

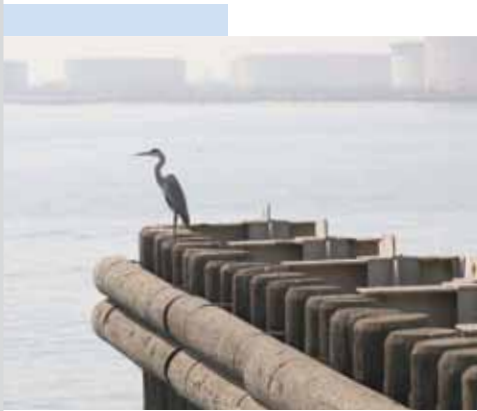
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مما نصنع الفرق
Making a difference
Maazumi tofauti
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Corporate
Citizenship
Report
2010

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**The Custodian of the Two Holy Mosques
King 'Abd Allah Ibn 'Abd Al-'Aziz Al Sa'ud**



**His Royal Highness Amir Sultan
Ibn 'Abd Al-'Aziz Al Sa'ud**
The Crown Prince, Deputy Prime Minister,
Minister of Defense and Aviation,
and Inspector General

Chairman’s Message

Today, our world is characterized by rapid and far-reaching change. New technologies and increased global economic integration and social interaction are transforming the landscape. Such times require that people and businesses stay keenly focused on shared goals for the good of society. In the Kingdom of Saudi Arabia, we must find ways to provide productive and meaningful employment for all of our people, to save the lives that are being lost on our highways, and to give our people the information they need to lead long and healthy lives. We must become more energy efficient and protect the natural environment, and provide world-class educational opportunities.

Companies have an important role to play in making a difference, and in meeting the changing needs of Saudi society. The four pillars of Saudi Aramco’s citizenship strategy — economy, community, knowledge and environment — encompass our hopes and ambitions for progress in the Kingdom and at Saudi Aramco. By investing in innovation and entrepreneurship, supporting our communities, enabling educational attainment, and increasing environmental awareness, companies can be economically competitive while also bringing a wealth of positive benefits to society.

Saudi Aramco has a strong legacy of making a difference. Having grown up with the company, I have seen it flourish. It has done so by nurturing talent, by creating a culture that rewards innovation, by promoting environmental protection and by forging meaningful alliances and partnerships, both domestic and international. While economic and



social conditions change, Saudi Aramco remains committed to these principles.

These achievements are important not only for Saudi Aramco, but for the future of the entire Kingdom.

Corporate citizenship has always been the bedrock for Saudi Aramco’s many successes. The Saudi Aramco **2010 Corporate Citizenship Report** showcases how Saudi Aramco is helping to build a knowledge economy, promoting good health, innovating new ways to reduce the environmental footprint of petroleum, and creating learning opportunities for people of all ages.

Ali I. Al-Naimi
Minister of Petroleum & Mineral Resources,
and Chairman of the Board of Directors

President’s Foreword

Saudi Aramco’s **2010 Corporate Citizenship Report** reflects a year of achievements, meaningful impact, and enhanced strategic alignment between corporate citizenship and our business operations. It signifies another step toward achievement of our Corporate Citizenship Vision: **to be an influential leader in creating sustainable social and economic opportunities for the welfare of the Kingdom and in other locations where our affiliates do business.**

The year 2010 was remarkable for Saudi Aramco. We began construction of the King Abdulaziz Center for World Culture. Upon opening, this world-class institution will offer exciting learning and development opportunities for the people of Saudi Arabia and the world. It will be housed in an iconic building offering a museum, digital library, historical archives, children’s educational center, and more. Also in 2010, the Saudi Aramco Entrepreneurship Center, which will provide support for entrepreneurs across the Kingdom, completed its pilot phase in time for its launch in 2011. With our partners and affiliates, we have spent or committed more than \$9 billion to environmental protection. Our outreach and awareness campaigns, ranging from traffic safety to cancer awareness, reached hundreds of thousands of people around the Kingdom.

We continue to strive to increase our impact. Finding the most effective ways to make a difference requires constant introspection and improvement. We, therefore, continue to make progress in building our core citizenship team as a hub for designing, delivering and measuring the impact of our activities. Soon this function

will be guided by a corporate committee focused on citizenship that will bring expertise from across the company.

For us to succeed, we must measure our success not by the level of our activity, but by the difference we make. And so, moving forward, we will take steps to better understand and measure the impact of our programs. This will support improved program design and an enhanced process of setting performance indicators and goals.

In the coming year, we will continue to deliver. We will continue to make strategic investments in the Kingdom’s economy, support communities, and enable educational opportunities for all ages. We will continue to research and develop new ways to lighten petroleum’s environmental footprint, while also exploring new and renewable energy technologies.

Throughout our company’s history, we have played a unique role in Saudi society — building infrastructure, creating jobs, enabling educational attainment, promoting environmental protection, and supporting the social fabric of the Kingdom. The **2010 Corporate Citizenship Report** serves as a symbol of our commitment to be stewards of this legacy.

Khalid A. Al-Falih
President and Chief Executive Officer,
Saudi Aramco



2010 Highlights

Our vision: To be an influential leader in creating social and economic opportunities for the welfare of the Kingdom and in other locations where our affiliates do business.

Economy

Our Focus:

- Enabling Entrepreneurship and Innovation
- Developing Local Supply Chains and Employment
- Delivering Quality Products Safely and Consistently

In 2010, we:

- Granted **\$3.1 billion** in material procurement (85 percent of total spend) and **\$12.6 billion** in services procurement (77 percent of total spend) to the local market
- Directly hired **620** Saudi nationals and created **22,354** new jobs for Saudi nationals through contractor companies
- Completed the pilot phase of the **Saudi Aramco Entrepreneurship Center**
- Approved **151** local suppliers and **32** local manufacturers
- Proposed **55** standards to the Gulf Cooperation Council Standardization Organization

Community

Our Focus:

- Promoting Community Health and Safety
- Building a Culture of Volunteerism
- Targeting our Charitable Giving

In 2010, we:

- Received over **5 million** hits and **1,300** submissions to our Traffic Safety Competition website
- Hosted **43,874** young people at our Safe Driving Simulator Trailer
- Welcomed **250,000** people to the company's summer, Ramadan and 'Id programs, supported by **82,000** hours of dedicated volunteer service
- Reached **400,000** people in the Central Province through community outreach programs
- Celebrated **60** years of publishing **Saudi Aramco World**, a magazine promoting cross-cultural understanding among Muslim and non-Muslim peoples

Knowledge

Our Focus:

- Investing in Education and Training
- Inspiring Saudi Arabia's Young People
- Promoting Cultural Understanding

In 2010, we:

- Began construction at the site of the **King Abdulaziz Center for World Culture**, an iconic new cultural center in Dhahran
- Sponsored **1,922** students to pursue degrees, with another **287** students currently enrolled in our College Preparatory Program
- Provided **3,000** e-Learning courses to Saudi universities
- Increased Arabic content on Wikipedia by **2** percent through our Summer Program for Gifted Students
- Hosted **20,056** visitors at the Mobile Library in the Western and Central Provinces

Environment

Our Focus:

- Enhancing Energy Efficiency
- Protecting the Natural Environment
- Developing Cleaner Energy Technologies

In 2010, we:

- Implemented **41** energy saving opportunities with a total savings of **11.38** MBDOE (thousand barrels per day of oil equivalent)
- Recycled **785** tons of paper and cardboard, **17** tons of plastic and nearly **10,000** printer toner cartridges through office and residential recycling programs
- Met more than **70** percent of irrigation needs through recycled sanitary wastewater from Saudi Aramco communities and facilities
- Invested in building a **10-megawatt** grid-connected solar power farm installation in Dhahran, the world's largest project of its kind
- Welcomed **3,000** visitors at the 2010 Energy Conservation Campaign in Dhahran



We take pride in being
the world's most
reliable supplier of
petroleum energy.

About Saudi Aramco

Company Overview

Saudi Aramco is a fully integrated, global petroleum enterprise. Our operations include exploration and production, refining, chemicals, distribution, shipping and marketing.

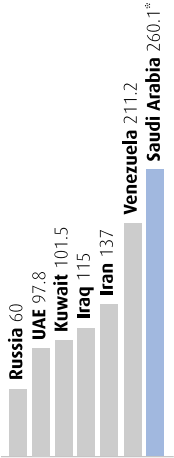
Saudi Aramco is headquartered in Dhahran, Saudi Arabia. Affiliates are located in China, Japan, India, the Netherlands, the Republic of Korea, Singapore, the United Arab Emirates, the United Kingdom and the United States.

Our operations use the Kingdom's two major fossil fuel sources, crude oil and natural gas, to help meet the world's energy demands. The company is the world's second largest producer and top exporter of crude oil, and oversees the largest conventional reserves of crude oil. It is also the world's largest exporter of NGL (natural gas liquids). Saudi Aramco owns and operates an extensive network of refining, distribution and gas processing facilities that fuel Saudi Arabia's industrial sector.

Saudi Aramco at a glance

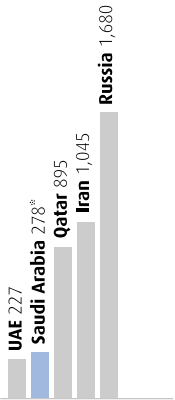
- 54,798 employees as of December 31, 2010
- Largest proven reserves of conventional crude oil: 260.1 billion barrels
- 4th largest gas reserves in the world: 278.5 trillion standard cubic feet
- One of the world's largest tanker fleets to transport products (through Vela International Marine Limited, Saudi Aramco's wholly owned subsidiary)
- 12 million barrels per day maximum sustainable crude oil production capacity
- 1 million barrels per day combined capacity at Saudi Aramco's four domestic refineries

Saudi Aramco is a
fully integrated, global
petroleum enterprise
with the world's
largest conventional oil
reserves.



**Conventional
Crude Oil
Reserves**

Billion barrels
Source: Oil & Gas Journal
*Source: Saudi Aramco



**Natural Gas
Reserves**

Trillion cubic feet
Source: Oil & Gas Journal
*Source: Saudi Aramco



In 2010, our crude
oil production
averaged 7.9 million
barrels per day.



Our award-winning “reservoir robots” (Resbots™) concept underwent its first field test in 2010.

2010 Awards

No. 1 largest oil company — Respected industry journal **Petroleum Intelligence Weekly** ranked Saudi Aramco the No. 1 largest oil company for the 22nd straight year.

Manufacturing honor — Saudi Aramco was named one of the world’s top 100 companies in the Progressive Manufacturing Awards.

Tanker Operator Award — Saudi Aramco’s subsidiary Vela International Marine Limited received the Tanker Operator Award at the Seatrade Middle East Maritime Conference, recognizing Vela for operational excellence and leadership in safety and protection of the environment.

Safety in Shipping Award — The Chamber of Shipping of America honored Vela with the Jones F. Devlin Award for operating without occupational injury. In addition, all qualifying Vela vessels were awarded the American Chamber of Shipping Environmental Award for two years of operations without oil spills.

Abu Dhabi International Petroleum Exhibition and Conference — Saudi Aramco won the Energy Company of the Year Award, and President and CEO Khalid A. Al-Falih received the Executive of the Year Award.

Excellence in Research and Development — Saudi Aramco’s Research and Development Center earned a 3 Star Recognition Award for Excellence from the European Foundation for Quality Management after implementing the foundation’s framework for assessing management and business practices in leading-edge organizations.

Environmental Stewardship Excellence Award — Saudi Aramco was honored by the Middle East Excellence Awards Institute for achievements, leadership and contributions toward protecting the Kingdom’s and the region’s natural environment.

Hart Energy Award — In recognition of its operational excellence and leadership in global energy, Saudi Aramco was honored as International Energy Company of the Year by Hart Energy Publishing, one of the world’s largest energy industry publishers.



Our shipping affiliate, Vela International Marine Limited, won safety and environmental awards.

Emirates Energy Awards — Saudi Aramco won three Emirates Energy Awards for contributions to energy conservation and preservation of the environment: the Private Corporation Award, recognizing the Saudi Aramco Energy Management Program; the Minor Project Award for the Offshore and Onshore Compressors Section Side Tie-in Project; and the Education and Research Award for Saudi Aramco’s Combined Heat and Power Model Development.

Fujian Friendship Award — Abdallah Al-Subaiyyal, Vice President of the Fujian Refining and Petrochemical Co., was conferred the Fujian Friendship Award by the Fujian Provincial Government for his contributions to the economic development of Fujian Province, his professionalism and his role in building friendships among Saudi Arabia and China and the Fujian Province.

Professional Certification Award — In recognition of the company’s achievements promoting the professional certification of its Finance staff, the James Bulloch Award was presented to Saudi Aramco at the annual meeting of the Institute of Management Accountants. Saudi Aramco is the first company outside the United States to receive the award.

Saudi Aramco was honored as International Energy Company of the Year.



**The King Abdulaziz
Center for World Culture
will be a place of cultural
engagement.**

Our Strategy

Since our inception in 1933, Saudi Aramco has consistently pushed the traditional boundaries of the role a company is expected to play in society. The breadth of our operational presence across the Kingdom, our position as a major driver of national economic growth and our strong working relationships with a variety of stakeholder groups have allowed us to assume a level of societal responsibility beyond the scope of most companies.

The values of citizenship underpin our strategic approach across our full range of business functions, for instance:

- Through a targeted and team-oriented approach to procurement, we aim to bolster the local economy and create jobs.
- Through education and training for our employees and the community at large, we work to increase the skills and employability of the Saudi workforce.

- Through research and development, we strive to ensure our continued position as a global leader in energy technology and encourage further diversification of the national economy.
- Through ongoing efforts such as this **2010 Corporate Citizenship Report**, we demonstrate our commitment to transparency and accountability throughout our operations.

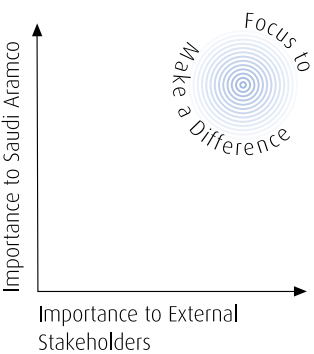
Our Progress in 2010

Our progress in 2010 includes not only concrete external impacts but also important refinements to our internal governance and citizenship strategy. We hope this forward momentum will help us to focus even better on making a difference as a company.

