

# In-Kingdom Total Value Add Program

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## 2016 IKTVA Survey Guide

أرامكو السعودية  
Saudi Aramco



# Introduction

Saudi Aramco (SA) is in its second year of implementing its new strategic initiative entitled In-Kingdom Total Value Add (IKTVA). The IKTVA program requires our suppliers to report qualitative and quantitative information that falls into eight major categories:

1. Revenue;
2. Goods, Services, and Depreciation/Amortization;
3. Saudi Payroll Related Costs;
4. Saudi Training and Development;
5. Saudi Supplier Development;
6. Research and Development;
7. Investments; and
8. Other.

From this data, Saudi Aramco calculates an IKTVA ratio that approximates the percent of Saudi Aramco's spend that remains in Kingdom or develops the Kingdom's supply chain and capabilities. At a high level, the IKTVA ratio formula is illustrated below:

A. Localized goods and services (\$)  
B. Salaries paid to Saudis (\$)  
C. Training & Development of Saudis (\$)  
D. Supplier Development Spend (\$)  
r. Local Research and Development (\$)

E. In relation to revenue

Supplier IKTVA Formula

$$\% \text{ IKTVA} = \left[ \frac{A+B+C+D+r}{E} \right] * 100$$

In most cases, Saudi Aramco requires third party verification of the company's IKTVA survey. See the IKTVA website ([www.iktva.sa](http://www.iktva.sa)) for a list of auditors that have been approved to perform these services. However, if the company only has operations outside of the Kingdom and/or the amount of In-Kingdom content is minimal (less than

5%), then it may self-certify. Please contact Saudi Aramco's IKTVA Support Group for further guidance or other IKTVA related inquiries at [iktvasurveyinfo@aramco.com](mailto:iktvasurveyinfo@aramco.com).

We require that our suppliers submit the survey on an annual basis. For those companies submitting their IKTVA results for the first time, the certified IKTVA survey is due within seven months after the company's fiscal year end. All others will be due within five months after the company's fiscal year end.

Throughout this survey guide, the Page Number headings corresponds to the separate tabs which have been incorporated into the Excel survey tool that is used to complete the survey.

# General Instructions

As your company completes the survey, the following general guidelines should be followed:

1. All financial amounts should be reported in USD.
2. Amounts reported should correspond to the company's fiscal year end and audited financial statements. Many of the IKTVA numbers are a subset of the company's audited financial results.
3. Revenues and costs reported in the IKTVA survey should be consistent with the revenues and costs the company would report utilizing International Financial Reporting Standards (IFRS) or Generally Accepted Accounting Principles (GAAP) in Saudi Arabia. For example, if the company does not recognize an item as revenue or an expense in its income statement, then it cannot be claimed in the IKTVA report.
4. Amounts reported in Sections 1.0 through 6.0 should not be double counted. For example, if an In-Kingdom training service provider's costs are shown in Section 2.0 Goods, Services, & Depreciation/Amortization, these costs cannot be counted again in Section 4.0 Training and Development of Saudis. The company may only assigns costs to a single category.
5. The company's submission should be on a consolidated basis and include all related entities that do business with Saudi Aramco or other Kingdom of Saudi Arabia (KSA) customers.
6. For partially owned Joint Ventures (JVs), affiliates and subsidiaries, the company will only recognize its ownership share of the related companies' results. For example, if you own 40% of a joint venture, then you can incorporate 40% of the In-Kingdom revenues, costs, headcounts, and investments into your IKTVA results. If the company's ownership is less than 20%, then the related entity can be excluded at the company's option.
7. The company will need to eliminate any intercompany transactions between related entities that are included in the survey when completing a consolidated IKTVA survey.

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## KEY TOPICS

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**Incorporating subsidiaries and affiliates**

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**Supporting documentation required**

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**Using consistent assumptions and methodologies**

