

GENERAL INSTRUCTION MANUAL**ISSUING
ORG.**

ACCOUNTING POLICIES & SYSTEMS DEPARTMENT

ISSUE DATE
06-19-14REPLACES
05-30-10**SUBJECT****PAYROLL PROCEDURES**APPROVAL
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CONTENT: This instruction summarizes payroll processing activities. It can be used by departments and employees in addition to General Instruction No. 270.002, "Directory of Payroll Related Questions." The text of this instruction includes:

1. Glossary
2. Company Payrolls
3. Payroll and Feeder Systems
4. Payroll Processing
5. Vacations
6. Separations
7. Distribution of Payroll Payments
8. Payroll Inquiries
9. Responsibilities

1. **GLOSSARY**

1.1 ABBREVIATIONS & ACRONYMS

AD&D	- Accidental Death & Dismemberment
AI	- Accounting Instruction
AP&SD	- Accounting Policies & Systems Department
AOC	- Aramco Overseas Company
ASC	- Aramco Services Company
BOD	- Banking Operations Division/TSD
C&S	- Commodities and Services
CMC	- Chronic Medical Condition
E-banking	- Electronic Banking Transmission
FICA	- Federal Insurance Contribution Act
FIT	- Federal Income Tax
FSS	- Final Settlement System
GC	- Grade Code
GI	- General Instruction
GOSI	- General Organization for Social Insurance
HOFS	- Home Ownership Financial System
HOP	- Home Ownership Plan
IR	- Industrial Relations
OAD	- Operations Accounting Department
PD	- Payroll Division / OAD
PDE	- Payroll Data Entry
SAEA	- Saudi Aramco Employee Association
SAIP	- Saudi Aramco Incentive Plan
SAP PA	- SAP HR Master Data Files for Employees
SAP-PRH	- SAP-Human Resources Module
SMP	- Supplemental Manpower

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SOB - Standard Over Base
 SRTP - Saudi Riyal Thrift Plan
 SSD - Staffing Services Department
 SWS - Special Work Schedule
 T&D - Training & Development
 TR - Time Reporting
 TSD - Treasury Services Department
 UK - United Kingdom
 US - United States
 VFPP - Voluntary Family Protection Plan

1.2 RELATED GENERAL & ACCOUNTING INSTRUCTIONS

GI 270.002 Directory of Payroll-Related Questions
 GI 270.003 Labor Costing and Analysis
 AI 902 Employee Charges/Credits
 AI 902-3 Policy of Collecting and Writing off Former Employee and Loanee
 Accounting Receivables
 AI 903-1 Accounting Procedures for Employee Association (SAEA/SAYEA)
 Membership Fees And Company Contributions
 AI 904 Home Ownership Plan
 AI 911 Accounting for Employee Benefits Plan
 AI 914 Accounting for the Saudi Riyal Thrift Plan
 AI 915 Payroll Overbase Pay Components' Accruals
 AI 916 Posting SAP Payroll to SAP FICO

1.3 RELATED FORMS

E-8000 Electronic Employee Profile
 SA-904 Final Termination Payment
 SA-1180-A Employment Record
 SA-1180-C Personnel Separation Request
 SA-3929 Vacation/Leave Request for Saudi Arab Employees initiated only for
 Executive Payroll
 SA-8344 Personnel Miscellaneous Payments/Reimbursements (PDE) Payroll
 Data Entry
 SA-8884 Mobile Field Party Allowance
 SA-8885 Labor Redistribution
 SA-8900-12 Employment Record

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The Company's employees have different benefits and deductions as stated in the IR Manual. Employees are grouped under five payrolls.

2.1 SAUDI RIYAL PAYROLL

- Saudi Arab Regular Employees.
- Asian, other Arab, and Foreign Contract and Indefinite Term Employment Agreement (ITEA) Employees (except those listed in 2.2 – 2.5 below).
- Saudi Riyal Casuals (spouses of Pound Sterling and Saudi Riyal employees - excluding wives of Saudi Arab employees).
- Saudi Arab Executives.