Focusing on the Right Issues to Make a Difference

Ensuring that we are making a difference requires that we focus on the issues and activities in which we are most able to produce positive impacts. We embrace the opportunity to effectively address broader social and economic needs while also delivering on our own strategic priorities.

In 2010, Saudi Aramco began to develop a process for materiality analysis, which allows us to identify the company's and society's priority areas. In 2011 and beyond, we plan to expand



and build upon this process, incorporating it further into our strategic planning for our citizenship involvement.

Building a Framework for Partnerships

At Saudi Aramco, we know we can only achieve our long-term objectives if we work in collaboration.

Investing in these strategic collaborations has always been central to our core business, and we plan to apply a similar approach when seeking and developing “joint ventures” for citizenship.

Every organization has a unique set of skills and capabilities as well as objectives and experiences. By finding areas where Saudi Aramco's resources and objectives overlap with those of other organizations, we have the potential to deliver even more impact, to transfer existing knowledge more widely and to better leverage our respective resources. For example, in the field of science and engineering, we found that collaborative relationships with leading universities and companies, both in the Kingdom and internationally, can lead to high-impact solutions.

Building an Organizational Structure for Citizenship

Strong leadership has always been a key component to Saudi Aramco's business success, and bringing this to our citizenship activities similarly adds to the difference we can make. Having a clear governance structure for how we manage our citizenship activities enables us to set the future direction of our programs, to make high-level decisions around key issues, and to report and budget efficiently.

Moving forward, these activities will be guided by a corporate committee focused on citizenship. The Corporate Social Responsibility Division, created in 2009, continues to be actively engaged in the oversight of citizenship activities.

Streamlining our Citizenship Programs

Our activities take a number of forms, and they all contribute to our overall vision as a company to make a difference in the Kingdom and globally.

With this goal in mind, it is important for us to put our focus and resources into those initiatives that are the most:

- **Visible**, to ensure access by collaborators and beneficiaries.
- **Impactful**, to make a greater difference.
- **Sustainable**, to deliver perpetual impact.
- **Aligned** with the citizenship vision and business strategy.

We have developed this “VISA” process to help us review and cluster our activities.

Moving Forward

The progress described will help us continue to build the legacy we have been developing for the past 77 years and to achieve our broader commitment to be “an influential leader in creating sustainable social and economic opportunities for the welfare of the Kingdom and in other locations where our affiliates do business.” This vision will be realized through a strategy based on four principles:

Build on our core business strengths. In so doing, we can maximize our impact on society and demonstrate excellence in delivering corporate citizenship programs in Saudi Arabia.

Respond to the needs of society. Each of our programs is based on clearly defined needs within the communities in which we operate and on the objectives of the Kingdom as a whole.

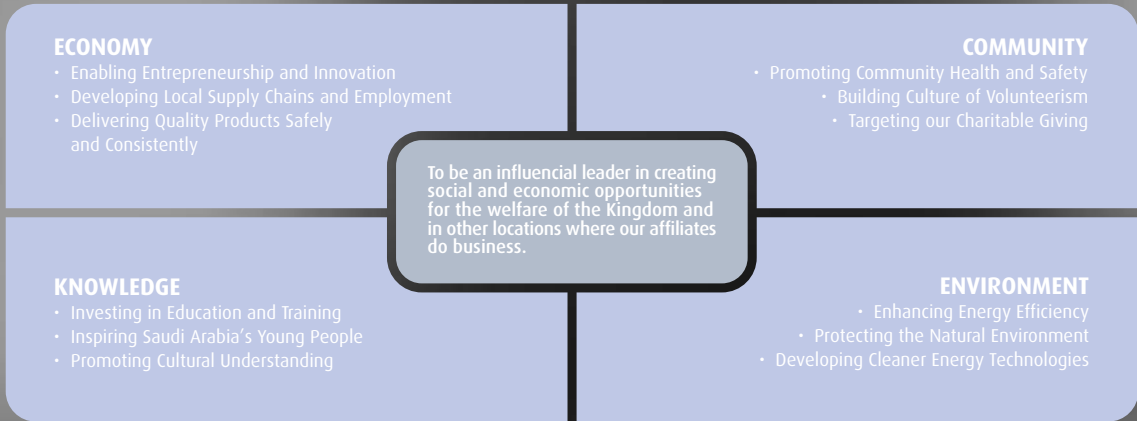
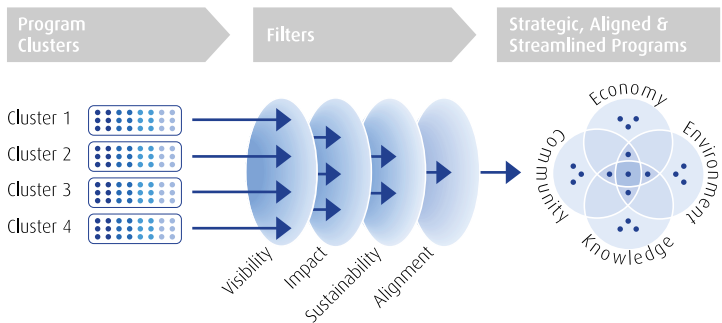
Create strategic collaborations. Teaming with others helps to build scale and optimize outcomes. This type of activity builds on our business strengths and leverages the shared values of others.

Evaluate our performance on an ongoing basis. We continue to assess and revise all of our corporate citizenship activities against a rigorous framework to ensure they remain relevant both to our core business objectives and the communities in which we operate.

Measuring Impact

A key area of development in our citizenship strategy and reporting process will be a shift toward establishing **Key Performance Indicators** (KPIs) to track our progress and performance toward delivering sustained impact. To do this, we will ensure that we are measuring the right things and building the processes, protocols and controls necessary to collect, verify and report on this data.

We want to ensure we are focused on the issues that will make the most difference for the Kingdom.



The Four Pillars

Saudi Aramco has established four focus areas that support our citizenship activities and future goals. The diagram above reflects these four broad pillars and the more targeted priorities we have identified within each pillar.

Pillar 1 Economy

Our Focus Areas:

- Enabling Entrepreneurship and Innovation
- Developing Local Supply Chains and Employment
- Delivering Quality Products Safely and Consistently

Our Achievements:

- **7.9 million** barrels per day crude oil production.
- **9.4 billion** standard cubic feet per day of raw gas to gas plants.
- **620** Saudi direct hires recruited and **22,354** new jobs created for Saudi nationals in contractor companies.
- **1,800** innovative new ideas for energy conservation submitted by employees taking part in the 2010 Innovation Tournament, adding up to \$100 million in potential savings for Saudi Aramco if implemented.
- **\$3.1 billion** material procurement dollars (85 percent of total spend) granted to the local market.
- **\$12.6 billion** in services procurement dollars (77 percent of total spend) granted to the local market.
- **151** local suppliers and **32** local manufacturers approved as potential sources of material needs.
- **961** local manufacturers now registered with Saudi Aramco, representing a significant increase from 677 in 2001.
- **34** patents awarded by the U.S. Patent and Trademark Office and another **104** patent applications filed.
- **26** percent decrease in lost-time injury rate.
- **13,118** ideas submitted to the Idea Management System, nearly 2,000 more than in 2009, with **1,707** approved and **939** already being implemented.
- **55** standards proposed to the Gulf Cooperation Council Standardization Organization.
- **143** local Saudi engineers and inspection technicians participating in the Inspector Twin Program, an exchange program designed to transfer best practice to local suppliers.
- **9** individual gas processing plants winning Facility Safety Awards from the Gas Processors Association President's Award for Safety Improvement, a recognition for **500,000** work-hour increments without a lost-time incident.



Overview

A strong economy is essential to our business and to the development of the Kingdom. This focus springs from our belief that an innovative, competitive and diversified economy is essential to local communities, effective management of the natural environment, availability of world-class educational opportunities, and our business success.

Saudi Aramco continues to support sustainable growth and innovation in the Kingdom. Beyond directly providing 86 percent of Government revenue, the petroleum industry contributes to job creation by working with local suppliers for its procurement needs and creating employment opportunities within commercial divisions in the sector. Saudi Aramco also aims to lead Kingdom-wide efforts to further diversify the national economy, and to support cutting-edge research, and professional and entrepreneurship training. With almost 40

percent of Saudi Arabia's population under age 15, local job creation is a fundamental focus to our remit as a corporate citizen. As a major contractor in the Kingdom, Saudi Aramco plays a critical role in encouraging local companies to invest in developing expertise around complex sourcing and manufacturing requirements, strengthening the country's supply chain.

In terms of economic diversification, our goal is to continue making a difference by investing in downstream programs through affiliates and joint ventures in Saudi Arabia and abroad. We aim to create a broader base of revenue-generating activity by extending our operations throughout the petroleum value chain, and encouraging development and scaling-up of other in-Kingdom industries. We will also procure more locally manufactured goods and local services, which aids the local economy while creating opportunities for us to cut procurement costs and cycle time.

Our construction
projects stimulate
the local economy.

Saudi
Aramco
Citizenship
2010
17



In 2010, we celebrated the awarding of our 100th patent.

Enabling Entrepreneurship and Innovation

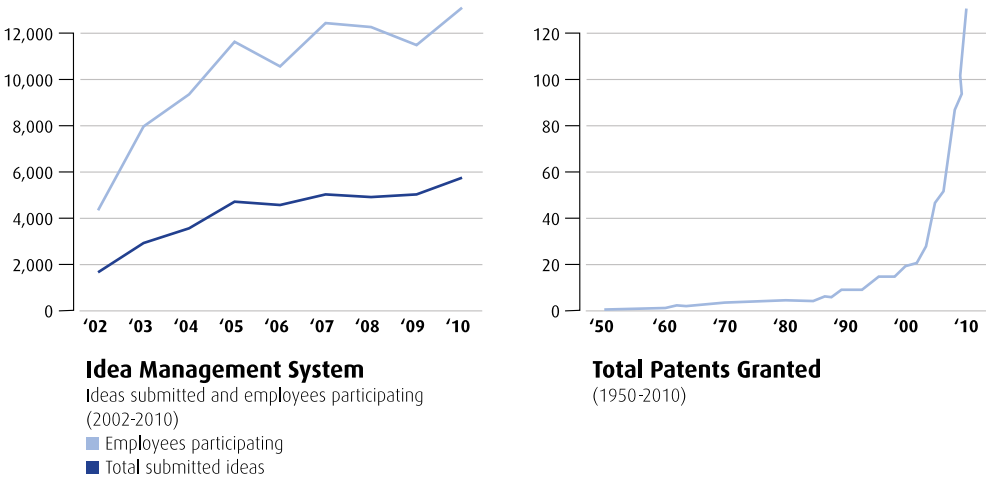
Saudi Aramco strongly believes that economic success in the 21st century requires creativity, innovative thinking and entrepreneurial ambition. We have a multi-faceted role to play in creating conditions in which these can flourish. Internally, we can remove unnecessary hierarchy and encourage innovative solutions while externally we support entrepreneurship and provide other support systems and services.

We expect breakthrough ideas to originate from everywhere within the company, not only in the research and development functions. Because of this, we launched our **Innovation Program** in 2002 to promote a culture of innovation inside and outside the company in addressing a wide variety of business challenges. As a component of this program, we maintain an **Idea Management System**, a proprietary online idea collection system that allows employees to submit ideas to any organization within the company. Since the system launched in 2002, approximately 94,000 ideas have been submitted, including 13,118 in 2010.

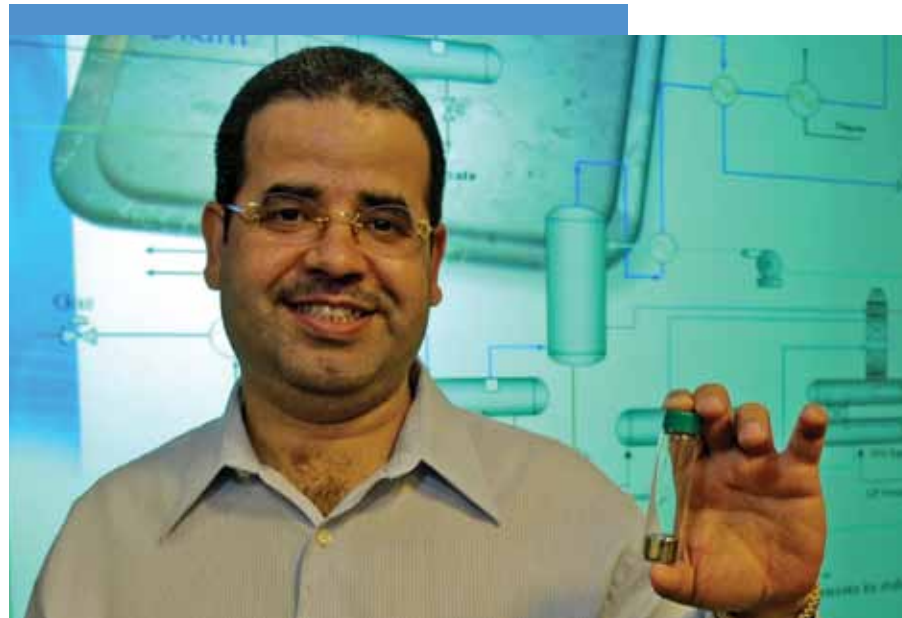
We also developed and conducted an **Innovation Tournament** in 2010 to collect energy conservation ideas. Inspired by more than 25 company-wide campaigns and presentations, employees generated more than 1,800 innovative ideas, representing estimated potential savings to the company of \$100 million, if implemented. During the tournament’s two-month duration, the intake of ideas nearly doubled the Idea Management System’s normal rate, signaling the effectiveness of this engagement mechanism.

The cumulative effect of these efforts is a substantial increase in the number of innovations conceived over the past decade, in what we refer to as an age of innovation within the company. In 2010, 34 patents were awarded to Saudi Aramco by the U.S. Patent and Trademark Office, and an additional 104 patent applications were filed. Although employees have been producing patents since 1950, 112 of the 128 patents granted to Saudi Aramco have been granted since the introduction of our **Intellectual Assets Management system** in 2000. Currently, the company is focused on obtaining patents that can be implemented in the field or further commercialized to deliver real bottom-line value.

