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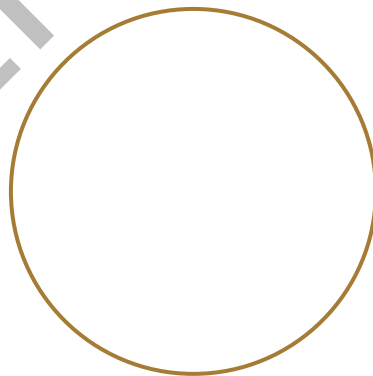
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1. Purpose

- This guide serves as the main reference to the policies used for financial planning and control inside SAPTCO.
- It establishes a set of rules to manage accuracy and reliability of financial forecast reports.
- It defines a set of measures to control the financial efficiency of operations transactions, and to manage potential financial risks.
- The policies included in this guide are:
 - General Budgeting Guidelines.
 - Annual Budget Preparation Policy.
 - Budget Adjustment / Override Policy.
 - Budget Control Policy.
 - Financial Control Policy.

2. Scope

Policies mentioned in this guide apply to all SAPTCO employees, including direct, indirect, and contractor employees and consultants, in addition to legal personalities including groups, sectors, committees and other forms of administrative units, inside the organization. They also apply to systems used by SAPTCO.


Policies in this guide cover all financial requirements required to execute annual business plans, to calculate revenues and expenditures, and to forecast profitability of business units in an approved business scenario.

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The Annual Budget is prepared to cover a full fiscal year and shall be based on SAPTCO strategy and the approved business plans.

3. Ownership, Roles and Responsibilities

- The implementation of policies in this guide is the responsibility of the sector managing financial planning, financial control, and budgeting control functions inside SAPTCO (herein referred to as The Budgeting Sector), and therefore any modification, addition, or deletion of any of the contents of these policies is the responsibility of this sector.
- The Budgeting Sector is responsible for financial planning and analysis, budgeting, budget implementation with relevant sectors, and advising recommendations to close gaps or to avoid possible deviations and taking measures to control the financial ability to fulfill its business obligations in the budgeted period.
- Amending this document is done after getting these amendments approved according to the authority matrix, then the Quality and Safety Sector can issue an amended document and saves it according to the approved documentation process.
- The Internal Audit Sector is responsible for reviewing implementation to ensure that the policy is effective and that it is being followed by all relevant parties as intended.
- All documents and templates used in budget preparation, consolidation, authorization, monitoring, controlling, and reporting are the responsibility of The Budgeting Sector. The Budgeting Sector is the entity responsible to

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establish, maintain and update these templates according to business needs.

- The following inputs are imperative for budgeting and shall be prepared and committed to- by all relevant sectors in due time:
 - Revenues Budget.
 - Operational Expenditure Budget.
 - Capital Expenditure Budget.

4. References

Policies included in this guide were developed in accordance with best financial practices and relevant experiences of similar companies, in addition to the procedures and laws that SAPTCO abides by.

5. Policies

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1. General Budgeting Guidelines

(Code: FM-BG-2-01)

Objective


This policy contains a group of general rules to control the quantitative representation of business goals SAPTCO aspires to achieve in the following fiscal year and sets the foundations and assumptions on which the budget is going to be built.

Ensure that the budget structure and its contents are prepared with ease and can be monitored & controlled.


It also enables measuring budget effectiveness using defined financial KPIs, such as reduced costs, or enhanced profitability ratios.

Statements


- 1.1 General Guidelines shall be received from top management prior to the preparation of budget estimates and must be communicated with all sectors inside SAPTCO.
- 1.2 The General Guidelines shall include direction for the development of financial scenario(s) – if needed, based on an extent of business certainty, and shall accommodate foreseen variations in business assumptions.