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8. Assumptions and calculation methodologies utilized in preparing the survey should be consistent with the guidelines provided by Saudi Aramco or provided for on [www.iktva.sa](http://www.iktva.sa).
9. Each year reported consists of two columns: (a) a column denoting revenues, costs and headcounts related to doing business with Saudi Aramco; and (b) a column denoting revenues, costs and headcounts related to doing business with all KSA customers, including Saudi Aramco. The Saudi Aramco column should be a subset of the Total KSA column.
10. As the company prepares its IKTVA survey, it should gather documentation and reference materials which will support the numbers being reported. The numbers will need to stand up to auditor scrutiny and be supported by an appropriate paper trail similar to what is required for the company's year-end financial audit.
11. For the most part, the numbers within the survey that are colored in blue are the ones where the company will be required to input data. The black numbers are formulas and calculations that are derived from data input into other areas of the spreadsheet.
12. Make sure the company completes the survey tool that best fits its situation. If the company is a first time filer of a certified IKTVA report, then it would use the First Time Filer IKTVA Worksheet. Otherwise it would use the regular survey tool. Both are located on the IKTVA website ([www.iktva.sa](http://www.iktva.sa)).

## **Page 1: Company Information**

**T**his section contains general information about the company and the types of products and services offered. Please complete the following:

1. Provide name and address of the company and the person in the company's organization who is the main point of contact for completing the IKTVA survey. Also provide the company's fiscal year end, commercial registration number(s), and Saudi Aramco vender identification number(s), if applicable.
2. Give a brief description of the goods and services the company provides. This should be limited to just a few sentences.
3. At a high level, highlight the company's progress and support of the IKTVA program during the last year.
4. List the global geographical locations from where the company operates to support Saudi Aramco or other KSA customers.
5. Provide a list of any companies, including percentage ownership and vendor identification number if available, of any of the company's related entities (wholly or partially owned subsidiaries, affiliates, JVs) whose results are incorporated into the survey.

## Page 2: IKTVA Schedule

**A**s mentioned earlier, the survey which the company utilizes will be slightly different depending on whether it is submitting a certified IKTVA survey for the first time or it has previously submitted a survey.

The main difference between the two versions of the survey is the source for the historical information. If the company submitted a certified IKTVA survey in the prior year, then it will use the regular survey tool. Only the current year will need to undergo the full agreed upon procedures by the company's auditor. To complete the information required for the historical periods (2013 to 2015), you will use the company's final survey summary provided by Saudi Aramco to populate the amounts. To obtain a copy of the final survey summary, send an email request to [iktvasurveyinfo@aramco.com](mailto:iktvasurveyinfo@aramco.com).

<b>KEY TOPICS</b>
<b><u>Including revenues for IK and OOK operations</u></b>
<b><u>Costs which are excluded</u></b>
<b><u>Types of costs to include as compensation</u></b>
<b><u>Examples of supplier development activities</u></b>

Those who are submitting a certified IKTVA survey for first time will use the first time filer survey tool. In this survey, the company will provide the detailed information and its auditor will perform their audit procedures on all three years.

Regardless of which survey tool the company utilizes, the instructions provided below will apply.

## 1.0 Revenue

The revenue section captures the company's revenue generated from goods and services provided to Saudi Aramco and other KSA customers and exports from In-Kingdom operations. The amounts reported should include the total revenue, whether derived from the company's In-Kingdom (IK) or out-of-Kingdom (OOK) operations.

Revenue is broken down into three separate lines on the survey:

1. IK revenue derived from IK operations.
2. IK revenue derived from OOK operations.
3. OOK revenue generated through IK operations (export revenue).

Please note that the Saudi Aramco revenue amounts should include revenue received directly and indirectly from Saudi Aramco. For example, if the company is an Engineering, Procurement and Construction (EPC) firm and is working as a subcontractor on a Saudi Aramco project, it should report revenue from this contract as Saudi Aramco revenue even though the company may invoice and receive payment from the main contractor. The same philosophy applies if the company sell goods and/or services through a broker or agent to one of our overseas affiliates (like AOC and ASC). If the ship-to address, unique product characteristics, project location, or other facts and circumstances link the revenue to Saudi Aramco's IK operations, then the revenue should be included as part of the Saudi Aramco revenue and the Total KSA revenue amounts.

However, revenue derived from partially owned subsidiaries of Saudi Aramco should not be included. As a general rule, revenue generated from JVs or partially owned companies such as SADARA, PetroRabigh, YASREF, SAMREF and others should be captured in Total KSA revenue, but not included in Saudi Aramco revenue.

Once your company has determined its total yearly revenue from Saudi Aramco, it should confirm that this revenue closely matches Saudi Aramco's records. If its IKTVA survey is audited, the company's approved auditor will also perform this step. Confirmation can be obtained by sending annual revenue amounts to [iktvasurveyinfo@aramco.com](mailto:iktvasurveyinfo@aramco.com) with Revenue Confirmation in the subject line.