We expect breakthrough ideas to originate from everywhere within the company.



Breakthrough ideas come from employees at all levels.



These efforts extend outside of the company as well. Our **Intellectual Asset Promotion Campaign** has delivered more than 100 innovation workshops and presentations outside Saudi Aramco since 2001 to promote the value of innovative thinking. We are also a co-organizer of the **National Innovation Exhibition** (Ibtikar). At this exhibition, members of the public can view the innovations of Saudi inventors, including those of Saudi Aramco, reinforcing the importance of innovative thinking.

Our technological progress in 2010 signals the effectiveness of our innovation programs.

Making a difference: Saudi Aramco's Age of Innovation

The first company patent was granted in 1950 with Edward Van Dornick's oil and gas separation technology. In 2010, Saudi Aramco celebrated the granting of its 100th patent, a significant milestone in the company's innovation journey.

One recent idea made the subject of a patent application came from a new technology invented by Saudi Aramco employee Bill Connor, who created a new way to treat oily chemicals in wastewater. Now wastewater that was previously unfit for reuse can be treated, allowing Saudi Aramco to reduce water consumption. Similarly, an innovation by Abdullah M. Al-Dhafeeri, along with Mohammed A. Al-Yami, detailed a way to combine gel with acid-soluble cement to help when drilling muddy reservoirs.

Saudi Aramco's broad system of support stretches from labs and other facilities to targeted programs and processes that have encouraged a greater number of patent applications. Management's support has been key to this progress.

Several of our patented inventions were featured at Ibtikar 2010.

Our technological progress in 2010 also signals the effectiveness of our innovation programs. The second generation of our award-winning **GigaPOWERS™** (Parallel Oil, Water and Gas Enhanced Reservoir Simulator), which allows simulation of giant fields at extremely high resolution, was named the Best Innovation or Technology of the Year at the **Abu Dhabi International Petroleum Exhibition and Conference**.

Our award-winning "reservoir robots" (**Resbots™**) concept reached a new milestone with the industry's first live field test to inject microscopic reservoir nano-agents (1/10,000th the width of a human hair) into an observation well. We also trial-tested an advanced membrane separation technology designed to remove nitrogen and acid gas contaminants from hydrocarbons, a potentially impactful tool for lightening petroleum's environmental footprint.

Making a difference: The Saudi Aramco Entrepreneurship Center

Saudi Aramco's local industrial development efforts have led to creation of sustainable local enterprises that are now among the largest in a variety of industries and have created tens of thousands of jobs. The Saudi Aramco Entrepreneurship Center (SAEC) intends to build on this heritage and continue to enhance Saudi Aramco's social contribution by promoting entrepreneurship to support economic growth and diversification, and social development in Saudi Arabia.

The SAEC, which concluded its pilot phase in 2010, aims to be a game-changing source of funding and an incubator for new businesses in the Kingdom. The SAEC funded three entrepreneurs in its pilot phase and aspires to fund more than 150 ventures in the next 10 years. These ventures are projected to generate more than \$600 million of annual revenue and

create around 10,000 jobs in the next 10 years.

In addition to job creation and revenue generation, the SAEC-funded ventures will also provide indirect but significant economic benefits. For instance, these ventures are likely to have a high impact on research and development, innovation and the quality of goods and services offered in different markets within the Kingdom. The success of the ventures will also encourage more entrepreneurs to come forward with ideas, further stimulating the economy. Finally, the wealth and talent generated by SAEC-funded ventures will be reinvested in the next generation of startups, which will strengthen the state of entrepreneurship in the Kingdom.

The "end-to-end" support model that SAEC employs addresses the needs of a potential entrepreneur from business plan development through to post-funding support. As such, the SAEC addresses a current void in the support environment available to new businesses.



In 2010, we added
32 manufacturers as
potential suppliers.

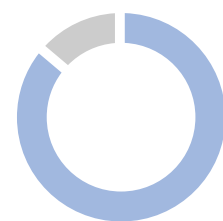
Developing Local Supply Chains and Employment

A thriving national supply chain is in Saudi Aramco's and the Kingdom's best interest. A strategy focused on procurement of local materials and manufactured goods and services benefits the company because geographical proximity to our suppliers allows for more timely and cost-effective delivery, and it benefits the Kingdom by stimulating economic growth, supporting employment opportunities and encouraging further diversification of the economy.

Saudi Aramco has made great strides in creating contracts with local providers. In 2010, the company's service contracts totaled \$16.4 billion and covered 2,157 contracts, 77 percent of the value of which was awarded to local companies and contractors.

Similarly, the company's total material procurement was \$3.6 billion, of which \$3.1

billion was awarded to the local market, and we increased our local warehousing of inventory by \$40 million, bringing the cumulative value of our locally warehoused materials to \$240 million. In addition, the company approved an additional 151 local suppliers and 32 manufacturers as potential sources of supply. This marks the latest effort in a decade's worth of increased registrations of local manufacturers within Saudi Aramco, growing from 677 registered in 2001 to 961 in 2010.



Procurement Spending
US\$ Billion
(2010)

■ Local..... 3.1
■ International..... 0.5

While these successes are not insignificant, less than 25 percent of our purchases are manufactured in the Kingdom, and we intend to close this gap. We have set a target of increasing by 2020 the percentage of our procurement needs produced within the Kingdom to 70 percent of our total purchases.

One of the key ways in which we have achieved progress on these goals was through the **“cluster”** concept, which increases local manufacturing and service provisioning capabilities in the Kingdom. A cluster is a group of geographically concentrated industries that share customers, suppliers, technologies, raw materials and/or skilled labor. A cluster also includes the supporting industries and enabling functions required for the cluster participants to achieve sustainable competitiveness. Saudi Aramco's cluster efforts are focused on the goods and services used by it and other energy and related industries.

Saudi Aramco is also providing additional incentives to attract new manufacturing and service provisioning capabilities to the Kingdom. These incentives include offering either long-term procurement agreements in return for new investment in the Kingdom or allocating a percentage of business to existing qualified local suppliers who have established the capabilities defined by Saudi Aramco.

In terms of employment, we are proud that Saudi citizens comprise approximately 87 percent of our direct workforce, with an additional 620 Saudi direct hires recruited in 2010. But only 22 percent of our 99,361 contractor workforce are Saudi citizens. This large contractor workforce is an important focus area for creating local employment opportunities in the Kingdom.

In line with the long-standing effort behind the **“Saudization”** of our contractor workforce, we include Saudization provisions in new service and construction contracts, monitor compliance, and report corporate progress through accountability reports. In addition, Saudization

planning is part of the procurement process - contractors are required to submit a Saudization Plan explaining their efforts in the placement and development of Saudis.

Moreover, we have launched the **Saudi Contractors Manpower Tracking System**.

This system enforces monthly updates and tracking of all service contracts with Saudization provisions. All proponents are required to update contractors' manpower information monthly. We will continue to reserve certain job opportunities specifically for Saudi citizens and develop incentives to encourage contractor companies to comply.



Our College Prep Center prepares future Saudi employees to succeed at university.

We also work with local suppliers to help them meet the standards required to provide goods and services to the company. One important tool in this area is the **Supply Chain Management Symposium**, which is carried out in partnership with King Fahd University of Petroleum and Minerals (KFUPM) and brings together key stakeholders and decision-makers from manufacturers, contractors, suppliers, academia, professional organizations, customers and end-users. The fourth annual symposium, held in October and themed “Global Supply Chain Management: Challenges and Opportunities,” attracted more than 400 participants to al-Khobar.

Saudi Aramco also provides direct educational and certification opportunities to contract employees. We forged a partnership with the **Middle East Logistics Institute**, an accredited school by the Chartered Institute of Logistics and Transport International, to provide certification opportunities in logistics management. The first group of participants received a number of certifications, including an International Introductory Certificate in Logistics and Transport, an International Certificate in Logistics and Transport, and an International Diploma in Logistics and Transport.

Similarly, our **Inspector Twin Program** aims to improve the quality of local manufacturers by inviting international experts to visit and share best practices with their local supplier “twin” counterparts. The program also exposes young Saudi professionals to employment possibilities

“For the first time all Baker Hughes product lines are housed in the same facility in Saudi Arabia under one management team, which will drive consistent standards to improve service quality and reliability. ... [This] underscores our commitment to creating new jobs and empowering the local economy in line with the vision of the Kingdom’s leaders.”

- **Chad C. Deaton**,
CEO, Baker Hughes (longtime Saudi Aramco supplier and oil-field support company)

In 2010, Baker Hughes
inaugurated its new
“superbase” facility
in Dhahran.



Our Inspector Twin
Program aims to
increase the number
of qualified inspectors
in-Kingdom.

with international inspection agencies. The program goal is to arrange 80 such expert visits to the Kingdom and to place 150 Saudi candidates with global “twin” partners between 2008 and 2012. By the end of 2010, 41 expert visits were made to local “twins,” and 143 Saudi engineers and inspection technicians were placed with 18 global “twin” partners, stationed in various locations around the world.

Another key area of focus was our continued promotion of business ethics, an effort that springs from our conviction that a fair, competitive and corruption-free environment is essential to sustainable economic growth. Signing Saudi Aramco’s **Supplier Code of Conduct** is a prerequisite for doing business with the company, whereby contractors agree to adhere to key principles such as legal compliance as well as clear environmental, safety and health practices, fair trade, and ethical sourcing.

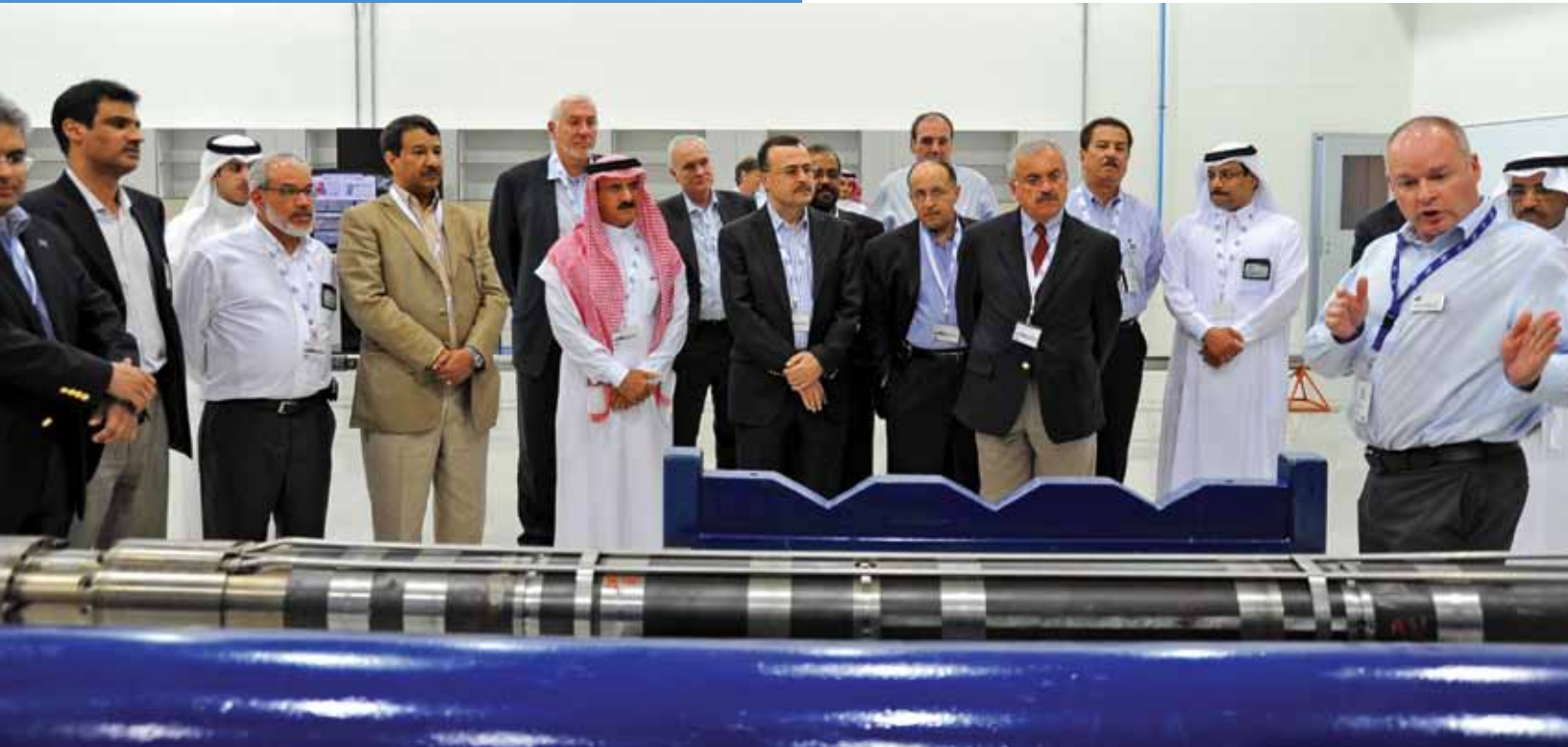
Saudi Aramco has had **Certified Fraud Examiners** on its staff for nearly 20 years. Currently, there are approximately 30 members of the Association of Certified Fraud Examiners (ACFE) employed by Saudi Aramco, and the company offers substantial support to the local chapter of ACFE.

Making a difference: Business ethics and fraud seminars

In support of a responsible and competitive business environment within the Kingdom, we sponsored a series of business ethics and fraud awareness seminars for our major suppliers and contractors.

Attended by representatives from local chambers of commerce and 650 participants from 300 other establishments (including hundreds of local suppliers), the seminars aimed to spread greater awareness and appreciation of business ethics in the business community and to emphasize the need for meeting supplier codes of conduct and other world-class standards.

Presentations focused on the importance and benefits of meeting these compliance standards and implementing fraud awareness programs. Two major Saudi Aramco suppliers presented best-practice case studies and encouraged dialogue around issues related to existing business practices and possible solutions.





