles of Incorporation, Certificate of Incorporation and Commercial Registration.

Funding Authority – authority from the Board to utilize Approved Funding for a general or particular purpose. Expenditures by the Company are not made without Funding Authority.

Management – the officers of the Company as noted in Section 05 of the Management Guide.

Proponent – the organization within the Company (typically a Business Line or Admin Area) that is accountable for sponsoring the initiative being proposed, developed and

implemented. Subsidiaries and joint ventures conducting the activities of the Company within a particular business line, are generally subject to the oversight and direction of a department within that business line. In cases where a subsidiary serves multiple business lines, a specific department of the company is usually designated as the proponent in order to centralize the coordination of all activities and oversight of the subsidiary.

Service Level Agreement (SLA) – an agreement between the Company and a subsidiary for the provision of services, and the terms under which such services are provided and paid for.

Shareholder Representative – an individual designated by a shareholder to represent the Company in its capacity as a shareholder of the subsidiary. In general, officers of the Company are authorized to act on behalf of the Company in its capacity as a shareholder of another entity. However, in order to facilitate formal acts of the Company before governmental agencies (e.g., increasing registered capital), the President & CEO or other officer of the Company may be required to designate (in the presence of a notary) a particular individual to act as a Shareholder Representative for a particular subsidiary. Designations of Shareholder Representatives that are not notarized are often useful for internal purposes or to notify entities in which the Company has an ownership interest in, that a particular individual will be acting on behalf of the Company to represent the Company's interests (e.g., voting, receiving shareholder notices). These designations are typically for two years and are signed by the President & CEO and attested by the General Counsel of the Company.

Under Formation Account – for companies formed in Saudi Arabia, an account opened at a Saudi bank holding the initial deposit of share capital. The bank holds these funds until the Commercial Registration of the subsidiary is issued.

Subsidiaries - companies owned or controlled by another company. In relation to the Company, subsidiaries may be direct or indirect subsidiaries:

- i. Direct subsidiaries, sometimes referred to as first-tier subsidiaries, are those legal entities whose direct ownership or control is by the Company;
- ii. Indirect subsidiaries, sometimes referred to as second-tier subsidiaries, are legal entities that are not directly owned by the Company but are controlled by the company through the Company's ownership in other subsidiaries (i.e., its Direct subsidiaries).

3. BACKGROUND

Subsidiaries of the Company are created to facilitate and optimize the business activities of the Company, drive performance, enhance accountability, isolate risks inherent in the operations being or to be conducted, optimize tax efficiency and comply with law. The need

for a new Subsidiary will be based on advice from Law who, upon request from a Proponent describing the commercial and strategic needs of the Company, will recommend whether a new Subsidiary is advisable and will provide counsel as to the form and jurisdiction of the new Subsidiary.

Conducting operations through direct and indirect Subsidiaries creates additional risks. These risks include those inherent in decentralizing day-to-day business operations and increasing the magnitude and complexity of external financing, financial reporting, accounting, consolidation and compliance with laws in the relevant jurisdictions of operation. The need for an effective control framework will require the Proponent to consult with the Transaction Team.

3.1. Scope of Subsidiary Activity and Related Risk

In order to effectively exercise control over the Company's subsidiaries and mitigate the potential additional risks associated with conducting operations through new Subsidiaries, appropriate internal controls should be developed during the formation process and prior to the commencement of operations. The level of required control and structure of internal controls varies in accordance with activities conducted by the applicable Subsidiary.

- A. Operating Companies: companies that make goods or provide services that are sold to customers or clients. These companies directly engage in business activities with third parties but may also sell their goods or services to the Company and its affiliates. If a subsidiary provides services to the Company, those services are typically provided in accordance with the terms of a Service Level Agreement or other intercompany agreement. In general, operating companies present greater additional risk from a control perspective because of their activities with third parties, and thus require more detailed controls.
- B. Holding Companies: companies that do not produce goods or services and whose sole or primary purpose is to own shares of other companies. In general, these companies limit their financial exposure to their interest in other companies (i.e., the value of shares held) and present less risk from a control perspective because of the limited nature of their activities.
- C. Special Purpose Vehicles or SPVs: companies created to fulfill a narrow, specific or temporary purpose. These companies present relatively less risk from a control perspective because of the very limited nature of their activities.

As set forth in this general instruction, in addition to Board approval noted above, Management has adopted a number of additional internal controls that must be satisfied (i) prior to the formation of a direct Subsidiary ("**Pre-Formation Controls**") and (ii) to ensure

proper controls are adopted by the Subsidiary prior to conducting operations in order to mitigate additional risks noted above ("**Operational Controls**").