## 2.0 IK Goods, Services & Depreciation/Amortization

Section 2.0 Goods, Services and Depreciation/Amortization provides the company's IK supply chain purchases. The numbers under the Total KSA column come directly from Section 8.0 Top In-Kingdom Suppliers and Section 11.0 Asset Depreciation and Amortization (see Sections 8.0 and 11.0 of this guide). The IK Portion column total from

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Section 8.0 should equal the amount reported as Goods and Services in Section 2.0 for Total KSA. This section also includes depreciation and amortization of fixed or other tangible and intangible long terms assets procured IK as summarized in Section 11.0.

### *Goods and Services*

For IKTVA purposes, Goods and Services is not meant to be limited to Gross Margin type costs. In addition to expenditures that would normally be included in Cost of Goods Sold, Cost of Sales, or Cost of Services, the Goods and Services category is intended to capture purchases from IK suppliers regardless of how it is classified on a traditional income statement. As a result, general and administrative, selling, marketing, financing charges are all examples of expenses that can be included in Goods and Services if procured from a local supplier.

By design, however, there are some types of costs that are purposefully excluded. In order to respect confidentiality of and sensitivity to the company's total earnings, expenditures that might give an indication of profitability like income tax, zakat, and dividends have been excluded. In addition, most fees paid to a government agency are excluded, unless specifically related to compensation directed toward Saudi Nationals like end of service awards. Capital expenditures are also excluded. Depreciation and amortization resulting from capital expenditure items are captured on a separate line item within the Goods and Services category.

Table A gives some specific examples of types of expenses that are to be included (if procured from IK suppliers) and excluded. See frequently asked questions (FAQs) on [www.iktva.sa](http://www.iktva.sa) for additional guidance.

Table A

Types of Goods and Services Procured from IK Suppliers and Services Providers

Included	Excluded
<ul style="list-style-type: none"> <li>• Materials and supplies</li> <li>• Transportation/shipping</li> <li>• Professional services</li> <li>• Catering</li> <li>• Equipment rental</li> <li>• Temporary manpower</li> <li>• Benefits provided to expats (e.g. insurance, education assistance, housing, car allowance, etc.)</li> <li>• Utilities</li> <li>• Contractors/consultants</li> <li>• Insurance</li> <li>• Financing</li> <li>• Travel &amp; accommodations</li> <li>• Security services</li> </ul>	<ul style="list-style-type: none"> <li>• Income taxes, Zakat, and related penalties</li> <li>• Withholding taxes</li> <li>• Customs and duties</li> <li>• VISA and iqama fees</li> <li>• Other government fees</li> <li>• Intercompany costs for consolidated entities</li> <li>• Costs associated with payroll and benefits for Saudis (these costs are included under Section 3.0 Saudi Payroll)</li> <li>• Costs associated with training of Saudis (these costs are included under Section 4.0 Training and Development of Saudis)</li> <li>• Costs associated with supplier development (these costs are included under Section 5.0 Supplier and Customer Development)</li> <li>• Costs associated with research &amp; development (these costs are included under Section 6.0 Research &amp; Development)</li> <li>• Capital expenditures</li> </ul>

## Depreciation and Amortization

The depreciation and amortization amounts for IK capital expenditures are brought forward from Section 11.0 Asset Depreciation and Amortization. See page Section 11.0 of this guide for more details.

## Allocation of Costs to Saudi Aramco

Once the company calculates the portion of IK based purchases for the Total KSA revenue, then it must determine the best approach for assigning a portion of these costs to Saudi Aramco. There are two methodologies to accomplish this:

1. The company may use the ratio of Saudi Aramco revenue divided by KSA revenue to assign costs. The resulting calculation would be as follows:

$$\frac{\text{Saudi Aramco Revenue from IK Operations}}{\text{Total KSA Revenue from IK Operations} + \text{Exports}} \times \text{Total Goods and Services}$$