Delivering Quality Products Safely and Consistently

In our day-to-day operations – from building new facilities to operating our equipment – Saudi Aramco faces risks that affect employees, their families, nearby communities and the environment. Managing the risks involved in operating in an industrial setting requires extensive safety programs and other operational safeguards. For instance, our **Safety Management System** provides direction to managers and highlights specific programs, procedures and processes to help them manage safety in their areas. By implementing the system, managers help the company deliver improved safety performance and achieve its vision of being an industry leader in safety.

Investing in fire training is critical for Saudi Aramco’s safety programs. The Advanced Fire Training Center (AFTC) located in Ju’aymah is Saudi Aramco’s primary fire training center for advanced hands-on emergency response training. The AFTC opened in 2005 to provide realistic scenarios of what crews might face

at a large-scale industrial emergency, provide scenarios that address the full breadth of the assets the department is required to protect, and offer curriculum certified by an internationally recognized agency. The center is also used to train marine and offshore personnel as well as employees from joint ventures and select third-party companies. In 2010, Saudi Aramco was accredited by the National Board on Fire Service Professional Qualifications, referred to as “Pro Board,” for meeting internationally recognized standards on fire service. The provision of accredited courses is a milestone achievement.

In addition to operating safely, a consistent level of quality is essential. Our **standardization programs** help ensure continuous development of technology, professional capacity and skills, as well as maintaining consistency of product quality between different companies in the market.

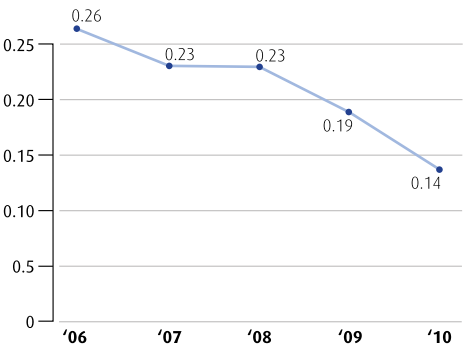
Our Advanced Fire Training Center in Ju’aymah provides realistic scenarios.

“Here in Saudi Arabia, the nation is driven to attain and sustain rapid economic growth and diversification in order to provide quality jobs for our fast-growing population. At Saudi Aramco, we are focused on transforming our enterprise into a global powerhouse not only in upstream oil exploration and production ... but also deeper downstream into petrochemicals and specialty chemicals, fostering the creation of vibrant conversion industries.”

- **Abdullatif A. Al-Othman**
Senior Vice President, Finance,
Saudi Aramco



Our engineering standards ensure a consistent level of quality.



Lost time Injury Rate
(Lost time injury per 200,000 work hours)

With 77 years of oil and gas sector experience, Saudi Aramco’s standards are considered the hub of our engineering intellectual assets. These standards attract industry experts from around the world to invest in the region and support the Kingdom’s goal of diversification and job creation. In 2010, the company promoted a standard to the International Organization for Standards, as well as proposing 55 standards to the Gulf Cooperation Council Standardization Organization.

In addition to standards, the company is exploring ways of diversifying the portfolio of products and services we offer. One such area is petrochemicals, where Saudi Aramco is working to expand domestic refining capacity to meet growing local and global demand for refined products, thereby taking advantage of the close proximity of feedstock by integrating refineries with petrochemical facilities. The company moved forward on two major refinery projects — the **Red Sea Refining Company** and **Jazan Refinery** projects — to produce reduced-sulfur diesel among other products. Another example is the **Saudi Aramco Total Refining and Petrochemical Co.**, a joint-venture mega-project between Saudi Aramco and France’s Total Oil Company. The company also is developing associated industrial parks to convert petrochemical commodities into consumer goods.

Our gas plants are a vital link in the Kingdom's growing industrial sector.

Natural gas projects present another key opportunity, as new natural gas finds will help diversify the Kingdom's economy and make more crude oil available for export. In 2010, the company's Master Gas System delivered a steadily increasing supply of natural gas to the Kingdom's growing industrial sector, including fuel for power generation and water desalination, as well as fuel and feedstock for the burgeoning domestic petrochemical industry. Key milestones were marked in 2010 in the development of new gas fields — **Karan**, the company's first offshore non-associated gas field, and the **Hasbah** and **Arabiyah fields**. Further development of these fields will continue in 2011. The company also commissioned the **Khursaniyah Gas Plant**, which produces 1 billion standard cubic feet of gas per day, and started developing the **Wasit Gas Plant**. We also commissioned a

new natural gas liquids (NGL) plant at Hawiyah and awarded a site preparation contract for the **Shaybah NGL project**.

New natural gas finds will help diversify the Kingdom's economy and make more crude available for export.

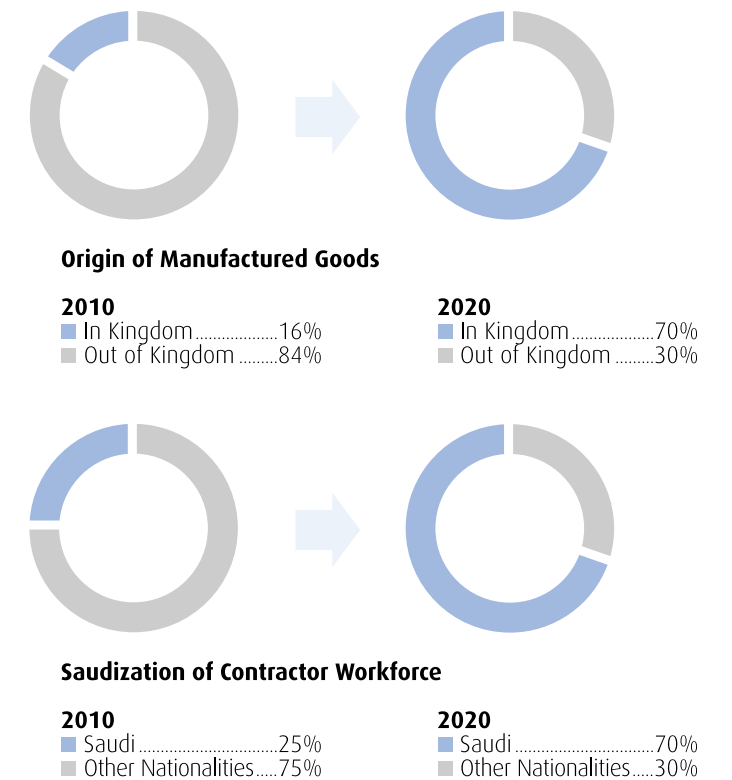
Looking Forward

In 2011 and beyond, Saudi Aramco will continue to focus on activities that support and build the economic strengths of the Kingdom and its people.

Both through development of employment opportunities and diversification of the national economy, Saudi Aramco plays an instrumental role in localizing manufacturing and supplier contracts, overseeing compliance with safety standards and offering relevant skills training programs. Driving ongoing innovation and encouraging entrepreneurship will continue to be critical.

Our commitments for 2011 and beyond include the following:

- Funding more than **150** ventures in the next 10 years through the Saudi Aramco Entrepreneurship Center. These ventures are projected to generate more than **\$600 million** of annual revenue and create around **10,000** jobs in the next 10 years.



Pillar 2
Community

- Our Focus Areas:
- Promoting Community Health and Safety
 - Building a Culture of Volunteerism
 - Targeting our Charitable Giving

Our Achievements:

- **3,000** students in the Central Region attending the presentation “Reckless Driving,” to increase traffic safety awareness.
- Over **5 million** hits from users in over **25** countries to the Traffic Safety Competition website.
- **43,874** young people over age 15 visiting the Safety Driving Simulator Trailer to learn about defensive driving.
- **7,334** employees participating in the Saudi Aramco Wellness Program.
- **250,000** people attending the company’s summer, Ramadan and ‘Id programs in 2010 supported by **82,000** volunteer hours.
- **3,000** people visiting the Annual Energy Conservation campaign, “Yes, We are Part of Energy Conservation,” in Dhahran.
- **400,000** people benefitting from Saudi Aramco’s outreach programs in the Central Province.
- **60** years of publishing **Saudi Aramco World**, an award-winning magazine and key company tool in promoting cross-cultural understanding, with **170,000** subscribers to the print edition and **250,000** people visiting the website each month.
- **7,000** visitors attending the 3rd annual Garden and Flower Festival.
- **100** volunteers supporting Saudi Aramco Medical Services Organization (SAMSO).
- Nearly **500** orphans celebrating Ramadan ‘Id at the Saudi Aramco exhibit.
- **1,103** new home loans granted and **231** free lots distributed to eligible employees.
- **80,000** visitors attending the 2010 British Science Festival, Europe’s largest public science festival, for which Saudi Aramco was principal sponsor.



We organize events
that promote wellness
and volunteerism

Overview

For the past 77 years, Saudi Aramco has played a unique role in supporting vibrant, healthy, productive communities in Saudi Arabia. We remain dedicated to making a difference in the safety and well-being of those in our communities. We work to support programs and hold events to engage community members in educational activities, entertainment and family festivals.

Promoting a culture of safety is one key priority. Saudi Arabia has one of the highest rates of traffic fatalities per capita in the world, and deaths from traffic accidents are now the Kingdom’s largest cause of death in adult males ages 16-36. This has a clear impact on our employees, who often spend a significant portion of their day on the road, and on community members, whose lives can be devastated by tragic accidents.

We also believe we have a role to play in building a culture of volunteerism. Volunteering opportunities help individuals make a difference in their communities while also building transferable skills. We focus on instilling these values in young people so they can grow to become active, engaged citizens and future leaders.

Our charitable work also aims to maximize the positive impact we can have on people in need. In addition to providing our own philanthropic contributions, we provide opportunities for employees to contribute.



Our Safety Driving Simulator Trailer teaches defensive driving tactics.

Promoting Community Health and Safety

Promoting a culture of safety and well-being within the broader communities where we operate is a priority for Saudi Aramco. We aim to instill home safety behaviors to help keep our employees, their families and community members safe. We also support community health by promoting awareness around various health issues and encouraging people to take a proactive approach to their health. For instance, in the Central Province alone, more than 400,000 people benefitted from Saudi Aramco's outreach programs in 2010.

Saudi Aramco aims to bring workplace safety and health to employees' homes and communities, thereby developing a safer and more satisfied workforce while also protecting families and communities from injury. As part of this effort, we track off-job disabling injuries of our employees, which in 2010 accounted for 89 percent of all employee lost-time injuries. In total, there were 682 off-job injuries, a decrease from 801 in 2009. To continue to reduce this number, Saudi Aramco programs focus on driving skills, safe recreational behaviors and preventing home fires.

Reducing the incidence of road accidents in the Kingdom is a company priority. Saudi Aramco's **Traffic Safety Signature Program** aims to promote safe driving to significantly reduce traffic-related deaths and injuries on a sustained basis. The traffic safety strategy includes four main avenues for achieving results: Education, Engineering, Enforcement and Emergency medical response.

The strategy sets a general objective of reducing the number of traffic fatalities in the Eastern Province. In 2010, we saw an annual drop of 4 percent. We conducted a series of strategic educational interventions and awareness-raising efforts through hosting events and festivals and a mass communication campaign in print and on radio and TV. Saudi Aramco publications and local print media also cover traffic safety efforts extensively. Additionally, Saudi Aramco has developed comprehensive traffic safety learning kits for students to be deployed as educational intervention to reduce accidents and resulting fatalities, injuries, and other losses. Saudi Aramco collaborated with the Ministry of Education to develop a **Traffic Safety Manual**, which was used to train 295 teachers who went on to reach 7,500 high school students and 6,900 high-risk youth. Our educational efforts were not limited to students, but extended to reach all drivers, through enhancing contents, staff and facilities of the instructional driving schools in the Eastern Province. The enhancement effort is in line with the Traffic Safety Strategy, which we developed and shared with other Traffic Safety Council partners in the Eastern Province.

The strategy sets a general objective of reducing the number of traffic fatalities in the Eastern Province.

Making a difference: Traffic Safety Competition

The Traffic Safety Competition was inaugurated to encourage active community participation in reducing traffic accidents. The competition challenged people to create posters, videos and websites to promote traffic safety. Saudi Aramco invited participation through print and broadcast announcements as well as online platforms such as Facebook.

This initiative drew more than 1,300 submissions, and the contest website received more than 5 million hits from users in more than 25 countries. People submitted ideas and voted for the best ideas. This year's winning poster entry came from Khalid Jassim Jaber Fakhro. Abdulla Ahmad

Faheem Abdulla was named winner of the interactive website contest, and Tawfiq Saud Almaghlooth developed the winning video. Other prizes were awarded to outstanding entries.

Alongside this active engagement, Saudi Aramco

sponsored commercials and awareness videos about traffic safety in public places across the Kingdom. So far, we estimate that more than 9 million drivers have seen these advertisements.



In March, we supported the annual **Gulf Cooperation Council Traffic Week** by developing and distributing nearly 1 million traffic safety educational items to company employees, their families and residents in 36 cities and towns Kingdom-wide. In addition, we supported special exhibitions in major cities including Riyadh, Jiddah, Dhahran and Hofuf. Traffic safety exhibitions were organized in all major company operating areas, where Saudi Aramco employees, families and students of local schools could attend presentations, receive printed traffic safety materials and participate in traffic safety knowledge quizzes.

Saudi Aramco sponsors the **Safe Driving Simulator Trailer** to educate young people on defensive driving. In 2010, 43,874 young people over age 15 visited the Simulator Trailer as it traveled to Eastern Province communities. Our **Mothers of Traffic Accident Victims** Initiative trained 20 mothers to present effectively to children, tell compelling real-life stories and give advice on being safe.

To support enforcement, Saudi Aramco collaborated with the **Dammam Traffic Police** and the **Special Highway Security Force** to complete commissioning of four Command and Control Center upgrades, and we stepped up our enforcement on company roads. Saudi Aramco also completed **Road Safety Audits** of the Dhahran-Jubail and Dhahran-Khobar highways and shared the outcomes with the concerned Government agencies in order to identify dangerous areas and find solutions to improve safety and measure effectiveness over time.



Our medical organization works to raise the level of health care across the Kingdom.

- Educating employees and the public on fire safety is another area of concentration for Saudi Aramco. A reduction in the severity of fire incidents in local communities has been achieved through many actions including:
- Saudi Aramco participates in community education, training and knowledge sharing in relation to fire prevention.
 - The annual Fire Prevention Month promotes company-wide awareness of fire safety and survival, and informs and educates the community in behaviors and precautions that can save their lives and reduce property loss from fires.
 - The Safety Campaign Day for each business line extends fire safety awareness programs to Saudi Aramco employees, contractors' employees and their families.

