Accelerated Transformation Program

Road Show Presentation
May 2011
Over the past 20 years, we have transformed into a multi-business company

- Increased scale with project portfolio quadrupling to meet upstream, downstream, and Kingdom requirements
- Increased scope and complexity with new business areas being added


- Oil production
- Gas production
- Refining
- Chemicals
- Power
- Kingdom engagement

Single Oil business  Multi-business company
We took our time and engaged deeply

Saudi Aramco Corporate Strategy timeline

2010

External Environment

Internal Health of the organization

Strategic Intent and Acceleration Program

2011

Detailing the Program and preparing for launch

Apr   May   Jun   Jul   Aug   Sep   Oct   Nov   Dec   Jan   Feb   Mar   Apr   May

Corporate Strategy kick-off

Corporate management workshop I

Corporate management workshop II

Meeting with HE Minister Naimi

Corporate management workshop III

ExCom meeting

Initiative manager selection

Launch

Interviews & OHI survey

VP workshop I

VP workshop II

Manager Workshops
Maintaining today’s earned household income in 2030 requires job creation and gains in compensation.

Growth in the labor force, combined with higher aspirations for participation and employment, will create a demand for roughly 6,200,000 private sector jobs in 2030.

- Public sector ability to absorb entrants to the labor force will be limited.
- Private sector will have to create 5 million new jobs for Saudis.
- Labor productivity must grow at least 3% p.a.

Sources: Saudi Arabian Monetary Agency, Ministry of Economy and Planning.
Three different sources to assess our organizational health

**Approach**

1. Surveyed 3,000 employees within the organization
2. In-depth interviews with 25 members of management
3. Conducted focus groups with over 150 individuals

**Organizational Health Index**

Benchmark of Saudi Aramco to other leading institutions across 9 organizational dimensions

**Findings**

- Overall, Saudi Aramco is a top quartile company
- Particular strengths include execution, innovation, and technical capability
- However, there is room for improvement in some organizational traits, including strategic direction, leadership, and accountability
Companies embark on transformations for different reasons

- In response to a sudden shock to the industry or company...

- In response to deteriorating financial performance...

- To change the culture of a company (e.g. from engineering to commercially oriented)...

- To unlock the full potential of an already successful company...
What will the future Saudi Aramco look like

<table>
<thead>
<tr>
<th>From ...</th>
<th>To ...</th>
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</thead>
<tbody>
<tr>
<td>From an oil and gas company</td>
<td>A fully integrated energy and chemicals company</td>
</tr>
<tr>
<td>A predominantly Saudi Arabian company</td>
<td>A truly global company with operations in over 50 countries</td>
</tr>
<tr>
<td>A company that has built itself as a great institution</td>
<td>A company that will facilitate the creation of a great industry</td>
</tr>
<tr>
<td>An oil &amp; gas supplier from Saudi Arabia to the world</td>
<td>An international conglomerate that is a truly competitive player globally</td>
</tr>
<tr>
<td>A <em>user</em> of the best technology</td>
<td>A <em>producer</em> of the best technology that others come to</td>
</tr>
<tr>
<td>A major source of revenue to the Kingdom</td>
<td>The catalyst for the Kingdom’s economic growth</td>
</tr>
<tr>
<td>A company the Kingdom is proud of</td>
<td>A company the world is proud of</td>
</tr>
</tbody>
</table>
The 2020 Strategic Intent (1/2)

In 2020, Saudi Aramco is the world’s leading integrated energy and chemicals company, focused on maximizing its income, facilitating the sustainable and diversified expansion of the Kingdom’s economy, and enabling a globally competitive and vibrant Saudi energy sector.

By 2020 Saudi Aramco has delivered or helped to develop

1. **An agile organization which is one of the most respected employers globally.** Saudi Aramco has attracted the most talented and motivated men and women in the energy industry by offering challenging and fulfilling career opportunities that enrich their personal and professional development. Founded on our heritage of ethics and values, we have a leadership culture of accountability for top performance.

2. **A preeminent oil and gas exploration and production business.** Saudi Aramco has solidified its upstream industry leadership in cost, reliability, efficiency, safety, and stewardship of the environment and the Kingdom’s hydrocarbon resources. We have expanded the Kingdom’s resource base, achieved industry leadership in upstream technology development, and mastered new capabilities in extracting challenging and unconventional resources.

3. **An integrated global-scale refining and chemicals business that leads in performance, profitability and technical innovation.** Saudi Aramco has profitably and efficiently met the needs for refined products in the Kingdom; created export-oriented, integrated mega-complexes of refining and chemicals; and enabled the creation of a vibrant chemicals conversion sector leveraging the Kingdom’s primary chemical industry. We have profitably invested in refining and chemical businesses to create strong, competitive positions in strategic and high-growth economies worldwide.
In 2020, Saudi Aramco is the world’s leading integrated energy and chemicals company, focused on maximizing its income, facilitating the sustainable and diversified expansion of the Kingdom’s economy, and enabling a globally competitive and vibrant Saudi energy sector.