		2016	
	Description <sup>1</sup>	Saudi Aramco	Total KSA
<b>1.0 In-Kingdom (IK) Based Revenue</b>			
IK Based Customers Served by IK Operations	Sales to all IK customers (KSA includes sales to Saudi Aramco) from operations based IK.	\$50,000,000	\$70,000,000
IK Based Customers Served by out-of-Kingdom (OOK) Operations	Sales to all IK customers from operations based OOK.	\$7,000,000	\$8,000,000
Export Sales	Sales from IK operations to OOK customers.		\$5,000,000
<b>Total Revenue</b>		<b>\$57,000,000</b>	<b>\$83,000,000</b>
<b>2.0 In-Kingdom Goods, Services &amp; Depreciation/Amortization</b>			
Goods & Services	Portion of goods and services purchased from in-Kingdom suppliers related to the revenue generated from in-Kingdom based sales (see above). Total KSA number is derived directly from the Supplier Table tab (Section 7).	\$14,000,000	\$21,000,000

In the example provided above, the calculation would be as follows:

$$[\$50,000,000 / (\$70,000,000 + \$5,000,000)] * \$21,000,000 = \$14,000,000$$

This same ratio (66.6%) can be used to allocate costs and headcounts to Saudi Aramco in the other sections of the IKTVA survey.

2. If the company has a project accounting system or its accounting books and records are kept in sufficient enough detail that it can directly track goods and

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services provided to Saudi Aramco, then the company may utilize its own internal methodology.

If the company choose Methodology 2, then it will need to describe its approach in the remarks column and provide appropriate supporting documentation to the auditor.

### **3.0 Saudi Payroll**

In this section, the company will provide both headcount and compensation information related to its company's Saudi employees.

#### *Headcount*

For the most part, the headcount data comes directly from the company's fiscal year-end GOSI reports. The company will report total Saudi headcount and total company headcount (including expats). These numbers are reported under the Total KSA column.

The headcount numbers are used for two primary purposes. First of all, headcount numbers and trends are reported as part of the company's IKTVA Summary Report that is provided to Management at Saudi Aramco. In addition, we employ a simplified approach to calculating Saudization by dividing the total number of Saudi employees by the total company headcount. This Saudization rate is also reported in the company's IKTVA profile.

#### *Salaries and Wages*

The Salary and Wages information is meant to capture total Saudi compensation. The amounts will be derived from the company's payroll records. Any compensation costs related to foreign expats are to be excluded from this section.

Compensation costs include such items as salaries, wages, bonuses, commissions, overtime, and benefits. Benefits would include car allowances, transportation, healthcare, end of service benefits, and other compensation related perks provided to the company's Saudi employees.

Saudi compensation costs related to interns, trainers, supplier development, and research and development should be included in this section and not in Section 4.0 Training & Development of Saudis, Section 5.0 Supplier and Customer Development, or Section 6.0 Research & Development.

### *Saudi Expats*

If the company employs any Saudi Nationals outside the Kingdom that are not reported in the GOSI numbers, then these employees' headcount and compensation amounts should be added in this Section.

### *Human Resource Development Fund (HRDF) Reimbursements*

If the company receives funding to help cover employee compensation and/or training costs from the government through programs like HRDF, these reimbursement should be excluded from the IKTVA survey. In other words, the company is allowed to take credit for the training even though the costs may be partially offset by government funding.

### *Assignment of Saudi Headcount and Costs to Saudi Aramco*

Similar to Section 2.0, the company can use the same revenue ratio to assign Saudi headcounts and payroll costs to Saudi Aramco. The same will apply to Sections 4.0 and 6.0 of the IKTVA survey. If the company utilizes an alternative methodology, it will need to provide an overview of this methodology in the remarks column.

## **4.0 Training and Development of Saudis**

An important component of the IKTVA vision is to encourage the training and development of the Saudi workforce to ensure the Kingdom has enough skilled workers available to fill the positions that are being created. This section has two main components: (a) trained headcount and (b) training and development costs.

### *Headcount*

Our goal in analyzing Training & Development of Saudis is to gauge what percentage of the company's Saudi workforce receives some kind of training during the year and what is the average cost per trainee. In order to do so, we are requesting that the company provide us with of the number of Saudis trained during the year, regardless of where the training occurred, IK or OOK. Please note, however, that if a Saudi trainee attends more than one training course, the company may only count that employee as one trained headcount. For example, if an employee attended three training courses during the year, the company would only report one headcount for that employee even though all of the expenses can be captures in Training and Development costs.