2.2 US DOLLAR / CANADIAN DOLLAR PAYROLL

- U.S. Dollar Regular Employees and U.S. Dollar Casuals.
- Canadian Dollar Regular Employees and Canadian Dollar Payroll Casuals hired prior to November, 2013 who elected to switch to Global Payroll.
- U.S. Company Loanees (including Canadian Loanees).
- U.S. Dollar Payroll Executives.

2.3 POUND STERLING PAYROLL

Includes the following employees hired before November, 2013 who have elected not to switch to Global Payroll:

- Employees from the UK, Australia, Ireland and New Zealand.
- Depending on their recruitment currency, some employees other than Saudi Arab, US or Canadian or the employees specified above are paid in Pound Sterling. For example employees from South Africa do not have to have point of recruitment/origin in the UK to be eligible for Sterling payroll.
- Critical-skilled, including, but not limited to, employees from Malaysia, Singapore, Indonesia and Nigeria are paid in Pound Sterling.

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Includes the following employees hired before November, 2013 who have elected not to switch to Global Payroll:

- Employees from the Netherlands and other European countries, except the UK and Ireland. This payroll, originally established as the Dutch Guilder Payroll, was approved effective September 1, 2000 and later changed to the Euro Payroll.
- Depending on their recruitment currency, some employees other than Saudi Arab, US or Canadian or the employees specified above are paid in Euro.

2.5 GLOBAL PAYROLL

- All employees Hired on or after November, 2013 except for US employees, Saudi employees and Non-critical position Asian or other Arabs.
- All employees other than US employees, Saudi employees and Non-critical position Asian or other Arabs who were hired before November, 2013 and elected to switch to Global Payroll.

3. PAYROLL AND FEEDER SYSTEMS

The SAP Payroll & Benefits System calculates payroll using extracted data from the SAP PA related info types such as basic pay, TR, and PDE. Various feeder external systems such as Automated Telephone Billing System (ATBS), Dental Billing System (DBT), etc., all feed data through the PDE to the Payroll System. The Payroll & Benefits System calculates employees' net pay and through the E-Banking process either generates direct deposit, checks (for employees with no banking details) or cash (for new hires).

3.1 THE SAP-PRH

The SAP-PRH is used to enter and store personnel data. It is updated for personnel changes and actions including inputs for other payroll-related payments and withholdings. Changes to SAP PRH are automatically created upon transfer of applicants' information to PRH during the hiring process, processing of E-8000 actions, processing of separation and/or manual input entered by Personnel Department.

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Certain payroll payments and deductions are processed by authorized departments through the PDE system, which also receives data from various other automated feeder systems (ATBS, Dental, etc.) and, in turn, it feeds the data into the SAP Payroll & Benefits System. See AI 902 for detailed information.

4. PAYROLL PROCESSING**4.1 PAYROLL CYCLES**

PD is responsible for reviewing employees' payroll results and arranging for accurate E-banking transmission to banks. There are several types of payroll-related cycles:

- Daily payroll cycle (urgent).
- Weekly payroll cycle (Final departure and separation).
- Monthly payroll cycle.
- Special cycles (on request if needed).

4.2 PAYROLL INPUTS

SAP Payroll & Benefits System calculates the payroll results by extracting/reading data from the PA info types such as the basic pay, TR, and PDE systems described in Section 3 above.

4.3 TIME REPORTING

TR is an on-line SAP system used to report information on employees' time in accordance with the Time Reporting Manual. Departments' timekeepers are responsible for inputting exception time data into the TR. The timekeeper inputs a symbol for the exception time (paid and unpaid), overtime, and additional straight time. The system processes the rest of the monthly hours as regular time subject to departmental approval. Time symbols are described in the below table:

Leave With Pay

- L - Vacation Leave
- V - Special Leave
- M - Medical Leave (Non-Industrial Disability)

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K - Industrial Disability

P - Personal Leave

Leave Without Pay

X - Authorized Leave without Pay

Z - Unauthorized Leave without Pay

W - Non-Industrial Disability Leave without Pay

Miscellaneous

D - Business Assignment in the U.S.

4.4 COMPENSATION ELEMENTS

Compensation elements reported on the employee earnings and deductions statement include, but are not limited to, base salary, over base salary components, overtime, allowances, shift premiums and other benefits. Compensation elements and deductions for any employee depend on the payroll type, work schedule, etc. he/she is on.