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- 1.3 At every budgeting cycle, all sectors shall define delegate(s) to whom all communications from the Budgeting Sector relevant to focal budgeting cycle shall be addressed.
- 1.4 All sectors are committed to submit their budget estimates on designated templates to the best of their knowledge and according to Annual Budget Preparation Policy (FM-BG-2-02).
- 1.5 A definition of operating Sectors (the sectors responsible for generating operating revenues for SAPTCO) shall be done by The Budgeting Sector at every budgeting cycle.
- 1.6 Individual business plans set by the operating Sectors must include revenue estimates for all business lines according to the top management guidelines.
- 1.7 All sectors shall clarify the bases and assumptions on which the budget proposals were built.
- 1.8 Project budgets are the responsibility of designated project manager(s) in compliance with Project Management Policies (CT-PM-2-00) and are considered within the relevant sector(s) budget(s).
- 1.9 Employee salary budget figures are treated in an aggregated manner and handled as such for each costing unit inside SAPTCO, this is in close coordination with the relevant support sectors.
- 1.10 All measures must be considered and factored-in the budgeting cycle by The Budgeting Sector to fulfill budget authorization and release dates.

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1.11 The Budgeting Sector is committed to complete the budget authorization and to announce final figures to all relevant sectors before the beginning of the budgeted fiscal year.

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2. Annual Budget Preparation Policy (Code: FM-BG-2-02)

Objective

This policy covers the framework of the budget preparation, on departmental and sectoral levels, in addition to the budget consolidation for all business areas inside SAPTCO on an annual basis.

This policy aims at establishing rules required to prepare estimates of revenues (sources), operational and capital expenditure (uses) effectively, and this contributes to steady cash flow and enables an accurate assessment of the business transactions financial impact compared to the budget.


Statement

2.1 Budget preparation schedule

- 2.1.1 A timetable must be prepared, with durations, clear cut-off dates, and key milestone before the budgeting cycle.
- 2.1.2 Variances in actual execution of timetable must be factored-in and reflected as they occur on the date of remaining milestones.

2.2 Preparing the sectoral budget

- 2.2.1 Sectoral budgets are prepared annually with monthly breakdowns.
- 2.2.2 Sectoral budgets must be based on the approved strategy and business plan in effect for the budgeted period.

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- 2.2.3 All sectors can consult The Budgeting Sector for relevant financial inputs required to prepare their budget estimates.
- 2.2.4 Each sector is responsible for preparing its own budget.
- 2.2.5 Unused budget amounts in a previously closed fiscal year are not carried forward.
- 2.2.6 Budgeted capital expenditure for each sector must include estimates to additions and write-offs of relevant fixed assets during the budgeted period.
- 2.2.7 The Budgeting Sector is responsible for ensuring that budgets are prepared by all sectors in a correct manner, according to General Budgeting Guidelines (FM-BG-2-01), and on the templates in effect at the time of budgeting.

2.3 The consolidated general budget


- 2.3.1 The consolidated budget must be compiled in a dedicated template after sectoral budgets were negotiated and approved.
- 2.3.2 The Budgeting Sector is responsible for compiling the company's overall budget.

2.4 Budget approval

- 2.4.1 Budget drafts must be reviewed by and negotiated with The Designated Authority (according to the authority matrix) prior to getting it approved, and each sector shall have chance to present and negotiate their individual budgets in close coordination with The Budgeting Sector.

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- 2.4.2 Sectoral and consolidated budgets must be authorized by The Designated Authority to become in effect. All unapproved versions of budget are considered unauthorized and must not be used by sectors.
- 2.4.3 In case many scenarios were prepared during the budgeting cycle, only one scenario shall be accounted, in order to track and measure financial performance correctly during the budgeted period.
- 2.4.4 The approved budget must be treated within the ERP system in effect and all sectors are committed to work with the loaded version.
- 2.4.5 In the event when the budget is not approved in due time, exceptional authorizations from The Designated Authority must be obtained to allocate figures, on the budgeted period, to work with until a formal authorization of budget is completed. Under all circumstances, those allocated figures must be incorporated in the final approved budget.

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3. Budget Adjustment / Override Policy (Code: FM-BG-2-03)

Objective

The policy sets fundamental principles to ensure that amendments and updates of budget figures during budget implementation period are controlled and that the consolidated budget is maintained.

The objective of the policy is to document and control all adjustments, to the approved budget, while keeping resilience that some departments may need to adjust or make transfers between accounts to manage potential risks.