### *Training and Development Costs*

Training and development costs can include a wide variety of activities that are geared toward increasing the knowledge base and skillset of the Saudi workforce. It can include all types of training, whether performed in-house or externally, and technical or non-

technical. Safety, leadership, soft skills, technical, and onboarding are all types of training that qualify.

As a general rule, costs incurred with OOK suppliers and foreign expat salary and wage costs should be excluded from the IKTVA survey. However, in the case of Training and Development of Saudis and Section 5.0 Supplier and Customer Development, these costs may be captured and reported as part of the company's IKTVA survey. Examples of costs to include would be:

- Travel and accommodations.
- Training and development courses.
- Annual software license fees related to training.
- Outside training consultants.
- Expat salaries and wages that provide training.
- Saudi Petroleum Service Polytechnic (SPSP), internship, and co-op sponsorship costs.
- Donations and contributions to training academies and institutes.

If a training session includes both Saudi and non-Saudi participants, then a proportional share of the training costs should be shared among those trained. Also please note that if the compensation cost of Saudi employees participating in the training as either trainers or trainees are already included in Section 3.0 above, then they may not be included in this section. No costs should be double counted.

## **5.0 Supplier and Customer Development Costs**

Another important component of the IKTVA ratio consists of costs related to Supplier and Customer Development. Supplier and Customer Development Costs include activities such as supplier and customer training, supplier certification programs, design for manufacturability initiatives, quality control inspections, and qualification support.

Customer development costs would not include sales and marketing activities nor would they include installation, commissioning, or other costs that are contractually required. Only activities related to increasing the skill and capabilities of the company's customer base may be included.

Similar to Section 4.0 Training and Development of Saudis, the company may include costs incurred from OOK suppliers or Expat employees in this section. However, if any

costs have already been included in Section 2.0 through 4.0 then they should be excluded here.

## **6.0 In-Kingdom Research & Development**

The final component of the IKTVA ratio consists of IK costs related to performing research and development activities in the Kingdom. These costs are a subset of costs reported in Section 7.0 In-Kingdom Investments. See Section 7.0 for more details.

## **7.0 In-Kingdom Investment**

This section captures two important items: Capital expenditure additions and research and development (R&D) expenses for the year. Our goal is to understand the total level of investment in capital assets and R&D that is related to the company's IK operations, regardless the source of those investment (IK or OOK).

### *Capital Expenditures*

The Capital Expenditures amounts are derived from the details provided in Section 10 Capital Expenditures. In Section 7.0, the total will include assets purchased during the year, even if purchased from OOK sources.

### *Research & Development Expenses*

The Research & Development line item contains the total amount of annual operating expenses related to research and development (R&D) activities conducted IK, including the cost of expats and OOK suppliers. The types of costs that can be classified as R&D should be consistent with guidance provided by IFRS or Generally Accepted Accounting Principles in Saudi Arabia. Beginning in 2016, the company will show the breakdown of cost between IK and OOK. The IK R&D costs will be incorporated into Section 6.0 of the IKTVA ratio calculation.

## Pages 3: In-Kingdom Suppliers

### 8.0 Top In-Kingdom Suppliers

For this section, the company will capture IK spend with its supply chain. In order to complete this section, most companies will utilize data from their purchasing system to accumulate total purchases during the year by supplier.

Next, they will eliminate OOK suppliers and any intercompany supply sources that are consolidated into the IKTVA survey. They will then remove those suppliers whose costs cannot be included. For an overview of the types of costs that are included and those that should be excluded, please see Section 2.0. Please keep in mind that these costs should represent income statement expenditures during the year. For example, if significant, the company might need to adjust for timing differences and/or changes in inventory.

After the supplier spend list is compiled, the company must sort it in descending order based on amounts purchased. Once the company has the list, it can populate the table. Starting at the top of the list, input the following information into the table:

- Supplier's name.
- Supplier's commercial registration number.
- Brief description of the types of goods and/or services that the company procures.
- Whether the company has estimated the supplier's IKTVA ratio or it was provided by the supplier. Please note that the choices are in a drop down menu.
- Total purchases for the year for that supplier.
- Supplier's IKTVA ratio.

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Since very few IK companies will have certified IKTVA ratios at this point, the company will likely need to use an estimated IKTVA ratio for the majority of its suppliers. In order to give the company some guidance and to ensure that all submissions are using the same ratio for the same tier 2 supplier, we have compiled a list of types of businesses and provided estimated IKTVA ratios. This list will likely be updated from time to time as we receive more certified IKTVA surveys and learn more about the business segments. For the most recent copy of this list, please visit our website [www.iktva.sa](http://www.iktva.sa).