Saudi Aramco's community work extends into the areas of general health and well-being. Saudi Aramco Medical Services Organization (SAMSO) partners with medical facilities across the Kingdom to provide health-care services to our employees, their eligible dependents and retirees. We have successfully partnered with these facilities to meet Joint Commission International accreditation standards. This has resulted in a higher level of health care available to the general public and encourages investment in health-care facilities.

Saudi Aramco aims to bring workplace safety and health to employees' homes and communities.

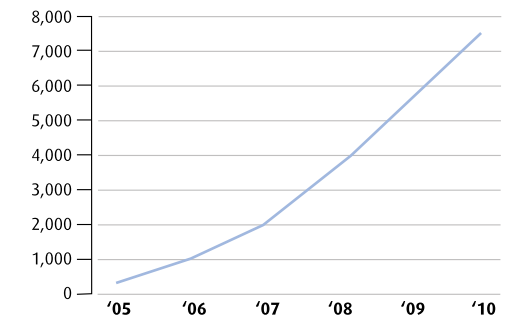
As a provider of medical services, the company is undertaking a multi-year effort to improve the screening rate for breast and cervical cancers to ensure earlier detection and more effective treatment of cancer cases. The **Breast Cancer Awareness campaign** showed women how to check for abnormalities and recognize changes. It also included physical examinations by a physician, and a symposium.

The **Saudi Aramco Wellness Program** (SAWP) focuses on creating a culture of health. Founded in 2005, the program has grown tremendously to deliver online and on-site health-improvement resources and activities to the 7,334 employees registered in the program. There are 42 active SAWP programs in various locations offering physical activity classes, lifestyle wellness coaching courses, health-screening clinics, healthy lifestyle modification classes, and injury prevention workshops. As part of the program, wellness "Champions" in the company receive formal training at the Saudi Aramco Wellness Conference, and then lead activities such as lunchtime employee



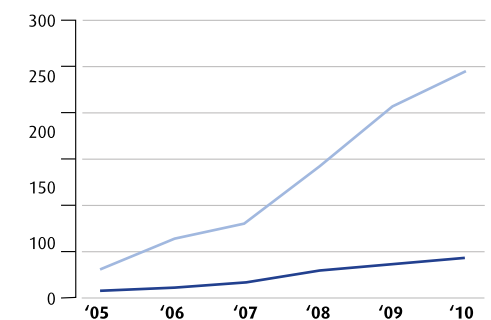
exercise groups, body-fat indexing sessions and distribution of pedometers. "Wellness on the Move" clinics ensure that employees in remote locations, such as oil rigs and offshore facilities, can also take part in wellness activities and health screenings.

Data demonstrates that employees who participate in the Wellness Program improve their physiological health indicators, such as blood pressure and body-mass index. In addition it has improved their psychosocial health indicators such as energy levels, self-efficacy and pain management.



Saudi Aramco Wellness Program

■ Registrants



Saudi Aramco Wellness Program

■ Champions
■ Programs

"This wellness program has been a great personal benefit. I have seen amazing health improvements, and my physical condition is greatly improved."

– **Haroon Husain,**
Exploration & Producing,
Saudi Aramco



Our 'Id celebrations
are popular
attractions across
the Kingdom.

Saudi Aramco's **Smoking Cessation Program** assists employees in quitting smoking through offering peer-led intervention by employees trained as smoking cessation facilitators. Since 2007, 1,833 employees have enrolled in the program's clinics in 29 locations.

To promote good nutrition in the Kingdom, Saudi Aramco sponsored **Nutrition Week** in Dhahran and district medical facilities. Healthy food displays were available at booths, where dietitians provided personal advice and consultation, in addition to height, weight and body fat measurements. Saudi Aramco also sponsors a Nutrition-Friendly Certification to recognize schools that offer healthy food and maintain curriculum on nutrition.

The company laid the groundwork for a new **Saudi Aramco Peer Health Education & Reinforcement Program** (SAPHERE) aimed at empowering youth to foster their health, well-being and civic responsibilities as peer educators. SAPHERE will offer Saudi youth training in physical activity, nutrition, tobacco use awareness and prevention, as well as life skills such as communication, problem-solving, time management and stress management. SAPHERE graduates will function as ambassadors for the program in their schools and communities to empower youth and prevent risk behaviors.

Nearly 500 orphans
celebrated Ramadan
'Id at the Saudi Aramco
Exhibit.

Saudi Aramco's nursing outreach program supports local hospitals to implement our "best practices" nursing competency model to enhance nursing services to all of their patients. The Nursing Department conducted 21 workshops and provided consultancy visits to four community hospitals. A total of 900 nurses from local hospitals attended. Our **Nursing Competency Program** has been recommended by the Central Board for Accreditation of Healthcare Institutions and accepted by the Ministry of Health to be implemented Kingdom-wide in all Ministry of Health hospitals.

Saudi Aramco supported several **Summer Programs** in different parts of the Kingdom, focusing on activities and themes of health awareness, fire prevention awareness, traffic safety awareness, environmental protection, education and volunteerism. The general public program at the Saudi Aramco Exhibit reached approximately 500,000 people from across the Kingdom who came to visit the exhibit. Additionally, a student program was offered at

selected local schools that included summer camp-type activities like sports, safe driving, character building, water/energy conservation and environmental outreach. Our Summer Health Program provides middle school students in the Eastern Province with tools and resources on general health topics such as health screening, smoking cessation, healthy nutrition and first aid.

Saudi Aramco also supported many **Ramadan and 'Id celebrations** throughout the Kingdom, with more than 6,000 people attending. A special event was organized for orphans, people with special needs and the elderly. Nearly 500 orphans celebrated Ramadan 'Id at the Saudi Aramco Exhibit. The celebrations featured many activities, including contests, games, entertainment and food, and employees from Saudi Aramco volunteered to support the events.



Our Oral Health
Campaign drew
more than 2,000
people.

We began a strategic effort to provide greater support for volunteer activities across Saudi Aramco.

Building a Culture of Volunteerism

Volunteerism has always been a central part of Saudi Aramco’s culture and takes place in many shapes and forms in different areas of the company. Volunteering empowers people to contribute their skills to make a difference in the community, and it can also give them skills and experiences they can apply at work to be even more effective.

In 2010, we began a strategic effort to provide greater support for volunteer activities across Saudi Aramco. By providing support in vital functional areas — whether in planning, recruiting, training, event management or reporting — we hope to instill a spirit of volunteerism in the community. In the past year, volunteers clocked more than 82,000 service hours in our various programs.

Many of these service hours were rendered by and for members of the community. The **2010 Summer Program** was a great success with more than 600 volunteers participating. As part of our commitment to measuring and evaluating the impact of our programs, this volunteering program included a pilot web-based volunteer management system. More than 125 of the volunteers participated in the pilot, where they logged more than 20,000 hours of service.

Some volunteering activities are critical to our operations. For example, SAMSO has had a volunteer program since 1982. In 2010, the program included more than 100 volunteers who volunteered their time for activities including staffing playrooms for children at hospitals, delivering books, newspapers, magazines and gift items to patients, and assisting with outreach programs at hospitals and in local communities.

Similarly, the **King Abdulaziz Center for World Culture** has enlisted part-time and full-time volunteers — with many more to come in the future — to help design The Center’s programs and contribute to the development of the organization as it approaches its opening.

“I don’t plan to ever stop volunteering as long as my health holds up. The more I serve, the happier I feel. My motto for serving all is the saying of the Prophet Muhammad, ‘The best people are those who benefit others the most.’”

- **Wasimah Nawwab**, a 30-year SAMSO volunteer and the longest continuously serving, still active volunteer in the program



Volunteers at our 2010 Summer Program logged more than 20,000 hours of service.



Making a difference: Caring for people with special needs

Saudi Aramco identified the opportunity to make a difference for people with special needs at the Dammam Rehabilitation Center by investing in the entertainment and education area within the boys’ and girls’ centers.

This project provides young people with key resources that will enhance their quality of life. The donation allowed for the creation of several components, including a gymnasium, an edutainment club, a cognitive skills corner, an audio-visual corner, a drawing and craft skills corner, and a theater.

The recreational activities provide a fun and supportive environment. Additionally, the facilities allow the residents to stay active, which will support efforts by the medical team to help develop their motor skills and circulatory systems. Saudi Aramco’s contribution to the center will impact more than 120 people.

Targeting our Charitable Giving

Saudi Aramco targets charitable giving to maximize impact for people in need. In addition to our corporate philanthropic contributions, we provide opportunities for employees to contribute. Currently we are developing a strategy that will guide our selection process of programs and grants more effectively and track their progress and impacts over time.

For the ninth straight year, Saudi Aramco has sponsored the **School Kit Campaign** for needy families. This campaign gives employees the opportunity to contribute to community well-being by donating a portion of their salaries to the purchase of school bags and study kits for needy students. The School Kit Campaign generated more than \$346,000 in donations that paid for 15,400 school kits distributed to 65 charity centers.

Saudi Aramco also offered a matching donation program for employees who donated to the **Pakistan flood relief** efforts. The company matched the generosity of approximately 10,000 employees who donated more than \$1.3 million toward relief efforts. This has undoubtedly made a difference in the lives of many people affected by the devastating floods.

Saudi Aramco also sponsors a variety of events and initiatives around the world. For example, the company sponsored the 2010 **British Science Festival**, the largest public science festival in Europe, which attracted more than 80,000 visitors. Saudi Aramco was the principal sponsor and displayed information about the King Abdulaziz Center for World Culture.

Looking Forward

Saudi Aramco plans to continue focusing on improving the safety, health and happiness of our local communities.

Our traffic safety program will continue to be an important part of our community outreach efforts. There are more people on the road every day, so the issue of road safety will remain a challenge. Through our continued collaborations and partnerships, we are confident we can make a difference that will save lives.

Our overarching goal is to build stronger measurement and evaluation methods to ensure that our programs are effective and create the intended impact.

Our commitments for 2011 and beyond include the following:

- Working toward the goal of reducing traffic accidents in the Eastern Province through our Traffic Safety Signature Program.
- Refining our strategy around charitable giving to maximize impacts and track progress.
- Continuing to build a more consistent, meaningful and complete volunteering experience for volunteers across the company.

Our employees
donated more
than \$346,000
to the School Kit
Campaign.



Pillar 3
Knowledge

- Our Focus Areas:**
- Investing in Education and Training
 - Inspiring Saudi Arabia’s Young People
 - Promoting Cultural Understanding

Our Achievements:

- Began construction of the King Abdulaziz Center for World Culture, an iconic new cultural center near company headquarters in Dhahran.
- **1,922** students sponsored by Saudi Aramco to pursue undergraduate and graduate degrees and specialized academic programs.
- **1,781** people enrolled in the College Degree Program for Non-Employees, including **1,293** in out-of-Kingdom institutions.
- **14** employees enrolled in the initial offering of a Masters degree in Supply Chain Management at King Fahd University of Petroleum and Minerals, the first of its kind in Saudi Arabia.
- **3,000** e-Learning courses provided to Saudi universities.
- **190** students participating in the Gifted Students Program.
- **2** percent increase in Arabic content on Wikipedia generated by the **220** participants in Saudi Aramco’s Summer Program for Gifted Students.
- **5,442** trainees, including those at joint ventures, enrolled for apprenticeships.
- **20,056** visitors to the Mobile Library in the Western and Central Provinces.
- **287** participants, both male and female, currently enrolled in the College Preparatory Program (CPP).



Overview

Saudi Aramco sees itself as being in the midst of a Knowledge Era, a time that will be defined by the insights and innovations that our employees and leaders inspire. We encourage our company’s continued evolution as an innovator, and we support the Kingdom’s knowledge hub by empowering individuals through world-class educational opportunities.

Cultivating a knowledge economy is important both in terms of our commercial competitiveness as well as the broader educational attainment and development of citizens throughout the Kingdom.

Education and skills empower our company to expand and diversify, just as they empower society to progress. The ongoing educational opportunities we offer our employees and citizens across the Kingdom are meant to lay the foundation for continued success. These

stretch from short-term continued learning programs to financial support of higher education institutions and cultural facilities.

The knowledge that our company can help relay to our society is important, and this extends to the arts and other cultural pursuits that unlock creativity and foster collaborations. The new King Abdulaziz Center for World Culture, which recently began construction, is a flagship program that illustrates the effort we are making in this regard.

Currently under
construction, The King
Abdulaziz Center for
World Culture will be
a place of lifelong
learning.

Access to education and skills is critical both for the company's and the country's future success.



The Upstream Professional Development Center uses the latest technology to train the next generation of upstream professionals.

Investing in Education and Training

Saudi Aramco firmly believes that access to education and skills is critical both for the company's and the country's future success. By supporting several programs that provide these opportunities both to employees and to deserving talent within the community, Saudi Aramco hopes to build a broad-based network of people capable of driving economic growth and opportunities into the 21st century.

We strengthened our commitment to human-resource development by increasing enrollment in training and development programs. The **Upstream Professional Development Center**, completed in November, can provide training to 550 upstream professionals per day. The center aims to close the knowledge gap that exists between retiring professionals and employees just beginning their careers. Saudi Aramco also inaugurated a new **Corporate**

Leadership Center in Ras Tanura in September. The center aims to help the company address new challenges including leader attrition, succession planning, employee retention and changing workplace demands, as well as increasing global interconnectedness, facilitating a more globalized and mobile employee base, and inspiring the continuous evolution of professional skill sets.

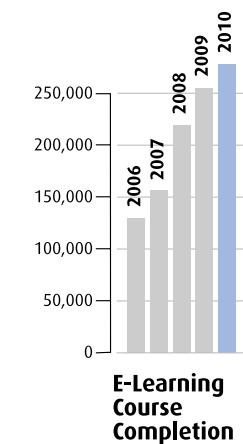
In addition to these capital investments, Saudi Aramco also oversaw a number of ongoing training programs designed to boost the knowledge of our employees, as well as providing an **Education Refund Program** to decrease the financial burden of continued education for our employees.