Statement

3.1 Exceeding the budget for emergency situations

3.1.1 Exceeding the approved budget is not permitted under all circumstances - including emergencies - without being approved from The Designated Authority.

3.1.2 Adjustment in budget figures can be accepted in very special conditions to be decided by top management, within General Guidelines including with no limitation: invalid business assumptions in the period of adjustment.

3.1.3 All approved adjustments must be reflected on the company ERP after getting them approved by The Designated Authority.

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3.1.4 All approved adjustments must be applied only to the financial scenario in effect, at the period of adjustment.

3.1.5 The sector exceeding budget must justify the deviation with all supporting documents and to the best of their knowledge.

3.1.6 Adjustments shall come to effect only for the remainder of the budgeting period, and no retroactive adjustment to the approved budget figures shall be applied on closed periods.


3.2 Budget transfers or carryovers

3.2.1 Transfers and carryovers shall only be affected with due authorization from The Designated Authority.

3.2.2 Transfers between budget accounts shall only be accepted between two or more budgetary items, within the same accounting group or within the same sector, so that the total budget amount of the accounting group or sector is not affected.

3.2.3 Budget figures can be carried-over from one month to another future month only within the same budgeting period, and no budget carryovers shall be accepted between closed periods.

3.2.4 Transfers must be studied by The Budgeting Sector, and no transfers or carryovers shall be accepted when it can cause a deficit in one or more of the budgetary items, within the budgeting period.

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4. Budget Control Policy

(Code: FM-BG-2-04)

Objective


This policy involves all regulatory requirements needed to monitor financial transactions, related to the approved budget, for the management to take the proper decisions when it comes to financial resources usage.

The policy aims to establish rules to:


- Track all budgetary items comprehensively.
- Establish measures that ensure that the actual spending do not exceed approved budget.
- Review budget-related reports.

Statement

- 4.1 The Budgeting Sector is responsible to track and monitor financial performance. of all sectors in relation to budget. and to develop related budget compliance reports.
- 4.2 All sectors shall be able to access their business financial results related to the budget, but the only authorized reports for business use shall be the reports developed by The Budgeting Sector. Any reports not approved by The Budgeting Sector can be treated as preliminary and shall not be recognized for decision making.

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- 4.3 Actual financial results are compared with budget, at least once monthly, as part of the monthly performance monitoring process. Other additional comparison reports can be produced (quarterly or semi-annually) when requested.
- 4.4 The Budgeting Sector can supersede – with proper written justification – the sectors’ financial decisions, when it is evident it will cause significant deviations from the approved budget.
- 4.5 All sectors are responsible to provide The Budgeting Sector with proper justification for any significant deviation from the approved budget promptly.
- 4.6 All sectors with figures deviating from the budget shall have the chance to present their justification(s) to The Designated Authority in close coordination with The Budgeting Sector.
- 4.7 Corrective actions cannot be applied to the budget without due approval from The Designated Authority and in accordance with the conditions in Budget Adjustment / Override Policy (FM-BG-2-03).
- 4.8 Budget estimates for the remainder of the budgeting period, once budget adjustment is approved, shall be updated only for the financial scenario in effect.

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5. Financial Control Policy

(Code: FM-BG-2-05)

Objective

This policy includes all rules required to: monitor financial and administrative accounting activities and financing activities and report financial resources usage.

The policy aims to control:

- All financial transactions within SAPTCO to ensure integrity.
- Quality of financial reports produced by SAPTCO.

Statement


5.1 Financial reporting

5.1.1 An update to the budgeted income statement shall be produced, at least once monthly, and communicated to the relevant sectors, inside SAPTCO.

5.2 Financial control

5.2.1 Records must be maintained to all adjustments, transfers and carry-overs done based on recommendations and observations, from audit authorities, to monitor compliance and ensure implementation.

5.2.2 The Budgeting Sector must review all agreements and contracts that can produce short-term liabilities (up to 12 months) against the approved budget.

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- 5.2.3 Agreements and contracts that can impact receivables significantly, during the budgeting period (from 3 to up to 12 months), must be reviewed and accounted for by The Budgeting Sector.
- 5.2.4 Agreements and contracts, spanning more than 12 months, shall be accounted in the relevant budgeting cycles.