Once the by-supplier detail totals 70% of its company's IK spend, the company can stop adding suppliers to the list. Any remaining IK purchases can be listed as "Other" (see last line on the table) and the company can use an IKTVA ratio of 100% for this line. Alternatively when the company reaches 50 suppliers, the company can also stop and add the remaining IK spend in "Other." However, if the supplier detail is less than 70%, then the IKTVA ratio will be reduced accordingly.

The Total In-Kingdom Portion amount will flow from the table through to Total KSA Goods and Services in Section 2.0.

## **Pages 4: Out-of-Kingdom Suppliers**

### **9.0 Top 15 Out-of-Kingdom Suppliers**

**T**his information can be taken from the OOK vendors eliminated in preparing the Top IK Supplier table in Section 8.0. In this section the company will list, in descending order, the company's top 15 OOK suppliers and the amount of annual purchases. Please use the same guidance given in Section 2.0 to determine which costs can be included and which should be excluded. Please note that information from this table will not impact the IKTVA ratio but is provided for informational purposes only.

# Page 5: Capital Investments

## 10.0 Capital Expenditure Additions

The IKTVA survey includes capital expenditures that the company has made for its IK operations. Major refurbishments and repairs, if capitalized for financial reporting purposes, should also be included. However, construction in progress or assets that have not yet been placed in service should be excluded. These assets can be included once they are finished and placed in service. For this section, the company will utilize data from its fixed asset system and list fixed asset additions and disposals during the current year.

The company will need to determine the level of detail it would like to provide in this section. For those companies whose operations are not capital intensive and its IK depreciation and amortization are a relatively minor component of their cost structure, they may want to stop here. They can simply list their capital asset additions and disposals by major category for the relevant years, state that the assets were purchased OOK, and move on to Page 7 Female Representation. Their total capital expenditure additions will be included in Section 7.0 In-Kingdom Investment, but their IKTVA ratio will be not impacted by any of these assets which might have been acquired IK.

If however, the company wants to perform a more detailed analysis (which detail will need to be reviewed by your selected auditor), it can choose to analyze its capital asset additions and disposals by year and divide them into two categories - those acquired IK and those acquired OOK. The company will need to know the description of the asset,

KEY TOPICS
Distinguishing between IK and OOK sourced assets
Standard approach to depreciation
Excluded assets

its costs, and its acquisition sources. These details are necessary to complete the schedules. Please note that the additional effort required will likely only benefit those companies that are in capital intensive industries and have procured their assets from IK based suppliers. The rest of this section in the Survey Guide applies to those companies who have chosen to prepare the more detailed analysis.

To complete this section, as much as possible please try to aggregate assets with similar characteristics into a single line item. For example, let's say that the company purchased the following pieces of heavy construction equipment during the year:

Asset	Cost	Source
<b>Crane 1</b>	\$500	OOK
<b>Crane 2</b>	\$650	IK
<b>Grader</b>	\$400	IK
<b>Bulldozer</b>	\$350	OOK

On the IKTVA survey, the company could create two line items in Section 10.0 to report these assets. It could create a line item for Heavy Construction Equipment for \$1,050 and report this as sourced IK and another line item for Heavy Construction Equipment for \$850 sourced as OOK. Capital assets that have been acquired OOK will be included in the Investments section of the IKTVA survey. However, since they have no IK content, no credit will be given via the depreciation of these assets in the IKTVA ratio. Only the IK portion of the capital asset purchase will be eligible to be included.