4.5 OVER BASE SALARY COMPONENTS FOR CERTAIN EMPLOYEES

U.S./Canadian Dollar, Pound Sterling, Euro and Global payroll employees are paid certain over base salary components, which adjust their base salaries for the difference in costs of C&S and taxes in Saudi Arabia versus the employees' home countries, and which provide a financial incentive to encourage these employees to accept and maintain employment away from their home countries.

- DOLLAR PAYROLL EMPLOYEES are paid an expatriate premium and an overseas cost differential, which consists of a C&S difference component and a Hypothetical Tax component. The Hypothetical Tax is shown as a reduction (negative factor) in the employee's monthly earnings.
- POUND STERLING/EURO/GLOBAL PAYROLL EMPLOYEES are paid a SOB amount which is intended to cover Company recognized additional costs of living in Saudi Arabia and provide a financial incentive to work in Saudi Arabia.
- SWS EMPLOYEES do not receive the C&S difference component of the SOB (for those in the US Dollar Payroll) or an adjustment to the SOB (for those on the Pound Sterling Payroll) to reflect cost of living differences.

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Payroll deductions are generally extracted by the SAP Payroll & Benefits System from the PDE System and/or other SAP system such as HOFs, SRTP system and other feeder systems. Charges for services, sales and others are deducted based on invoices prepared, as a general rule, by departments providing services.

4.6.1 STATUTORY DEDUCTIONS

Statutory deductions include amounts payable to the Saudi Arab and United States governments.

- GOSI contribution in the Annuities Branch is deducted from all Saudi Arab employees and calculated at 9% of employee's GOSI wage base (i.e. base rate, plus Saudi Arab Housing Allowance). Maximum GOSI wage base is SR 45,000 in accordance with Article 16 of the Regulations implementing the Social Insurance Law.
- U.S. government tax withholding is due from any employee who reports "D" time while on a business trip to the U.S. ALL U.S. citizens and resident alien employees are subject to U.S. taxes based on U.S. tax rates. FICA withholding is computed as a fixed percentage of gross earnings, but limited to a specified maximum amount. The rate and maximum earnings subject to FICA tax vary from year to year. In addition, FIT withholding is deducted from the employee's earnings according to the Federal Tax schedule.
- The Company reimburses the non-dollar payroll employee for FICA and FIT deductions, as part of the IR compensation, in the same month. It only reimburses the dollar payroll employee for the FICA deduction if the assignment is less than 60 days, and for FIT deduction based on the tax balancing reimbursement calculation.

4.6.2 CHARGES

Charges consist of housing/furniture rentals and SAEA membership fees. Housing/furniture rentals and SAEA fees are deducted as follows:

- Housing rentals are deducted from employees occupying Company-provided housing facilities. Furniture rentals are deducted, as applicable.

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- SAEA membership fees are deducted from the following employees:
 - A regular GC 11+ Saudi Aramco employee.
 - Saudi Aramco employee who is eligible for GC 11+ Aramco established family camp privileges.
 - Non-Saudi Aramco employees who are eligible for GC 11+ Aramco established family camp privileges.
 - Employees of ASC, AOC and US Company Loanees and their dependents temporarily assigned to Saudi Arabia may participate in SAEA activities, provided they pay annual dues.

An employee has to submit the online membership request thru portal and has to comply with one of the categories as above. See AI No. 903-1 for detailed information.

The charges are updated monthly for exchange rates.

4.6.3 EMPLOYEE CONTRIBUTIONS FOR COMPANY BENEFIT PLANS

Deductions from employees' earnings are made for the following:

- Savings under the SRTP for Saudi Riyal Payroll employees or under the appropriate Savings Plan for U.S. and Canadian Dollar Payroll employees.
- Deferred Supplement for Global Payroll employees
- VFPP premiums.
- AD&D premiums.
- Medical Payment Plan premiums for U.S. Dollar employees. See AI 911 for detailed information.
- Loan and withdrawal repayments under the SRTP or the U.S./Canadian Savings Plan. See AI No. 914 for detailed information.
- HOP loan repayments. The Timekeeping & Benefits Unit of PD is responsible for HOP accounts handling. See AI No. 904 for detailed information.