Using an exclusive website, Saudi Aramco employees can view and access **e-Learning** courses that support training required for specific jobs and certifications as well as for

professional growth and self-development. The number of employees taking advantage of this resource has steadily grown for the past five years, reaching 278,866 course completions in 2010, an 8 percent increase over 2009.

Allowing employees to learn directly from their senior counterparts in a structured mentoring environment is another knowledge activity we support. One example is a new **Mentoring Program** in our Project Management Administrative Area, which was piloted with 82 participants. The initial results indicate clear success: 86 percent of current mentees report that their mentor helped them broaden their view of the organization; 80 percent of current mentors report their mentees are on track to meet all of their development goals; and 90 percent of all current mentee supervisors would nominate other employees to participate in the program. To build on this success, the program will be expanded in 2011 to include

an additional 350 participants and 500 more in 2012.



Our new Corporate
Leadership Center
opened in Ras Tanura
in 2010.

“The workshop for mentors was very well done and informative. All of us who have been in professional careers for some time have informally mentored and coached newer employees along the way. But most of us have not been taught how to mentor, and, therefore, such workshops can be very beneficial and worthwhile. Touching the lives of younger professionals can be delicate and long lasting, so let’s learn how to do it more effectively.”

- **Ashraf T. Hassoun,**
Engineer I, Manifa Projects Department,
Saudi Aramco

We also established the **Saudi Aramco Professional Development Academy** (SAPDA) to train participants on safety, leadership, business communication and volunteerism. The seven-week program includes workshops, guest speaker events and site visits. In 2010, 89 participants graduated from the first two SAPDA startups.

Our new **Women in Business program** attracted 50 women to participate in a motivation and skills workshop designed to help them excel in the Saudi Aramco workplace.

Our **Regular Development Program** continued to place employees in advanced degree programs, specialist programs and short- and long-term work assignments. More than 450 employees were enrolled through this program.

Another focus has been expanding the company’s **Knowledge Transfer Program**, which uses technical competency maps to assess employees’ skill and knowledge levels in order to design targeted training programs. In 2010, 122 Knowledge Transfer specialists were working full time within their organizations, benefitting approximately 5,200 employees across 20 departments.

Making a difference: Supply Chain Management Masters program

In October, Saudi Aramco initiated a new Master’s program in Supply Chain Management (SCM) in partnership with the King Fahd University of Petroleum and Minerals. This is the first advanced supply chain management degree in the region and saw an initial intake of 14 Saudi Aramco employees from Materials Supply, Information Technology and Auditing. The program combines business strategy, engineering, and information technology

to deliver integrative thinking on SCM necessary to operate in today’s competitive national and international environment.

Additionally, Saudi Aramco has supported the Dammam Community College’s Associate’s Degree in Supply Chain Management, which 16 employees earned in 2010 alone. This program also provides training in the local community and is partially staffed by part-time instructors provided by Saudi Aramco.

Saudi Aramco continued to build, strengthen and enhance effective alliances with Saudi universities as a critical and strategic vehicle in achieving competitiveness, innovation and social and economic development in the Kingdom. Collaborating with universities is important for a variety of reasons, including talent recruiting, sponsoring company students for further education, business development, engaging in innovative solutions through research, and societal outreach.

We actively collaborate with many universities in Saudi Arabia and sponsor 11 academic chairs. Furthermore, Saudi Aramco continued to provide support in areas of importance to the company and the national higher education system, such as collaboration in research and technology, cooperative training programs for students, student exchange programs with top tier

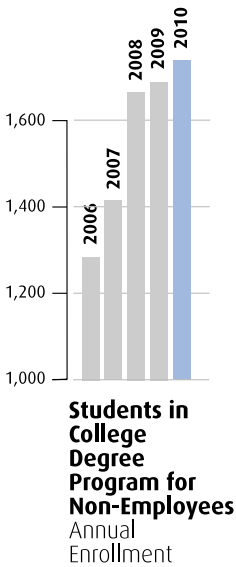
international universities, tri-lateral international collaborations with global universities, and the establishment and funding of energy-related professorship chairs. Saudi Aramco also supports the development of academic leadership and faculty by offering workshops and a roadmap for faculty development. A 2010 highlight was the signing of a Memorandum of Understanding establishing plans to create a **Research and Development Center at Dhahran Techno Valley** where professionals from King Fahd University of Petroleum and Minerals (KFUPM), Saudi Aramco and the Rosen Group will work side-by-side with students, providing hands-on training in mechanical and chemical engineering.

Saudi Aramco sponsored and actively participated in the **International Exhibition for Higher Education** in Riyadh in January. The event was supported by more than 300 leading universities and colleges from more than 30 countries, including all Saudi universities, along with a variety of higher education organizations and associations from around the globe. In total, over a quarter-million people from Saudi Arabia and neighboring Gulf States attended the exhibition.

Saudi Aramco signed a research collaboration agreement with King Faisal University to support the Date Palm Research Center (DPRC). Through this agreement, the center will further strengthen and build its research capabilities, specifically to develop appropriate technology to eliminate the red palm weevil, a pest that is lethal to date palms and threatens global production.

Part of our support for local universities includes providing employees with the opportunity to serve as qualified instructors for specialized courses, such as Quality Control, Supply Chain Management, and Transportation and Logistics, as well as allowing classes to tour Saudi Aramco facilities, including our Materials Supply facilities.

We also target specific vocational training needs. For example, due to a shortage of Non Destructive Testing (NDT) technicians in the Kingdom, we have created a program to ensure that the Kingdom's academic and industrial colleges provide proper NDT training programs for Saudi high school and college students. So far, 73 Saudis have graduated from this program, which has helped address the in-Kingdom shortage of NDT technicians.



Enrollment increased in the **College Degree Program for Non-Employees**, which provides Saudi students the opportunity to receive a college education in areas of study required by Saudi Aramco with the intent of offering them employment upon graduation. Over the last 10 years, the program has increased from 1,200 participants to more than 1,750 enrollees, including nearly 1,300 in out-of-Kingdom institutions. This program, which started more than five decades ago, has made a difference for selected students who have had the opportunity to study at more than 500 universities around the world.

“My time at LSU has helped me gain insight on different cultures and has changed my outlook on life. While in the United States, I have had the opportunity to see many new things through my travels, as well as receive an excellent education, which will help me in my future career.”

- **Mohammed Bousaleh**,
petroleum engineering student at Louisiana State University (LSU)

Our Youth Master Plan aims to boost creativity as well as critical-thinking skills.





Our Summer 2010 program included a Discovery Zone where youth could solve fun challenges.

Making a difference: Providing students with real-world experience

Building a knowledge-based economy requires that innovative research is linked to real-world challenges.

One way Saudi Aramco has done this is through an alliance with the King Fahd University of Petroleum and Minerals to provide students with the opportunity to create solutions to current engineering problems. Saudi Aramco employees serve as subject matter experts in lectures on technical topics and provide students with practical training.

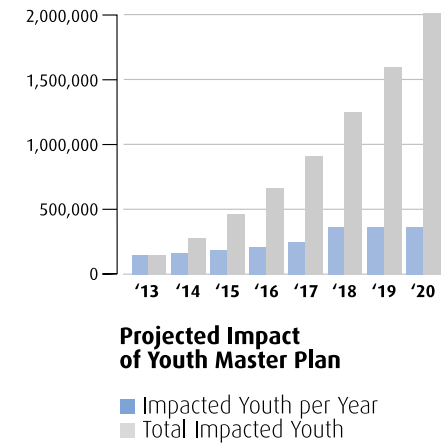
Additionally, Saudi Aramco facilitates the technical review of local university academic programs to align engineering curricula with industry needs. This outreach allows Saudi Aramco to provide students with important skills as well as strengthening the future talent pool for Saudi Aramco.

Inspiring Saudi Arabia's Young People

In the course of Saudi Aramco's history, we have consistently strived to create opportunities for the country's youth.

The connection of these efforts to economic and social well-being could not be clearer: Almost 40 percent of the country's population is under age 15, and today's youth need the skills to be globally competitive in a fast-paced knowledge economy.

To support our goals of inspiring and developing youth talent, Saudi Aramco developed a **Youth Master Plan**, outlining methods for enriching the lives of 2 million young people in the Kingdom by 2020. By participating in a variety of content-rich programs, participants will have access to a range of intellectual and cultural resources designed to boost their cultural literacy and create a new generation of active and aware citizens.



The Youth Master Plan also envisions a network in which these engaged young people can continue to share ideas and be supported through a series of personal development programs to help them emerge as leaders within their communities.

Saudi Aramco has initiated a three-year renovation project to provide a major uplift to all 139 **Saudi Aramco Built Government Schools**. Thirty-five schools were upgraded in 2010, which included complete repainting, landscaping, replacement of carpet and acoustic tiles, and comprehensive general maintenance to improve the learning environment.

Encouraging interest in science and technology in children from an early age is another important part of supporting their development and future education. The **Saudi Aramco/Siemens Discovery Initiative** aims to deliver on these goals for kindergarten and first-grade students. Some of the objectives include coursework designed to awaken children's passion for learning, and training for teachers on how to develop children's problem-solving and critical-thinking skills. In 2010, 190 teachers were trained in the Eastern Province as part of this program, which will impact 5,700 students.

Saudi Aramco also actively supports summer programs for youth across a range of age groups. Summer programs provide students with additional opportunities to grow and develop outside the classroom in a variety of topics, including English, math, science, technology and practical business applications.

Saudi Aramco's support for the 9th annual **Summer Program for Gifted Students** focused on development of program details and supervising student activities as mentors during the one-month program. The 220 participants enriched the Arabic content within Wikipedia by 2 percent as part of their efforts.

The **Summer Program A** accommodated nearly 1,800 high school students to improve their English and math skills. The program also provides participants with essential life skills and an orientation to Saudi Aramco's corporate culture and business processes. In parallel, the **Summer Program B** helped more than 60 college students to apply the theoretical knowledge they gained in the classroom toward project-based challenges with practical business applications inside the company.

Another method of helping to train youth for the workforce is through the **Apprentice Program for Non-Employees**, which trains Saudi high school graduates. Nearly 5,500 trainees participated in the program through a variety of training centers and joint venture projects.

"It is another step in my journey toward learning English, and good preparation for college."

- **Ali F. Al-Hawaj**, student at 2010's Summer Program Special, one of the company's summer programs.



Students in the Summer Program get a 3-D look at how an electron microscope works.

Building Cultural Awareness

Construction began in 2010 (right) on the iconic facility (left) in Dhahran.

Mission:

The Center's mission is to make a tangible and positive impact on human development by inspiring a passion for knowledge, creativity and cross-cultural engagement for the future of the Kingdom and the planet.

The Center will be:

- A catalyst for cultural and social progress.
- A repository and disseminator of knowledge.
- A platform for creative expression.
- A facilitator of civic service.
- A forum for social interaction and cross-cultural engagement.

The King Abdulaziz Center for World Culture (The Center) is an example of how Saudi Aramco's commitment to knowledge extends beyond the conventional reach of research and technology. In 2010, we began construction of an iconic and impressive building that is now starting to take shape.

One of the boldest corporate social initiatives currently underway in the world, The Center will be a fully integrated institution for lifelong learning, creative inspiration and cross-cultural connections. It will include a multi-level library, four-gallery museum, historical archive, children's center, lifelong-learning center, cafés and shops, and much more.

People

Visions and goals are realized by the people who drive them. The team assembled for this task is an incredible array of diversely skilled men and women who are working tirelessly to bring innovation and practicality to a significant project. All share a common mission to enable and support the development of knowledge and culture in Saudi Arabia.

As we approach and reach The Center’s opening day, this team will grow into a larger and even more diverse and passionate group of cultural ambassadors.

Building

The Center will be housed in an iconic, smart and green building.

Iconic: The architectural objective is to create a stunning modern form that piques the interest of all who see it.

The Center will be a fully integrated institution for lifelong learning, creative inspiration and cross-cultural connections.

The Center promises to be a place of personal and cultural exploration.



The building will be structured as a grouping of larger-than-life “rocks” that spring from the ground and reach toward the sky in a symbolic shift from past to future. These architectural rocks will be filled with human energy, a metaphor of the geologic rocks from which petroleum energy is derived. Each rock will house an important knowledge or cultural facility.

Smart: From its electrical and climate-control systems to the exhibits and other multimedia experiences, The Center plans to leverage state-of-the-art technology to provide users with a unique experience.

A highlight of The Center’s technology is envisioned to be an intelligent visitor database that will catalog each visitor’s specific interests and activities as they move within The Center, providing a customized experience, which can be remembered and built upon on subsequent visits.

Green: In addition to its groundbreaking design, the building’s construction methods will adhere to rigorous environmental standards on energy and water efficiency as well as minimizing CO₂ emissions, achieving high indoor environmental quality and selecting environmentally friendly materials and resources, while limiting waste. We plan to apply for a Gold-level Certification with Leadership in Energy & Environmental Design (LEED), an internationally recognized green building certification system.

Programs

At the heart of The Center will be various program offerings that will engage the public through interactive, engaging exhibits and displays, musical and dance performances, documentary screenings and lectures. The Center will host Lifelong Learning Programs that will provide a selection of traditional arts, Arabic literature, Islamic art history and architecture, and professional self-development courses. The landscaping, which will use minimal methods of maintenance known as

“xeriscaping,” will double as an educational environment that inspires visitors to reflect on the natural environment.

Programs for children will help build character, spur academic interests, and provide skills for global citizens. The Children’s Discovery Zone will be a place for children ages 2-12 and their families to explore, learn and create. Special programs offered by qualified instructors will provide children with fun, interactive ways to learn about the environment, art, music, drama, technology, innovation, culture, citizenship, personal courage and much more.

The theater will serve not only as a venue for performances but also as a center of inquiry and learning about the importance of performance and cultural expression. Teaching will concentrate on stage acting, creation and handling of props and sets, as well as adapting life experiences to the stage through script writing, directing and producing a performance for diverse audiences.





Looking Forward

Looking ahead, the development and expansion of the Youth Master Plan will be a critical focus area for Saudi Aramco. The plan's implementation phase will run from 2011 through 2013, followed by an expansion phase that will coincide with the opening of the King Abdulaziz Center for World Culture. We will work toward our goal of enriching the lives of 2 million young people in the Kingdom by 2020 through further development of innovative programs in this area.