By 2020 Saudi Aramco has delivered or helped to develop:

4 Leadership in technology development and a flourishing Knowledge Economy in the Kingdom. Saudi Aramco is known as much for its innovation culture and energy research and technology development capabilities as for the scale and reliability of its Upstream and Downstream operations. We have achieved world-class technology capabilities in oil, gas, chemicals and alternative energy. Through our active network of universities, think tanks, and research centers, we have become a catalyst for the development of the education sector and the Kingdom’s knowledge economy.

5 An energy-efficient national economy. Saudi Aramco supported the diversification of the Kingdom’s energy mix and the transition to energy-efficient utilities, transport and industry sectors by developing generation facilities, leveraging our existing assets and capabilities, and playing an active role in reducing the country’s energy intensity.

6 An export-oriented sector of energy-support industries. Saudi Aramco has actively supported the establishment of a vibrant Saudi energy industry – including alternative energy – in the manufacturing, engineering, construction, and energy services sectors. This industry is now serving the majority of our needs and is competing internationally at significant scale.
### The Wave 1 Acceleration Program

In 2020, Saudi Aramco is the world's leading integrated energy and chemicals company, focused on maximizing its income, facilitating the sustainable and diversified expansion of the Kingdom’s economy, and enabling a globally competitive and vibrant Saudi energy sector.

<table>
<thead>
<tr>
<th>Driving a proactive approach to business strategy</th>
<th>Help country, build a great industry</th>
<th>Delivering an agile, flexible and efficient organization</th>
<th>Improving our work culture and quality of leadership</th>
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</thead>
<tbody>
<tr>
<td><strong>Crude mix production strategy</strong>&lt;br&gt;Establish an integrated value chain approach</td>
<td><strong>Competitive Saudi energy sector</strong>&lt;br&gt;Develop a competitive Saudi energy sector</td>
<td><strong>Operational excellence</strong>&lt;br&gt;World class reliability, cost and safety performance</td>
<td><strong>Leadership engine</strong>&lt;br&gt;- Leadership selection and development&lt;br&gt;- Leadership bench&lt;br&gt;- Performance differentiation&lt;br&gt;- Technical competence&lt;br&gt;- Accelerate the development of young talent&lt;br&gt;- Re-examine HR-policies</td>
</tr>
<tr>
<td><strong>Unconventional gas</strong>&lt;br&gt;Explore and develop the Kingdom’s unconventional gas resources</td>
<td><strong>Kingdom’s domestic energy</strong>&lt;br&gt;- Promote energy efficient economy&lt;br&gt;- Develop alternative energy options</td>
<td><strong>Capital efficiency</strong>&lt;br&gt;Improve capital efficiency by 20% by 2015</td>
<td></td>
</tr>
<tr>
<td><strong>Chemicals</strong>&lt;br&gt;Build a top global chemicals company</td>
<td><strong>Technology</strong>&lt;br&gt;Build a technology portfolio to enable global competitiveness of Saudi energy sector</td>
<td><strong>Strategy development and corporate decision making</strong>&lt;br&gt;Deliver strategic clarity and informed, agile decision making</td>
<td></td>
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<tr>
<td><strong>Refining &amp; marketing</strong>&lt;br&gt;- Support chemicals growth&lt;br&gt;- Deliver international marketing strategy&lt;br&gt;- Efficiently &amp; cost effectively meet domestic demand</td>
<td></td>
<td><strong>Planning &amp; budgeting</strong>&lt;br&gt;Link planning &amp; Budgeting activities to day to day execution needs</td>
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<td></td>
<td></td>
<td><strong>Business performance measurement &amp; management</strong>&lt;br&gt;- Transparency on performance and root causes&lt;br&gt;- Impactful performance measurements</td>
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<td></td>
<td></td>
<td><strong>Business process streamlining</strong>&lt;br&gt;- Eliminate low value added business processes&lt;br&gt;- Align accountability, responsibility and authority</td>
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*To be scoped and launched after summer*
The groups that will drive the Transformation program

- **Strategy Council**
  - Sets direction for the company’s strategic agenda
  - Governs the overall Transformation structure and execution

- **Young Leaders Advisory Board**
- **STO**

- **Initiative leader 1**
- **Initiative leader 2**
- **Initiative leader 3**
- **Initiative leader x**

- Acts as an agent of change
- Acts as sounding board to ATP
- Overall accountable for an initiative to the Strategy Council
- Leads initiative teams

- Integrates collective requirements across initiatives
- Ensures sustainability of program over time
- Supports teams e.g. scope clarification and resourcing
- Monitors overall progress
- Supports and nourishes the Y-LAB
The initiative team set-up has been designed to get real traction

Design principles:
- Dedicated teams to avoid current fragmentation
- Use program to build leaders of tomorrow

Full team:
- Initiative leader (20%)
- Initiative manager (100%)
- 2-3 core team members (100%)
- 1 STO subject matter expert (30-50%)
- Part-time Team members

Nucleus:
- Overall accountable for an initiative to the Strategy Council
- Driver of day-to-day work

Supports team and ensures integration with overall program
Provide input and are expected to also deliver outcomes