4. PRE-FORMATION CONTROLS

4.1. Board Approval

As a threshold matter, the Articles of the Company require the Board to approve the formation of all direct Subsidiaries. This control ensures that direct Subsidiaries are only formed with explicit guidance from the Company's primary governing body.

4.2. Presentations to Management and the Board

The details contained in presentations to the MC or the Board are subject to general guidance from Corporate Planning and CS. The details contained in presentations to Management or the Board relating to formation of a new Subsidiary vary depending upon the materiality of the decision to form the new entity and the activities that will be conducted by the new Subsidiary. In general, a presentation relating to the formation of a new Operating Company is expected to include more detail than a presentation that (i) includes the formation of a new entity in the context of a larger transaction, (ii) relates to forming a company for an activity already being conducted by the Company, or (iii) relates to forming a Holding Company or Special Purpose Vehicle. Proponents should consider the information necessary to complete the Entity Factsheet (Section 5.3) and include any items the Proponent believes Management or the Board, as applicable, should be aware of in the context of the endorsement or approval being sought.

4.3. Legal Formation Process

Once Board approval has been obtained, the required legal process of forming a new Subsidiary is governed by the corporate codes in the relevant jurisdiction. Law will provide the advice necessary to facilitate compliance with these laws. In Saudi Arabia, the following (among other things not relevant for this general instruction) must occur:

- i. A company name must be reserved
- ii. The articles of association must be submitted to and approved by MOCI
- iii. An Under Formation Account must be opened and funded with Minimum Capital
- iv. An entity address must be identified
- v. Approved documents must be submitted to MOCI to obtain a Commercial Registration
- vi. Officer's signatures must be recorded with the Chamber of Commerce

Completion of each of these steps includes internal interactions and controls to ensure those responsible for the relevant decisions have been consulted or have granted the appropriate approval or endorsement.

4.4. Formation Process Controls

4.4.1. Name of the Subsidiary

The name of a new Operating Company Subsidiary must be approved by the President & CEO, following consultation by the Proponent with Public Relations Department. The President & CEO's approval may be obtained by email or through more formal means, including presentations to MC. The name of a new Holding Company or Special Purpose Vehicle Subsidiary would be determined by the Proponent, in consultation with other organisations, if prudent, in conjunction with section 4.3.

4.4.2. Articles of Association

The Articles will be prepared by Law, taking into account precedent articles used by other Subsidiaries, requirements in the relevant jurisdiction and the purpose for which the entity is being formed. In some jurisdictions, the purpose of the new Subsidiary will be to engage in all types of business allowed by law. In others, the purpose may be more narrowly tailored or restricted based on the direction provided by Management. As a general rule, the purposes of a new Subsidiary will be drafted as broadly as possible based on the laws of the relevant jurisdiction and the direction of Management.

4.4.3. Board Members

Candidates for board members (or members of the relevant governing body if the Subsidiary will not have a board) are proposed by the Proponent taking into account the expertise required to manage the activities of the new Subsidiary and such names should be cleared with the Proponent's business line head. Board candidates' names must then be provided to the CS for final approval by the Management & Professional Development Committee (generally the approval comes directly by the Chair of the Committee – the President & CEO). Only after receiving notification from the CS of the final approval of a Board Member, may the relevant CS appoint such member(s) to the relevant board..

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4.4.4. Officers

Candidates for officers (other than the CFO and Secretary) are proposed by the Proponent. Law will designate a Secretary and Finance will designate a CFO.

4.4.5. Minimum Capital

Board approval of the formation of a new Subsidiary includes (whether stated explicitly or not) the necessary authority to fund any Minimum Capital required in the relevant jurisdiction, or if no Minimum Capital is required in the relevant jurisdiction, the approval of to fund a de minimus amount of initial share capital. Subject to specific guidance from the Board, if any, Minimum Capital or initial share capital will be funded from the controllable costs of the Proponent organization. The Proponent is required to consult with Treasury's Banking Operations division to facilitate the funding process via the deposit of Minimum Capital in an Under Formation Account for the formation of a new Saudi Subsidiary.

The Proponent is responsible for compliance with Section 8 of this GI in relation to Bank Accounts.

4.4.6. Shareholder Representative

A Shareholder Representative must be designated by the President & CEO for each new Subsidiary. This appointment should take place immediately following formation of the Subsidiary and will be facilitated by the CS.

4.4.7. General

In addition to the foregoing, the Proponent is required to consult with Law to identify any corporate, tax, regulatory and other compliance matters that must be addressed prior to formation of any new Subsidiary. Matters pertaining to the characterization of funding (debt or equity) and financing support should be addressed by Controllers in consultation with Treasury.