For those assets acquired from IK sources, the company will then select the asset type from the drop down menu. Asset type categories include:

Category	Examples
Land	Raw real estate
Land Improvements	Site improvements, utilities, fencing, paving, grading, concrete, infrastructure
Buildings	Open/enclosed sheds, office buildings, manufacturing facilities, warehouses, camps, portables
Building improvements/infrastructure	Water treatment, water heating, compressed air system, air conditioning, process cooling water, major electrical components (transformers, switchgear), lighting, poles, interconnect
Manufacturing Equipment	Lathes, milling machines, CNC, grinders, rolling mills, welders, coating equipment, tooling, etc.
Support Equipment	Cranes, stands, dollies
Test Equipment	Test stands, test instruments, test tooling
IT and Telecom Equipment	Computers, copiers, telephone switches
Vehicles - Light	Trucks, vans, cars, trailers, fork lifts, etc.
Vehicles - Heavy	Construction equipment, semi's, mobile cranes
Process Equipment	Vessels, pumps, tanks, process compressors, heat transfer, etc.
Specialty Equipment	Heat treatment furnace/ equipment
Drilling	Onshore & offshore rigs
Other	

Please notice that the IKTVA ratio will automatically be populated based on the type of asset selected. These ratios are estimates of the portion of IK content established by Saudi Aramco. If the company strongly disagrees with the IKTVA ratio assigned to that type of asset and has evidence to support its claim, it may select the "Other" asset type and input its own IKTVA ratio. If the company does so, please provide support for the ratio used the IKTVA submission.

Once the company has provided detail supporting 70% of its total fixed asset additions, the remaining 30% can be listed on the "Other" line items divided between the IK sourced and OOK sourced. A 100% IKTVA ratio can be applied to those assets which are sourced IK.

Please follow the same process for dispositions by inputting their net book value as a negative number in the Purchase Price. The Purchase Price column total will roll

forward to Section 7.0 In-Kingdom Investments, while the total of the IK portion will roll into Section 11.0 Depreciation and Amortization.

The same steps can be utilized for populating this schedule for the previous nine years (2007 to 2015). Doing so will not impact prior year IKTVA ratios. It will impact the current and future years. Please note that providing capital asset information going back 10 years is optional. At a minimum, please include capital asset information for the years show on Page 2 IKTVA Schedule.

## **Page 6: Depreciation and Amortization**

### **11.0 Depreciation and Amortization**

Prior versions of IKTVA surveys did not allow for the depreciation and amortization of capital assets to be included in the calculation of the IKTVA Ratio. We recognize that this methodology placed capital intensive businesses at a disadvantage and made it difficult to obtain its IKTVA targets. As a result, we have incorporated depreciation on capital assets and amortization on intangible assets procured/developed IK into the IKTVA ratio. However, we are not going to restate prior years' IKTVA surveys. This benefit will apply to IKTVA surveys for years 2016 and beyond.

Section 11.0 is automatically populated based on capital and intangible expenditure details provided in Section 10.0. For estimated useful lives, we chose to allow for a very simplified method. All of the assets acquired that year, even including land which is not normally depreciated, will be depreciated or amortized over a 10 year life regardless of its actual useful life.

## **Page 7: Female Employment**

### **12.0 Female Payroll and 13.0 Training & Development of Female Workforce**

In these sections, the company will provide both headcount and cost information related to its female employees. Costs and headcounts related to female Saudis will be a subset of the information provided for total Saudis. Use the same guidance given in Sections 2.0 and 3.0 to determine what to include and what to exclude from these sections.

### **14.0 Additional Information**

In this section, the company will name the main roles of female employees, policies or initiatives in place to attract female participation, and the bottlenecks it faces for employing females. Please note that information in this page will not impact the IKTVA ratio but is provided for informational purposes only.



# Final Steps

## Submitting the Company's Survey

Once the company has completed the survey and has received the report from its auditor, the company can submit the survey through our website [www.iktva.sa](http://www.iktva.sa). The submission should include the following:

1. A PDF of the full report from the auditor.
2. A copy of the Management Representation Letter provided to its auditor. Please note that this must be signed by the company's top operational and financial officers and must be stamped with the company's stamp before submitting.
3. The Excel version of the survey.

Hard copies of the reports are not required. Only soft copies of the report and the Excel survey form will be accepted.

## Some Final Thoughts

We realize that it would be nearly impossible to attempt to capture and provide details for every situation that the company might face in preparing its IKTVA survey. Our hope is that this guide will answer most of the questions that the company might have. If your company has further questions or needs additional clarification, please feel free to: (i) view the comprehensive IKTVA data, including frequently asked questions and answers, residing on Saudi Aramco website @ [www.iktva.sa](http://www.iktva.sa); and/or (ii) contact Saudi Aramco's IKTVA Support Unit @ [iktvasurveyinfo@aramco.com](mailto:iktvasurveyinfo@aramco.com). We appreciate your help and support of our IKTVA strategic initiative.