Day-to-day “team engine room”
# The team leaders and managers

<table>
<thead>
<tr>
<th>Description</th>
<th>Initiative Leaders</th>
<th>Initiative Managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Long-term crude production mix</td>
<td>M. Qahtani</td>
<td>W. Mulhim</td>
</tr>
<tr>
<td>2 Unconventional Gas</td>
<td>A. Naim</td>
<td>B. Gratto</td>
</tr>
<tr>
<td>3 Chemicals</td>
<td>A. Judaimi</td>
<td>P. Rooney</td>
</tr>
<tr>
<td>4 Refining and marketing</td>
<td>D. Dawood</td>
<td>M.S. Shammarri</td>
</tr>
<tr>
<td>5 Operational excellence*</td>
<td>TBD</td>
<td>TBD</td>
</tr>
<tr>
<td>6 Capital efficiency</td>
<td>A. Saadan</td>
<td>H. Derhalli</td>
</tr>
<tr>
<td>7 Technology</td>
<td>A. Othman</td>
<td>A. Chowdhry</td>
</tr>
<tr>
<td>8 Kingdom's domestic energy</td>
<td>A. Wuhaib</td>
<td>Z. Shiha</td>
</tr>
<tr>
<td>9 Competitive Saudi energy sector</td>
<td>M. Ma’ashouq</td>
<td>N. Yami</td>
</tr>
<tr>
<td>10 Strategy development and corporate decision making</td>
<td>A. Muhareb</td>
<td>Y. Mufti</td>
</tr>
<tr>
<td>11 Planning &amp; budgeting</td>
<td>A. Muhareb</td>
<td>R. Krygsman</td>
</tr>
<tr>
<td>12 Business Performance Measurement &amp; Management</td>
<td>A. Nasser</td>
<td>B. Tahir</td>
</tr>
<tr>
<td>13 Business Process Streamlining</td>
<td>M. Rafie</td>
<td>A. Bugaighis</td>
</tr>
<tr>
<td>14 Leadership engine</td>
<td>S. Tubayyeb</td>
<td>A. Shammarri</td>
</tr>
</tbody>
</table>

* To be scoped and launched after summer
Teams will co-locate (North Admin cluster example)
Addressing behaviors is critical for a transformation to succeed.
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<th>From...</th>
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<tr>
<td>I provide clear directions and instructions to my teams...</td>
<td>I actively solicit different perspectives from my area...</td>
</tr>
<tr>
<td>I achieve results while <strong>avoiding difficult conversations</strong> with others to stay away from confrontations...</td>
<td>I tackle issues transparently, <strong>tactfully giving the right feedback</strong> to others to achieve <strong>maximum effectiveness</strong>...</td>
</tr>
<tr>
<td>Identify issues raised by my people to replicate the work of others; question and challenge the assumptions presented to me...</td>
<td>I focus on the <strong>best solution for my business area</strong> concentrating on the inputs we make to the process...</td>
</tr>
<tr>
<td>I solve for the <strong>best outcomes for the Company</strong> focusing on both the inputs and the outputs of the process...</td>
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</tr>
<tr>
<td>I execute the Saudi Aramco way – quickly and best in class...</td>
<td>I execute the new Saudi Aramco way – quickly, best in class...</td>
</tr>
<tr>
<td>I see myself as part of a team contributing towards a solution, but the outcomes are beyond my control...</td>
<td>I see myself as accountable for the outcomes, even when I need to work with others...</td>
</tr>
</tbody>
</table>
Our journey of commitment so far

A. We **invested significant time and effort** in understanding both the internal and external context.

B. We **listened to the organization** in defining the Strategic Intent and the Accelerated Transformation program through interviews, workshops, and surveys.

C. We have put in place **structured governance** including clear charters of scope and the main questions to address for each initiative.

D. We have created **the commitment to succeed** with a full day per month for the strategy council and **full-time, high-powered and co-located teams** with appropriate resourcing.

E. The program has from the outset **focused on behavioral elements** in addition to technical and managerial.

F. The transformation will be **permanent and sustained**, driven by the **Strategic Transformation Office**.
What a successful transformation will mean for you

A much **clearer strategic direction** understood across the company

A **better working environment** with less frustration about bureaucracy

A better way **to select and develop the leaders** for the future

A **global company** with vast international opportunities for our employees

**Stronger accountability** and a clearer link between performance and reward

A more **diversified Saudi economy** with more high-value jobs and greater prosperity for future generations
The 2020 Strategic Intent provides an integrated view of our strategic priorities and aligns our employees.

The Accelerated Transformation Program is the blueprint to energize the Company and to deliver the right renewal in culture and activities.

Sustained effort from all levels of Management required to achieve the goals of the Accelerated Transformation Program.

We need to create excitement throughout the company and be realistic that change takes time and will require significant effort and involvement of people across the company.
Final thoughts...

- The Accelerated Transformation Program has **High aspirations**, but will exhibit **practicality and humility** in implementation.

- For any renewal and change, thoughts and designs are not enough, **engagement and execution** are critical for success.

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**A dream without action is a fantasy**

**And action without a dream is a nightmare!**