Where any copyrights, intellectual and/or trademarks arise, these are subject to GI 431.001 – Protection of Intellectual Property.

Upon being issued, Law will circulate to all relevant stakeholders a copy of the Commercial Registration, in English and Arabic (if applicable). Immediately following formation, Law will advise AP&SD on the insertion of the new entity within the World Wide Operations Chart (WWO).

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5. OPERATIONAL CONTROLS**5.1. Purpose**

Operational controls are necessary or advisable to ensure Funding Authority is obtained. Funding Authority should be appropriately exercised after operational controls are in place, to mitigate the additional risks associated with those activities conducted by a new Subsidiary. Operational Controls are those controls not necessarily required for or related primarily to the legal formation of a new Subsidiary. The guidelines in this section are designed to mitigate additional risks arising primarily in the context of the new and ongoing operations of a new Subsidiary.

While the Proponent will be responsible for analyzing all the provisions of this section for any new Subsidiary, it is anticipated that the effort undertaken prior to commencing operations of a new Operating Company that presents additional control risks will involve the coordinated efforts of relevant corporate services functions, including Law, Treasury, JVS&FCD, HR and IT.

5.2. The Business Case

Prior to seeking Funding Authority relating to operations that will be conducted by a Subsidiary, Proponents must develop an appropriate business case. Proponents are also required to assess whether existing Subsidiaries have been established to conduct the business activities proposed in the relevant jurisdictions. In addition to consultation with Law, the Proponent is required to actively collaborate with all relevant stakeholders to optimize the business case to meet identified business objectives and to mitigate the risks associated with the activities that will be undertaken by the Subsidiary.

5.3. Entity Factsheet

The Proponent should develop an Entity Factsheet when it is clear from the context of the related transaction or relevant business plan that formation of a new Subsidiary may be required. The following elements should be addressed and captured in the Entity Factsheet:

- i. Operational Matters: A business model must be developed that identifies the objectives, strategies or directives of the Company that will be accomplished through the activities of the new Subsidiary. This operational focus will identify the following:
 - a. Company objectives, strategies and directives for which the formation of a new subsidiary is necessary or advisable

- b. Scope of activities (i.e., its purpose or charter), including as applicable activities such as manufacturing, marketing, sales, trading, research, procurement or investment
 - c. Location of primary business activities and necessary facilities (e.g., offices)
 - d. Business plan and budget(s), reflecting total sources and uses of funds; including working capital requirements (this should be aligned with Saudi Aramco's business plan instructions)
 - e. Human resource requirements and whether these will be hired directly or seconded from Affiliates
 - f. Organizational structure chart, including both internal reporting structures and corporate reporting relationships
 - g. Corporate support functions, including legal, financial, accounting engineering, project management and other services necessary for operations and whether these will be provided directly or obtained through a Service Level Agreement
 - h. IT systems requirements
 - i. Exit strategies.
- ii. Financial Model: An economic model must be developed to identify financial projections for the subsidiary over a minimum 5 year period. This model will identify the following key parameters:
 - a. Sources of funding and financing support, including:
 - i. Equity (inclusive of shareholder loans, lines of credit, financial guarantees, finance leases and other forms of shareholder funding – both subordinated and otherwise)
 - ii. Debt (inclusive of lines of credit and finance leases)
 - iii. Financial Guarantees
 - iv. Derivatives - Financial Instruments
 - v. Other financial support including preferential credit/payment terms
 - b. Financial metrics and key performance indicators (KPIs), including as applicable:
 - i. Revenue
 - ii. Expenditures
 - iii. Gross margin
 - iv. Earnings before tax, interest, depreciation and amortization (EBITDA)
 - v. Return on average capital employed (ROACE)
 - vi. Cash Flow Statement
 - vii. Balance Sheet
 - viii. Significant contracts
 - ix. Capital and Operational Leases
 - c. Zakat and relevant corporate tax rates

d. Projected dividends and distributions

iii. Preliminary Technical Accounting Paper: Accounting for the new entity must be developed to identify how the entity will be classified in the Company Annual Financial Report, performed by Controller's.

iv. Preliminary Internal Controls

The corporate governance framework developed in the Organizational Documents must be supplemented at the organizational meeting of the board (or other governing body) of the new Subsidiary to:

- a. describe officer positions and duties;
- b. approve banking resolutions and relevant cash management policies;
- c. adopt short term cash investment policies, lending/borrowing policies, financial risk management policies and dividend policies in compliance with the Company's policies to be administered by Treasury under its centralized treasury management role for Affiliates.
- d. appoint an external auditor.