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- Certain costs of services rendered by the Company to its employees are charged to the employees and deducted from their paychecks in one payroll period unless deferral is authorized in cases of substantial hardship to the employee. Deferral of loans and amounts owed to the Company is required to be settled **within six months** in accordance with Section 4 of the Management Guide and the Automated Approval Engine. The justification for approval action is required to be included on the approval document. Procedures for service and other employee charges are described in AI 902.

Services and other charges billed to employees include, but not limited to, the following:

- Dental and certain medical services.
- Communication charges - personal long distance telephone calls, cables, faxes and telexes.
- Certain guest house rentals.
- Custom duties, personal effects and shipment charges that are in excess of Company allowances.
- Certain visa charges.
- Lost ID cards.
- Company property lost or damaged by employees.
- Company-paid airfare and hotel charges if not authorized as Company expenses.
- Personal account debit balances transferred from ASC and AOC to be collected from employees.
- Unspent travel advance paid on the basis of an e-leave request.
- Overdue cash advance (over three months) paid through e-Travel.
- Driving License fee.
- Prepayment/Salary advance.

5. VACATIONS

Generally, an employee's first vacation commences after one full year of service. Vacation credits may, however, be made available to employees even though they have not earned them through service. For the second and subsequent vacations, an employee under the Annual Vacation Plan is advanced a full year vacation on January 1 of every calendar year. For detailed information, refer to Chapter 6 of the IR Manuals. The employee's department electronically initiates, through SAP, an e-leave request for processing vacation related payments and accounting for vacation days.

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- VACATION TRAVEL EXPENSE

The Company pays eligible Saudi employees a vacation transportation allowance according to the in-Kingdom family's residence location depending upon the applicable IR Manual rules. Also, the Company pays air fare and travel expense allowance to expatriate employees and/or their eligible family members depending upon the applicable IR Manual rules. These payments are processed by month-end payroll.

6. SEPARATIONS

The terminatee's department prepares the e-Separation, updates the Time Management System and other required separation documents, and submits them as soon as possible to the Personnel Department.

NOTE: For more information on separation forms and documents, refer to the:

- a) Final Settlement System (Separation Record)
- b) Employee Information System, HRIS, and e- separation system
- c) GI 155.007 (for CMC cases)

6.1 PERSONNEL DEPARTMENT PROCESSING

- Personnel Department will receive and review Form SA-1180-C, the Time Management System and other related documents, for completeness and consistency. Subsequently, this initial data, together with the additional data extracted from the PA relative info types, is entered into the FSS through Transaction PA30 "Maintain HR Master Data" using Info Type 9210 "Separation Data"
- Personnel Department collects and records on the separation worksheet the additional information that is required for its completion. The information may include vacation, other paid days' entitlements, benefits, miscellaneous payments, and deduction amounts. The data will be printed on the Termination Record.
- Employees may elect a "direct deposit" option if an employee completes departure clearance prior to the date of their final payment, otherwise, an employee will receive a check for termination final payment.

6.2 PAYROLL DIVISION PROCESSING

- Home loan and SRTP loan status will be completed automatically as soon as separation screen (9210) is completed and approved.

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- The weekly FSS automatically calculates advances and the Payroll System finalizes employee separation payment amounts in the month in which the separation becomes effective. The FSS handles most separation actions.

The FSS does not handle Saudi Arab executive payroll separation actions. Therefore, manual separation processing is required in some situations, (i.e., for Executive Payroll and Prior 2005 Terminees). Form SA-904 is required for manual processing of a final settlement. See AI 902-3 for detailed information.

7. DISTRIBUTION OF PAYROLL PAYMENTS

7.1 The SAP Payroll & Benefits System calculates the payroll results and the E-Banking system generates the direct deposits' payroll scheduled transmission.

7.2 BOD funds Saudi Aramco bank accounts to cover payroll payments.

7.3 DAILY CYCLE PAYMENTS

PD only runs the off-cycle payments, which include checks for employees without bank details and separation checks. Payments are deposited directly into employees' bank accounts. Furthermore, all separation and retirement checks are to be picked up only at the area's payroll office.