Additional plans for youth development include support in 2011 through 2013 for the Saudi Research Science Institute, a six-week summer program to nurture leadership in science and technology for academically talented Saudi high school students.

Saudi Aramco has also made a commitment to support the development of Mathletics, an online educational tool to assist and support teachers and parents in raising mathematics abilities of students from kindergarten through 12th grade. Saudi Aramco is providing support to give access to 185,000 users per year through the 2014 school year. Further support for math and science will include the development of Saudi Aramco Math and Science Clubs, whose aim is to increase learning opportunities by introducing these subjects in entertaining ways at earlier stages.

Additionally, Saudi Aramco has partnered with the Institute for Electrical and Electronic Engineers – Saudi Arabia to support engineering knowledge in K-12 schools. The partnership will include the Teacher In-Service Program, which will launch in 2011 to train and educate teachers in the Kingdom. The collaboration will also include the translation to Arabic of TryEngineering, a website that lets visitors explore how to prepare for an engineering career, ask experts engineering-related questions and play interactive games.

Our commitments for 2011 and beyond include the following:

- Inspiring **2 million** young people in the Kingdom with the Youth Master Plan by 2020.
- Helping **35** students to participate at the Saudi Research Science Institute through 2013.
- Targeting **185,000** users per year to access our Mathletics program over the next four years.
- Training **2,000** teachers and **50,000** students by 2011 through the Saudi Aramco/Siemens Discovery Program.
- Training **50 to 70** volunteers in the Electrical and Electronic Engineers program to bring hands-on engineering lessons into their classrooms and identifying volunteers from academia, industry and Government schools for the Teacher-In Service Program, which focuses on math and science.
- Funding **20** interactive videos in 2011 through a partnership with SciTech and the Massachusetts Institute of Technology in order to stimulate students' critical thinking and interest in science, technology, engineering and mathematics.
- Sponsoring **25** gifted students to attend King Abdullah University of Science and Technology.
- Renovating **139** Saudi Aramco Built Government Schools by 2013.

Pillar 4

Environment

- Our Focus Areas:
- Enhancing Energy Efficiency
 - Protecting the Natural Environment
 - Developing Cleaner Energy Technologies

Our Achievements:

- **41** energy saving opportunities implemented in 2010 with a total savings of **11.38 MBD0E** (thousand barrels per day of oil equivalent).
- Approximately **800 tons** of paper and carton, **20 tons** of plastic, and nearly **10,000** printer toner cartridges recycled through office and residential recycling programs.
- **10** local companies and Government agencies using the National Energy Management Systems that Saudi Aramco helped to develop.
- **10-megawatt** grid-connected solar power farm installed at the new North Park office building in Dhahran, the world’s largest project of its kind.
- **175** participants from a range of countries participating in the Innovative Water and Wastewater network.
- More than **70** percent of irrigation needs met by recycled sanitary wastewater generated by Saudi Aramco communities and facilities.
- **9,500** attendees at the Community Services recycling campaign.
- **3,000** visitors present at the 2010 Energy Conservation Campaign in Dhahran.
- **73** graduates of the specialist Non-Destructive Testing (NDT) Program helping to fill a global gap in trained NDT technicians.



Overview

Proper environmental stewardship is integral to our work, in terms of the impacts of our products and the way in which we produce them. Safeguarding the Earth’s natural resources is a job for all of our employees, and this philosophy is embedded into our operations and research programs.

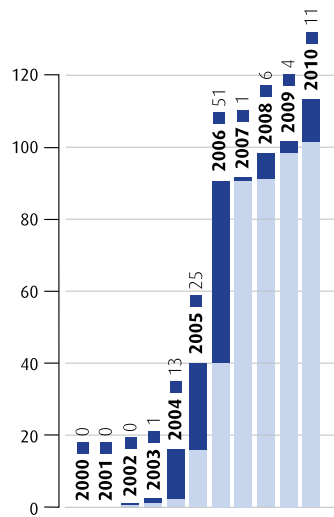
As our commercial success grows, our responsibility grows in parallel. We have pioneered ways to manage larger and more complex operations while increasing the efficiency of production. For instance, we manage and track internal performance through mechanisms such as our Environmental Management System and the Facility Environmental Performance Index.

As the first link in the energy supply chain, we recognize how impactful our practices can be in overall energy consumption by end users.

We support Government goals to reduce 40 percent of total energy use and counteract the annual rise in power demand of around 8 percent. Working toward this goal will not only improve energy efficiency, it will ensure we can continue to export petroleum to others, further supporting one of the mainstays of the Kingdom’s economy.

The company’s multi-billion dollar Environment Master Plan, launched in 2001, identifies large capital projects that contribute to this vision. From improved air emissions controls and waste management to cleaner gasoline and diesel fuels, the Environmental Master Plan applies flexible funding streams to support initiatives that can deliver impactful changes.

Saudi Aramco and its industry-leading joint venture partners have spent or committed \$9 billion in capital expenditures for environmental protection measures in various enterprises.



Energy Conservation Project over the Years
MBDOE (2000-2010)

■ Year's increment
■ Carry over from previous year

Enhancing Energy Efficiency

Saudi Aramco invests substantial time and funds into improving energy efficiency, enhancing operating systems and sponsoring education campaigns around energy conservation.

Growing rates of energy consumption within the Kingdom present a substantial challenge. Domestic consumption is projected to reach up to 8 million barrels' worth of crude oil per day by 2028, inhibiting our ability to meet international demand for oil. Our energy resources are precious, not only for their value as exports but for the role they play in sustaining a thriving economy.

Saudi Aramco's energy efficiency efforts are steered by the company's **Energy Management Program** (EMP), which was initiated in 2000 following creation of

a company-wide policy to commit to "the efficient production and use of energy" and to "reduce overall energy costs and conserve resources used in producing energy." The EMP's overall strategy consists of three principal elements:

- Reduce energy consumption of existing facilities by 2 percent annually.
- Design Saudi Aramco facilities to be energy efficient.
- Influence and promote energy efficiency at the Kingdom level.

The EMP has led to a cumulative energy savings of 112 MBDOE (thousand barrels per day of oil equivalent) since the program started in 2000.

The company also supports training programs and management systems whose goal is to make production efforts more efficient. This includes both a more efficient extraction process as well as a more effective set of risk management procedures to ensure continuous operations. **Power Systems**, a new company organization, was established to oversee and implement our energy efficiency efforts, which also includes the drafting of a renewable-energy strategy.

Saudi Aramco is supporting and providing start-up assistance to the **King Abdullah Petroleum Studies and Research Center** (KAPSARC), a new international research and policy center committed to energy and environmental research and analysis. Located in Riyadh, the center's role is to conduct studies, perform scientific and applied research related to the petroleum and energy industry, and provide analyses on energy and environmental issues. KAPSARC aims to advance Saudi Arabia's role as the premier, environmentally responsible supplier of energy. Established in 2007, KAPSARC has started interim operations and will be fully functional and an independent institution by September 2012. Several early research projects have been approved and are progressing through collaboration with leading national and international research institutions.

Working in conjunction with the Government's **National Energy Efficiency Program** (NEEP), Saudi Aramco helped to develop the first **Energy Conservation Law**, which requires the Kingdom's main energy consumers to manage the efficient utilization of energy. The law improves accountability by defining roles and responsibilities for facilities managers, energy managers and Government energy auditors.

In addition, Saudi Aramco collaborated with NEEP to form the **Saudi Energy Efficiency Center** (SEEC), an initiative launched in November in support of national efforts to reduce energy consumption. As part of the company's involvement in NEEP, Saudi Aramco has led the development of **Energy Managers Training**, a three-week program designed to train future energy management professionals on how to establish and oversee their own EMPs to enhance operational energy efficiency. The courses were attended by participants from a range of different industries and organizations throughout the Kingdom. Saudi Aramco also participated in development of the **National Energy Management System**, which is based on the Saudi Aramco EMP experience and has been successfully deployed in 10 local companies and Government agencies.



We are engaged on environmental issues with our neighbors on the Arabian Peninsula.

Energy conservation is an economic as well as environmental issue.



We strive to nurture
better understanding
of the environment
in children.

Making a difference: Innovation Tournament

Saudi Aramco's "Innovation Tournament" concept aims to inspire new thinking and practices within the Kingdom and the company to improve energy efficiency and conservation.

The initial tournament was successfully held from May to October and generated more than 1,800 innovative ideas, representing

potential savings to the company of \$100 million, if implemented. Four of the ideas were implemented in 2010 and six are funded for implementation in 2011.

More than 25 company-wide campaigns and presentations were conducted to introduce the concept of "Energy Conservation," further educating the public and raising interest and support.



Saudi Aramco also finalized domestic utility fuel allocation guidelines to help mitigate rising domestic fuel demand, and improve the overall power and water production efficiency in the Kingdom. Implementation of these guidelines is expected to achieve a 20 percent reduction in future utility demand.

The company's energy efficiency efforts also reach consumers themselves. Electrical power now represents 40 percent of total domestic fuel consumption, and Saudi Aramco embraces its role in helping raise awareness and provide the knowledge needed to optimize fuel demand growth.

Each year, **Saudi Aramco organizes an Energy Conservation Campaign** in Dhahran; the campaign theme "Yes, We Are Part of Energy Conservation" attracted thousands of visitors, including many students. The company also embeds its energy conservation messages into a wide variety of community programs.

Working with these younger generations in the Kingdom is essential to enhancing environmental knowledge and awareness. The **Saudi Aramco Environmental Education**

Initiative nurtures better understanding and appreciation for the environment among school children by convening a series of environmental awareness "Train-the-Trainer" workshops for school teachers. The teachers are provided materials and lesson plans that help them disseminate the knowledge gained at these workshops to their students. These and other initiatives are often done in conjunction with the Ministry of Education, and the goal is to eventually expand them to cover other regions in the Kingdom.

The Saudi Aramco
Environmental Education
Initiative nurtures better
understanding and
appreciation for the
environment.

Our recycling events
reached 25,000
employees and family
members in 2010.



Protecting the Natural Environment

Environmental stewardship is fundamental to Saudi Aramco’s continued leadership as an energy provider. The company has had an Environmental Protection Policy since 1963 and was the first in the region to use environmental impact assessments to help determine the viability of capital projects. In addition to capital investments, the Environmental Protection Department has an annual operating budget of \$30 million.

Since 2001, Saudi Aramco has significantly increased spending on environmental programs, and eight company-sponsored environmental programs were completed in conjunction with the Environment Master Plan. Saudi Aramco also received the Middle East Excellence Awards Institute’s 2010 Award for **Environmental Stewardship Excellence** and three **Emirates Energy Awards** (EEA) in Dubai.

The company conducts periodic impact assessments to help facilities to improve environmental sensitivity. For instance, Saudi Aramco has completed a comprehensive biodiversity study of the coral islands in the Saudi waters of the Arabian Gulf. The investigation concentrated on these remote islands since they are vital nesting habitats of the endangered green and hawksbill turtles in the areas of Karan, Kurayn, Jana, Jurayd, Harquis and Arabyia, and have until now been mostly undisturbed by human activities.

Sanitary wastewater system upgrade projects in Riyadh Refinery and the Dhahran and Rabigh communities were completed in 2010, as

was the project to upgrade the existing sanitary wastewater and oil water systems in the Western and Eastern Region Distribution facilities. These upgrades are part of a larger plan that includes 14 industrial and six community projects. Currently, more than 70 percent of sanitary wastewater generated by Saudi Aramco communities and facilities is reused for landscape irrigation. Following future upgrades, we expect to reuse more than 90 percent of sanitary wastewater.

Other efforts to promote water conservation included installation of water saving kits in houses, monitoring excessive water consumption sources, including water conservation education leaflets in new-hire orientation packets, continuing with xeriscape applications to reduce irrigation water consumption and hosting water facilities tours. In addition, Saudi Aramco sponsored the “Innovative Water and Wastewater Network Systems” symposium in al-Khobar, which was

organized by the Ministry of Water and Electricity and the Saudi Arabian Water Environment Association and attended by approximately 175 participants from around the world.

A third diesel hydrotreater project at Ras Tanura Refinery was completed, ensuring that all diesel produced in the Kingdom will have only 0.05 percent residual sulfur, reducing emissions from burning diesel by 95 percent.

Saudi Aramco’s office and residential recycling programs recycled approximately 800 tons of paper and carton, 20 tons of plastic, and nearly 10,000 printer toner cartridges, and the company’s 43 **recycling events** reached 25,000 employees and family members. These include campaigns, lectures and an annual paper-collection competition for local schools. The 2010 Recycling Awareness Campaign in Dhahran featured a parade, exhibits and recycling games for children. The 9,500

attendees included employees, dependents, students and visitors from outside companies.

Our commitment to protecting the natural environment includes carbon management strategies. As part of this commitment we developed a **Carbon Management R&D Roadmap** to serve as a strategic objective to promote development of economically sound carbon management solutions. These solutions will ensure petroleum-based applications will be in line with future international CO₂ emissions regulations, while maximizing the value generated at all stages from the carbon cycle. Our roadmap focuses on the following areas from a petroleum perspective:

A hydrotreater project
at Ras Tanura Refinery
greatly reduces sulfur
emissions from burning
diesel.



- Reducing CO₂ emissions from mobile sources.
- Enhancing oil recovery using CO₂ injection.
- Capturing CO₂ from fixed “stationary” sources.
- Geological sequestering of CO₂ in depleted oil reservoirs.
- Promoting development of CO₂ and carbon-based industrial applications.
- Building industrial/research alliances.

Saudi Aramco is actively involved in Saudi Arabia’s contribution to carbon capture and sequestration technologies. In this regard, Saudi Aramco is supporting efforts of the **Carbon Sequestration Leadership Forum (CSLF)**, a Ministerial-level international climate change initiative with 25 member countries focused on development of improved cost-effective technologies for the separation and capture of CO₂ for its transport and long-term safe storage. Saudi Aramco is also supporting the efforts of Saudi Arabia in the Four Kingdoms Initiative (the United Kingdom, Norway, Saudi Arabia, and the Netherlands) particularly in the area of Enhanced Oil Recovery (EOR) and other commercial use of CO₂. Workshops to advance the efforts of the Four Kingdom Initiative and CSLF in the area of EOR were held in February in al-Khobar hosted by the Kingdom and supported by Saudi Aramco.