Management of the new company, in consultation with relevant corporate service functions of the Company, must also adopt internal controls relating to cash management, including internal controls to ensure:

- a. transactions are executed and reported in accordance with the management's general or specific authorization; and
- b. cash related duties, such as maintenance of accounts receivable, cashiering, accounting, disbursing, and collecting funds are appropriately segregated.

Powers of attorney, delegations of signature authority, internal approval thresholds for transactions and other internal controls should be adopted by management of the Subsidiary, taking into account the internal controls and policies of the Company.

5.4. Funding Authority

Prior to commencing operations or the request for new (additional) Funding Authority solely or primarily related to the operations of a new Subsidiary, the Entity Factsheet should be reviewed and concurred by key stakeholders, including Law, Corporate Planning, JVS&FCD and Treasury.

Where new Funding Authority will be sought from the Board, relevant Company stakeholders will endeavor to ensure that draft resolutions reflect all necessary and

useful aspects of Funding Authority in order to facilitate clear direction from the Board that can be used efficiently in operation.

Funding Authority requests are to be reviewed by Controller's for compliance and consistency, and by Treasury to ensure funding optimization and availability.

6. FORMATION OF INDIRECT SUBSIDIARIES

As a general principle, Company appointed directors serving on the boards of Subsidiaries need to be mindful of the corporate objectives of the Subsidiary to which they have been appointed and should not seek to create entities to engage in activities outside the scope of the formative documents of the Subsidiary, the strategic direction provided by the Company, or the businesses currently conducted by the Company or its Affiliates. If there is any doubt, prior to forming a new Subsidiary, the directors should seek guidance from the Subsidiaries Shareholder Representative and the CS.

Examples of where the Shareholder Representatives should be consulted include where the commercial objective behind the entity formation is a significant matter, including the entry into a new joint venture or engaging in new high risk or high profile business not currently conducted by the Company or its Affiliates.

7. FUNDING AUTHORITY ASSESSMENT

7.1. Process Steps

7.1.1. The Law Organization, subject to and at the direction of the General Counsel, is responsible for interpreting resolutions of the Board. Law will determine, after consulting with AP&SD, whether Funding Authority exists relating to activities that will be conducted by or through Subsidiaries. AP&SD will ensure that all internal controls regarding Funding Authority have been satisfied prior to releasing funds for activities that will be conducted by or through Subsidiaries. Treasury will ensure that funding and/or necessary financing support is available.

7.1.2. Cases in which the Board has approved funds for investment in a non-specific manner (e.g., categorical or "standing" funding authority given to Company management) may present certain challenges in the assessment of Funding Authority. These may include applying the terms and conditions under which the Board granted authority to the current facts. Further, knowledge of those facts may be in the possession of multiple Company stakeholders, or even outside the Company (e.g., in the possession of a Subsidiary or a JV). Operating in a manner consistent with such Board authority may necessitate the sharing of information across multiple Company organizations and the input of multiple

disciplines in the determination of whether (and in what remaining amounts) Funding Authority exists.

7.1.3. Accordingly, the following practices should apply to assessments of Funding Authority, especially for non-specific grants of authority:

- a. Relevant information should be shared among the CS (subject to its policies of confidentiality) and the relevant Company stakeholders as may be reasonably required. Such information may include:
 - i. the text of Board resolutions and portions of minutes of meetings of the Board,
 - ii. information presented or provided to the Board in connection with the proposal,
 - iii. relevant financial statements, or
 - iv. briefing papers or presentation materials to add context to the resolution
- b. Requests to expend Approved Funds require approvals as specified in GI 288.001 Subsidiary and Affiliate Cash Calls following confirmation by:
 - i. Controller's – to ensure that amounts under the Funding Authority remain available;
 - ii. Treasury – to ensure funds are available and in case of debt funding that proper loan documentation is established; and
 - iii. The CS – to ensure that requirements for Funding Authority remain valid and satisfied for the proposed transaction.

7.2. Absence of Funding Authority

If Funding Authority is not confirmed by Law and AP&SD, then the Associate General Counsel should seek agreement from the Controller on the appropriate action to take in the circumstances.

8. ACCOUNTING MATTERS RELATING TO UNDER FORMATION ACCOUNT

8.1 Requesting Bank Account and MPS - PROPONENT

The Proponent with the support of Law, is required to:

- a. Provide JVS&FCD, with a copy of the Board or Executive Committee Resolutions, or approved documentation authorizing the formation of the Subsidiary.
- b. Send a formal request to Manager of Treasury Services Department, requesting that Banking Operations Division open a bank account and create

a new house bank. In Saudi Arabia, this is known as an Under Formation (bank) Account.