7.4 PAYROLL REMITTANCES THROUGH BANKS

Saudi Aramco has made arrangements for the remittance of net pay and/or a portion of certain employees' compensation through banks.

- DIRECT DEPOSIT PAYROLL SYSTEM (DDPS)

Employees on U.S./Canadian Dollar, Pound Sterling payrolls (except for non UK nationality), Euro payroll, Global payroll and Filipino employees may elect to make electronic deposits of their net pay to bank accounts in their home countries through the DDPS or in Saudi Riyals to a local Bank. Saudi Riyal payroll employees can also use the DDPS to directly deposit their net pay into a local Saudi bank.

8. PAYROLL INQUIRIES

PD is generally responsible for responding to payroll-related inquiries. However, before contacting PD, employees should refer to their online monthly payroll statement, direct questions to their supervisors, and/or follow the recommended actions in GI No.

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270.002, "Directory of Payroll-Related Questions." A designated Payroll Help Desk is available to answer payroll-related inquiries by phone at "873-1111" or e-mail at "Payroll Help Desk" or by fax at "873-1118." To call from an outside location or to inquire about select payroll items, employees should refer to the telephone numbers listed on their online monthly payroll statement.

9. RESPONSIBILITIES**9.1 PAYROLL DIVISION (PD)**

PD is responsible for:

- Overseeing time keeping procedures, approval and reporting.
- Processing daily, weekly, monthly, and special payroll cycles on a timely basis.
- Ensuring integrity and accuracy of payroll payments through review, reconciliation, and attestation procedures.
- Ensuring monthly direct deposit Payroll transmission to banks in coordination with AP&SD.
- Distributing employee-related checks for employees with no banking details or separation settlement.
- Providing payroll and benefits support to Saudi Aramco employees on Chapter 8 assignments, and ad-hoc payroll and benefits support to personnel on Chapter 14 assignments sponsored by T&D.
- Preparing Third Party Billings for Saudi Aramco loanee-employees on Chapter 7 assignments.
- Providing eTravel cash advance and expense report review and approval.
- Providing income tax services to eligible employees.
- Providing payroll-related customer services to all Saudi Aramco employees.
- Administering employee benefit plans, (Thrift, US & Canadian Savings, VFPP, AD&D, HOP, etc.) and record keeping.
- Administering Executive Payroll & Benefits.

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- Processing separation settlements for all Saudi Aramco terminee's.
- Processing Annuity payments through SAP Payroll for Saudi Arab retirees, eligible Other Arab retirees, and eligible Asian retirees.
- Run time evaluation for SMP employees, SMP Payroll simulation, exit SMP Payroll in coordination with AP&SD, SMP payroll posting, and release monthly SMP-related invoices for respective SMP Vendors.

9.2 HUMAN RESOURCES

9.2.1 SSD is responsible for initiating hire and re-hire actions via the E-Recruiting System for Saudi Arabs and expatriates.

9.2.2 SSD may do one of the following to initiate transfer action:

- Request the releasing department to electronically initiate E-8000 for regular placement employees.
- Electronically initiate and approve E-8000 for GC 3-14 excess manpower.

9.2.3 The Personnel Department also electronically approves E-8000 for actions such as change from family to bachelor status, etc.

9.2.4 Salary Administration Unit/Personnel Department is responsible for discontinuing/continuing any SAIP payments, merit increases and promotional increases based on Personnel's request or Corporate Security's request until further notified.

9.3 EMPLOYEE HOME DEPARTMENT

The employee's home department is responsible for initiating other actions affecting its employees and should ensure that such actions have been processed correctly through the following:

- Electronically initiating E-8000 "Profile" for changes in status, (e.g. organization, job, assignment, salary, grade, overtime, work location/schedule, conversion from bachelor to family status or vice versa, etc.) The E-8000 is automatically processed and workflowed to the respective approvers and finally to Salary Administration and/or Personnel Department to update the action.

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- e-Separation is an automated system that allows initiators to trigger all separations, including retirements, resignations, death cases and transfers to ASC/AOC/Asian Companies and US Companies.

Approved: _____

A. A. AL-RUWAI, Manager
Accounting Policies & Systems Department

TSG

* CHANGE

** ADDITION

NEW INSTRUCTION ☐

COMPLETE REVISION ☐