Making a difference: Oil spill preparedness

Although Saudi Aramco has never caused a major oil spill, we prepare for the possibility of spills, large or small, by maintaining a network of first-class, dedicated Regional Oil Spill Response Teams covering the various local and international regions where the company’s oil is produced and transported.

The company has the world’s largest stockpile of oil spill response equipment, and it maintains membership in major international oil spill cooperatives that provide additional equipment, manpower and expertise. The company regularly holds joint oil spill exercises around the world to provide hands-on training in the event that a major oil spill does occur.

These teams are supported by a Global Oil Spill Response Team that reviews and approves policies, strategies, plans and actions with regard to oil spill prevention, containment and clean-up. Overseen by hundreds of company employees and many others, the company’s oil spill contingency plans are constantly updated to ensure Saudi Aramco’s preparedness to respond to incidents throughout our global operations.

At a recent Management Committee review, even further resources were approved in support of this program.



Our employees
volunteer annually to
participate in beach
clean-up efforts.



Developing Cleaner Energy Technologies

As a leading global energy provider, Saudi Aramco is positioned to make substantial impacts in the development of future technologies. These include refinements to the extraction and use of fossil fuels as well as renewable energies.

Saudi Aramco continued its focus on cleaner-burning, more efficient fuel formulations for next-generation combustion engines. We are working on this in-house as well as in conjunction with other companies and institutions in the Kingdom and internationally.

Saudi Aramco’s **Renewable Energy Strategy** is designed to research, pilot, and locally commercialize and manufacture renewable energy in the Kingdom. Saudi Aramco is a member of the KFUPM Excellence Research Center for Renewable Energy, and we work

with the center to develop research topics with potential for high impacts on the Kingdom’s energy utilization, including for farm irrigation and cooling systems.

The **Saudi Aramco Mobil Refinery (SAMREF)** in Yanbu’, a joint venture of Saudi Aramco and ExxonMobil, inaugurated its **Clean Fuels Project**, demonstrating a continuing commitment to protect the Kingdom’s environment. The project will produce 82,000 bpd of ultra-low-sulfur diesel (10 parts per million) when it starts up in 2014, and independent industry surveys consistently show SAMREF as being a top-quartile performer compared with other fuel refineries in the world. The **Saudi Aramco Shell Refinery Co. (SASREF)**, a joint venture of Saudi Aramco and Shell, also launched a similar clean fuels project, producing 82,000 bpd of ultra-low-sulfur diesel fuel.

Scientists at our
R&D Center are
developing cleaner
burning fuel
formulations.

Making a difference:
EcoRight wastewater
treatment technology

Making use of scarce water resources is essential in the Kingdom. For instance, more than 70 percent of the Dhahran community’s irrigation water is already tertiary (used), saving 3 billion gallons of fresh water per year from being consumed since water recycling systems were first put in place.

Building on this need, the EcoRight™ membrane bioreactor (MBR), a new wastewater treatment technology developed by Saudi Aramco’s Environmental Protection Department, offers inexpensive treatments for oily or industrial wastewater. Saudi Aramco developed the base idea and then teamed with Siemens Water Technologies to develop the idea into a commercial product. Five patent applications are currently pending on the idea and associated technologies.

By allowing for inexpensive reuse of wastewater, the EcoRight system helps conserve groundwater while meeting strict environmental requirements and using much less energy-intensive technologies. This system can be used at all Saudi Aramco operating facilities that generate oily wastewater.

As the licensee, Siemens has identified a number of potential uses and anticipates significant market with potential sales all over the world. The license royalty payments will also help support the Saudi economy by committing Siemens to developing Saudi manufacturing capabilities. The system also qualifies as a green technology and can earn CO₂ reduction credits.

EcoRight is being pilot tested at Ras Tanura Refinery as a potential replacement for its waste injection well. It is also part of a proposed upgrade for the Jiddah Refinery Phase II Wastewater Treatment Upgrade Project.



We trial-tested an advanced **membrane separation technology** designed to remove nitrogen and acid gas contaminants from hydrocarbons, a potentially impactful tool to lighten the environmental footprint of petroleum.

Saudi Aramco marked milestones in renewable energy development and implementation. Collaborative projects were initiated with **solar photo-voltaic** pioneers, and several solar test fields were installed to assess the performances of different types of solar technologies under various climate conditions.

We created a new **Power Systems** organization within the company to plan and execute renewable energy projects. The company invested in building a 10-megawatt (MW) grid-connected solar power farm in Dhahran at our new North Park office building parking lot, the world’s largest project of its kind. In addition, solar energy was used experimentally as an alternative to burning diesel for power generation in remote areas, including a 500-kilowatt solar plant now under construction on Farasan Island, off the Kingdom’s Red Sea coast. A venture with Showa Shell in Japan saw the building of small-scale pilot solar power

facilities in Saudi Arabia with capacities of between 1-2 MW and formulation of plans to build manufacturing facilities in the Kingdom. Additional studies were carried out on wind and geothermal technologies.

We are continually looking for ways to reduce the energy consumption of our facilities.

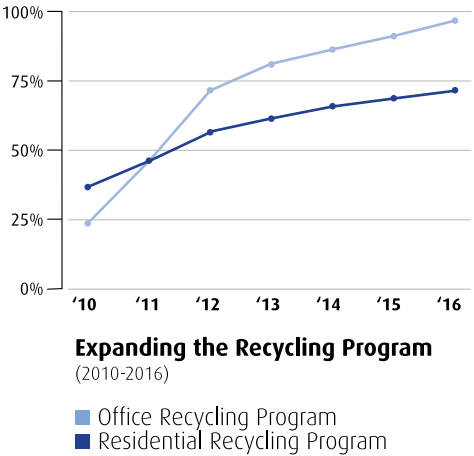
Energy consumption
is a pressing issue
for the Kingdom.

Looking
Forward

Engaging the domestic society in reducing energy demand will remain a priority in future years, and we will continue to support the Saudi Energy Efficiency Center, which will grow to include enforcement of local energy conservation laws in order to promote energy efficiency projects at the national level.

The Energy Management Program’s future includes implementing new conservation measures, investigating efficiency opportunities through energy assessments, improving our cogeneration plants’ performance, introducing and deploying new technologies, and sharing knowledge. Additional focus will be on compliance reviews, energy audits, energy optimization and continued involvement in national energy conservation efforts.

Saudi Aramco is leading efforts to design fuels aligned with the specifications of future engines. We are expanding our role as a collaborator in shaping the relationship between emerging engine technologies and fuels. We also work with automakers in developing fuel formulation methodologies for long-range planning.



Our commitments for 2011 and beyond include:

- Reducing total energy consumption of our existing facilities by **2** percent annually for the coming four years.
- Piloting an on-board carbon capture system for pickup trucks in 2011, along with a similar program focusing on reduced-emissions passenger vehicles.
- Continuing construction upgrades to increase sulfur recovery from 95 to **98.7** percent at Shedgum Gas Plant and Uthmaniyah Gas Plant by 2012.
- Increasing recycling awareness and rates in our offices and remote areas to reach **40** percent of employees in Dhahran and **25** percent in other operations by 2011 with the aim of engaging **95** percent of our workforce by 2016.
- Increasing the sanitary wastewater generated by company communities and facilities reused for landscape irrigation from 70 to **95** percent.

Saudi Aramco around the World

Saudi Aramco understands that its long-term success depends on it being a good citizen everywhere we or our affiliates do business.



USA

- Global Conferences** – Global Conferences – Saudi Aramco participated in global forums in North America, prominent events that drew energy leaders from government and industry. Some of these were the Cambridge Energy Research Associates Annual Conference, World Energy Congress, and the Energy Forum.
- Technical Meetings** – Saudi Aramco hosted the CO₂ Management Symposium, which drew professionals and researchers to learn about our investments in carbon management technologies, exchange ideas, and pursue opportunities for collaboration.
- Road to Success** – Our Road to Success orientation program for Saudi Aramco-sponsored students studying at U.S. universities addresses issues such as cultural awareness, campus life, personal and driver safety, and time management.
- G-Camp** – Saudi Aramco contributed to the development of the next generation of geoscientists through Texas A&M University's "G-Camp" program, which took science teachers, mainly from inner-city schools, on a 17-day field camp experience to deepen their understanding of geology.
- Houston Half Marathon** – Our USA affiliate Aramco Services Co. sponsored the Houston Half Marathon for the sixth consecutive year.

Europe

- European Academic Visit** – We sponsored the European Academic Visit to strengthen ties between academic institutions in the Kingdom and Europe by bringing students and professors to visit Saudi Aramco.
- Inspiring the Next Generation** – Saudi Aramco contributed to this program in which students from Saudi Arabia and the UK embarked on scientific research expeditions and worked in the field with scientists to help find solutions to environmental issues – including mapping migration patterns of whales and dolphins, and exploring how plants are used for medicinal purposes in Kenya.
- Delft University of Technology** – A donation was given to Delft University of Technology to fund research on desulphurization.
- Museon Museum** – Our donation to Science and Technology museum Museon will help renovate the museum's geology and technology room.
- Oxford Institute for Energy Studies**: A donation was made to the Oxford Institute for Energy Studies, a place for advanced research into social science areas of energy issues. The institute aims at promoting dialogue between consumers and producers, government and industry, academics and decisions-makers to gain a better understanding of energy markets.



Asia

- Expo 2010 Saudi Pavilion** – More than 4 million people visited the Saudi Arabia Pavilion in Shanghai, and our employees provided support at the pavilion. The graceful Saudi Pavilion, the exposition's second largest iconic structure after China's, was one of the event's most popular pavilions.
- Local Donations** – In Shanghai, Saudi Aramco donated to the Shanghai Municipal Welfare Foundation for the Disabled; the Humanitarian Relief and Aid Fund of Shanghai Red Cross Society; and the China Welfare Institute Children's Palace.
- Quangang Mongolian Primary School** – Saudi Aramco contributed to the Quangang Mongolian Primary School near the company's operations in Quanzhou, building on our 2009 donation. As a result, a running track was built, and classrooms are now equipped with computers, internet access and new learning aids.
- Hallym Sacred Heart Hospital** – Saudi Aramco contributed to Hallym Sacred Heart Hospital to assist child burn victims with costs associated with scar treatment.
- Student Exchange** – We contributed to a special university student exchange program that will focus on the Saudi-Japan energy relationship, on new challenges in renewable energy and energy conservation technologies.

Our Outlook

This Corporate Citizenship Report has aimed to provide insight into the ways Saudi Aramco makes a difference, and the internal journey the company is undertaking to make our programs and activities even more impactful.

In 2011 and beyond, Saudi Aramco will continue making a difference in creating sustainable economic growth in the Kingdom, supporting local communities, enabling educational opportunities and protecting the environment.

We will do this in ways that build on our core strengths and respond directly to society's most pressing needs, creating strategic collaborations for greater impact and evaluating our performance.



Goals and Targets

Economy

- To fund over **150** ventures in the next 10 years through the Saudi Aramco Entrepreneurship Center. These ventures are projected to generate more than **\$600 million** of annual revenue and create around **10,000** jobs in the next 10 years.
- To meet **82** percent of our services procurement needs and **94** percent of our materials procurement needs through local contractors by the end of 2011.
- To meet **30** percent of our material procurement needs through goods manufactured in the Kingdom by the end of 2011 — and **70** percent by 2020.
- To reach **70** percent Saudization level of the contractor workforce by 2020.
- To facilitate **80** visits to the Kingdom from outside experts from 2008-2012 under the Inspector Twin Program to share best practice with local manufacturers and encourage international competitiveness.

Community

- To reduce traffic accidents in the Eastern Province through our Traffic Safety Signature Program.
- To track the results of our charitable giving in order to improve and refine our donations strategy.
- To offer consistent, meaningful and complete volunteering experiences to employees and community members.

Knowledge

- To inspire **2 million** young people in the Kingdom by 2020.
- To support **35** students’ participation at the Saudi Research Science Institute through 2013.
- To target **185,000** users per year to access our Mathletics program over the next four years.
- To train **2,000** teachers and **50,000** students by 2011 through the Saudi Aramco/Siemens Discovery Program.
- To train **50** to **70** volunteers in the Electrical and Electronic Engineers (IEEE) program to bring hands-on engineering lessons into classrooms.
- To train volunteers from academia, industry and Government schools for the Teacher-In Service Program, focusing on math and science.
- To fund **20** interactive videos in 2011 through a partnership with SciTech and the Massachusetts Institute of Technology to stimulate student’s critical thinking and interest in science, technology, engineering and mathematic subjects.
- To sponsor **25** gifted students to attend King Abdullah University of Science and Technology (KAUST).
- To renovate all **139** Saudi Aramco Built Government Schools by 2013.

Environment

- To reduce total energy consumption of our existing facilities by **2** percent annually for the coming four years.
- To launch a pilot program to develop an on-board carbon capture system for pickup trucks in 2011, along with a similar program focusing on a reduced-emissions passenger vehicle.
- To continue construction upgrades to increase sulfur recovery from 95 to **98.7** percent at Shedgum Gas Plant and Uthmaniyah Gas Plant by 2012.
- To increase involvement in the recycling program to **40** percent of the Dhahran-based workforce and **25** percent of other operations by 2011, with the hope of engaging **95** percent of our workforce by 2016.
- To meet **95** percent of our landscape irrigation water needs through sanitary “tertiary” wastewater, up from 70 percent.



We recognize that being a good corporate citizen will continue to require our concerted efforts as a company. Everyone inside Saudi Aramco is integral to helping us on this journey and to achieving our goals.

However, our future success will depend not only upon Saudi Aramco's commitment, but also on the participation, engagement and contribution of the citizens and other institutions of Saudi Arabia and the world. It is our hope that, beyond communicating the extent of our own activity, this report and other citizenship communications can play a role in inspiring change and action outside the company.

It is only together that we will ensure that the company, as well as the people and places impacted by our work, continue to thrive into the 21st century.

We hope you find this report to be informative and clear. We welcome your feedback and questions. Please contact csr@aramco.com.