- c. Initiate an MPS in line with GI 211.070 – Miscellaneous Payments, where appropriate.

8.2 Accounting for the Funds Transfer

- a. JVS&FCD assists with the completion of a New GL Account Request form to set-up the relevant GL account to hold the investment via FAD.
- b. Proponent requests a new vendor master record through Payables Accounting Division, having been provided with the banking information from Treasury.
- c. JVS&FCD assists the Proponent, where requested, in the formal request for a MPS process in line with GI 211.070 – Miscellaneous Payment System

The funds, once transferred by MPS to the relevant bank account, will be held in the Under Formation Account, pending the

- i. Approval of the Articles of Association and issuance of Commercial Registration;
- ii. The Subsidiary's organizational board meeting; and
- iii. Approval of banking resolutions at the organizational meeting of the governing body of the Subsidiary authorizing the signatories on the bank account. Treasury Banking Operations Division is responsible for the distribution of the authorized signatory list to the bank.

When completed, the bank will release the funds into a regular bank account for operational purposes.

9. **ENTITY SYSTEMS SET-UP**

The Proponent will evaluate and select the appropriate IT financial platform for the entity with preference given to a SAP solution.

9.1 Adopting the Company SAP Platform

Where it has been deemed desirable that the entity shall be incorporated into the existing SAP financial system, the Proponent shall seek the advice and support of both IT and AP&SD, to enable an effective and efficient integration into SAP to be accomplished. The process for integrating the entity within the Company's SAP system shall be completed with reference to GI 216.600 Accounting Basic Code System.

9.2 Adopting alternative IT Platform

Where deemed desirable to utilize the functionality of another SAP or other third party IT system, the Proponent should seek the advice of IT. For group consistency, subsidiaries should consider adopting the Company's IT practices where practical.

10. DERIVATIVES – FINANCIAL INSTRUMENTS

Where an entity is being formed or additional funding is being requested and a derivative financial instrument or similar contract is being contemplated, then this must be prominently disclosed in the Entity Factsheet. This will necessitate a functional review being performed on the said derivative, by the Proponent, coordinated by JVS&FCD and carried out by Treasury.

A derivative is a financial instrument, or contract that:

1. contains an underlying (based on a variable, such as a foreign exchange rate or an interest rate) and a notional amount (based on a number, such as currency units or shares of stock) or payment provision or both;
2. requires no initial net investment or the initial investment is smaller than that normally required; and
3. net settlement is required or permitted.

Examples of derivatives include stock options, currency forwards, commodity swaps, and interest rate swaps.

Proponents should consult AI 705 Procedures for Hedging Activities, and GI 230.101 Identification of Embedded derivatives, when contemplating a financing structure or contractual arrangement involving a derivative.

11 ROLES AND RESPONSIBILITIES

11.1 PROPONENT

The Proponent is responsible for compliance with all aspects of this GI and other related policies of the Company. It is a requirement that the Proponent be identified at the earliest stage and to ensure a handover into the ultimate coordination department for that entity.

11.2 JVS&FCD

Provide a consultancy service as the Controller's representative on the Transaction Team. JVS&FCD's role is to ensure that risk is minimized and that the Company policies and procedures are adhered to during the pre and post formation process.

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11.3 NBD

Provide support to the Proponent during the transaction execution activities, as per NBD's GI 30.001 – Transaction Development Guidelines.

11.4 LAW

Provide on-going support to the Proponent through all aspects of the formation of the entity, including but not limited to the drawing up of agreements for amending and approval, such as service level agreements and corporate governance documents, preparing studies and reports related to taxation, providing advice on the form of the proposed entity, and coordinating the establishment of the entity through the applicable governmental authorities in all relevant country(s). The CS is a division within Law that supports and advises regarding Board and corporate governance matters.

11.5 TREASURY

- a. Functional review of Financial Model, either directly through model development or indirectly through a Functional Review, as defined in GI 0030.001.
- b. Ensure the effective and efficient use of cash and financing support within the Company's entities. Advise the Transaction Team on all aspects relating to opening and management of bank accounts, including the movement of Approved Funding. Ensure proper financial policies are in place and in alignment with Corporate policies.

11.6 AP&SD

- a. Functional review of agreements in line with GI 203.003 Agreements – Functional Review Guidelines.
- b. Review of Corporate Governance documents.
- c. Preliminary Technical Accounting paper, as part of the formation process and a post formation entity accounting paper, which may be developed by AP&SD into an entity specific Accounting Instruction.

Approved:

Abdulaziz A. AL-Ruwaii, Manager
Accounting Policies & Systems Department

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