



in-Kingdom total value add guidelines



Introducing the
in-Kingdom Total
Value Add Program
(IKTVA)



IKTVA

it's a win-win, and
win again program

Through IKTVA, the mutual successes we achieve will directly contribute to more value added to the Kingdom's economy which means even more success.



suppliers guidelines for
completing the IKTVA model



Introducing the
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introduction

Saudi Aramco has created a new program to baseline, measure and support increased levels of localization in the Kingdom. The goal of this new program, the 'in-Kingdom Total Value Add (IKTVA) Program, promotes local content development, leading to higher levels of Saudization and local spending to boost the Kingdom's economy, capabilities, and supply chain.

The IKTVA Program requires our suppliers to self-report qualitative and quantitative information that falls into five major categories: Revenue, Goods and Services, Saudi Payroll Related Costs, Saudi Training and Development and Saudi Supplier Development. From this data, Saudi Aramco calculates an IKTVA ratio that approximates the percentage of Saudi Aramco's spend that remains in Kingdom or develops the Kingdom's supply chain and capabilities. Saudi Aramco requires third party verification of the numbers as part of suppliers' annual submission.

The formula is as follows:

Supplier IKTVA formula

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

Where:

A= Localized goods and services (\$)

B= Salaries paid to Saudis (\$)

C= Training and Development of Saudis (\$)

D= Supplier development spend (\$)

E= Revenue (spend from Saudi Aramco)

The program is objective is to drive key supplier activities toward localization and job creation.

general instructions

- All financial amounts should be reported in USD.
- Amounts reported should correspond to the company's fiscal year end.
- Assumptions and calculation methodologies utilized should be consistent with prior years.
- Except for R&D expenses, amounts should not be double counted. For example, if Training Costs are provided, these costs should not also be included for goods and services or payroll.

1.0 Revenue

Saudi Aramco	KSA
Please report revenue generated during the year from goods and services provided to Saudi Aramco as a customer.	Please report all revenue generated during the year from customers located in-Kingdom, export sales, and Saudi Aramco.

2.0 Goods and services

Saudi Aramco	KSA
Please report any goods and services purchased from in-Kingdom suppliers related to the revenue generated from Saudi Aramco (see above). Unless otherwise justifiable, the costs assigned can be calculated on a pro-rata basis using Saudi Aramco revenue/KSA revenue as the ratio applied to KSA goods and services. For suppliers whose cumulative totals (sorted in descending order) represent at least 70% of the total goods and services procured, obtain their IKTVA ratio and apply it to your company's purchases from that supplier. If their IKTVA score is not readily available, please estimate what their IKTVA ratio would be.	Please report any goods and services purchased from in-Kingdom suppliers related to the revenue generated from in-Kingdom based sales (see above). For suppliers whose cumulative totals (sorted in descending order) represent at least 70% of the total goods and services procured, obtain their IKTVA ratio and apply it to your company's purchases from that supplier. If their IKTVA score is not readily available, please estimate what their IKTVA ratio would be. Please list each major supplier, amount purchased, and IKTVA score, and note whether the score was provided or estimated.

Examples of costs to include (if sourced from an in-Kingdom supplier):

- Materials and supplies.
- Transportation/shipping.
- Professional services.
- Catering.
- Equipment Rental.
- Temporary manpower.
- Benefits provided to expats (e.g, insurance, housing, car allowance, etc.).
- Utilities.
- Contractors/consultants.

Example of costs to exclude:

- Agent, brokered, or pass-through purchases.
- Costs associated with training of Saudis (these costs are included under training costs).
- Costs associated with supplier development (these costs are included under supplier development costs).
- Income taxes or Zakat payments.
- Capital expenditures and depreciation.

3.0 Employment

Headcount

Saudi Aramco	KSA	Total in-Kingdom
Unless otherwise justifiable, the headcount assigned can be calculated on a pro-rata basis using Saudi Aramco revenue/ KSA revenue as the ratio applied to KSA headcount. If utilizing an alternative methodology, please provide an explanation in the remarks column.	Please provide the headcount number from the year-end GOSI report.	Please provide the headcount number from the year-end GOSI report.

Salaries and wages

Saudi Aramco	KSA
Unless otherwise justifiable, the salaries and wages assigned to the Saudi Aramco portion can be calculated on a pro-rata basis using Saudi Aramco revenue/KSA revenue as the ratio applied to total KSA salaries and wages. If utilizing an alternative methodology, please provide an explanation in the remarks column.	Please provide compensation amounts for the year, including salaries and wages, bonuses, housing, and transportation plus compensation of Saudi expats. Exclude costs related to SPSP, interns and co-ops (these costs should be included under Training).

4.0 Training and qualification of Saudi nationals

Headcount

Saudi Aramco	KSA
This is not required but can be reported at the supplier's discretion.	Please provide the number of Saudi nationals that participated in training, whether provided in Kingdom or out of Kingdom. State separately the number of SPSP students, interns, and co-ops. If an employee attended multiple training courses during the year, please only count that employee once.

Training costs

Saudi Aramco	KSA
Unless otherwise justifiable, the training costs assigned to the Saudi Aramco portion can be calculated on a pro-rata basis using Saudi Aramco revenue/KSA revenue as the ratio applied to total KSA salaries and wages. If utilizing an alternative methodology, please provide an explanation in the remarks column.	Please provide the total amount of spending on training activities.

Examples of costs to include even if sourced from an out-of-Kingdom supplier.

- Travel and accommodations.
- Training and development courses.
- Annual software license fees related to training.
- Outside training consultants.
- SPSP, internship, and co-op sponsorship costs.

Examples of costs to exclude:

- Cost of Saudi employees participating as trainers or trainees if already included on the Saudi payroll.

5.0 Supplier development costs

Saudi Aramco	KSA
Unless otherwise justifiable, supplier development costs assigned to the Saudi Aramco portion can be calculated on a pro-rata basis using Saudi Aramco revenue/KSA revenue as the ratio applied to total KSA salaries and wages. If utilizing an alternative methodology, please provide an explanation in the remarks column.	Please provide the total amount of spending on supplier development, excluding those costs already included in goods and services.

6.0 In-Kingdom investment

Capital expenditures

Saudi Aramco	KSA
This is not required but can be reported at the supplier's discretion.	Please provide the total amount of capital expenditures on fixed assets for the year broken down into the following categories, even if purchased from an out-of-Kingdom supplier: <ul style="list-style-type: none"> • Buildings and facilities. • Machinery and equipment. • Training equipment and facilities. • Information technology. • R&D equipment and facilities. • Other. Please provide a written overview of the types of projects and expenditures the company is pursuing.

R&D expenses ⁽ⁱ⁾

Saudi Aramco	KSA
Covered under another program, do not report.	Please provide the total amount of annual operating expenses related to research and development activities conducted in-Kingdom, including costs of expats and those incurred with out-of-kingdom suppliers. Examples of costs to include: <ul style="list-style-type: none">• Total compensation costs (Saudi and expat).• Technology development.• Goods and services.• Patent filing costs.• R&D supplies and chemicals.• Other.

(i) These amounts are a subset of costs that have been reported above.



70 by 21
70% localization
by the year 2021

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IKTVA questionnaire



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IKTVA questionnaire

Company Name:

Address:

Contact Person: (Name, email, office phone number, mobile number)

(\$US)

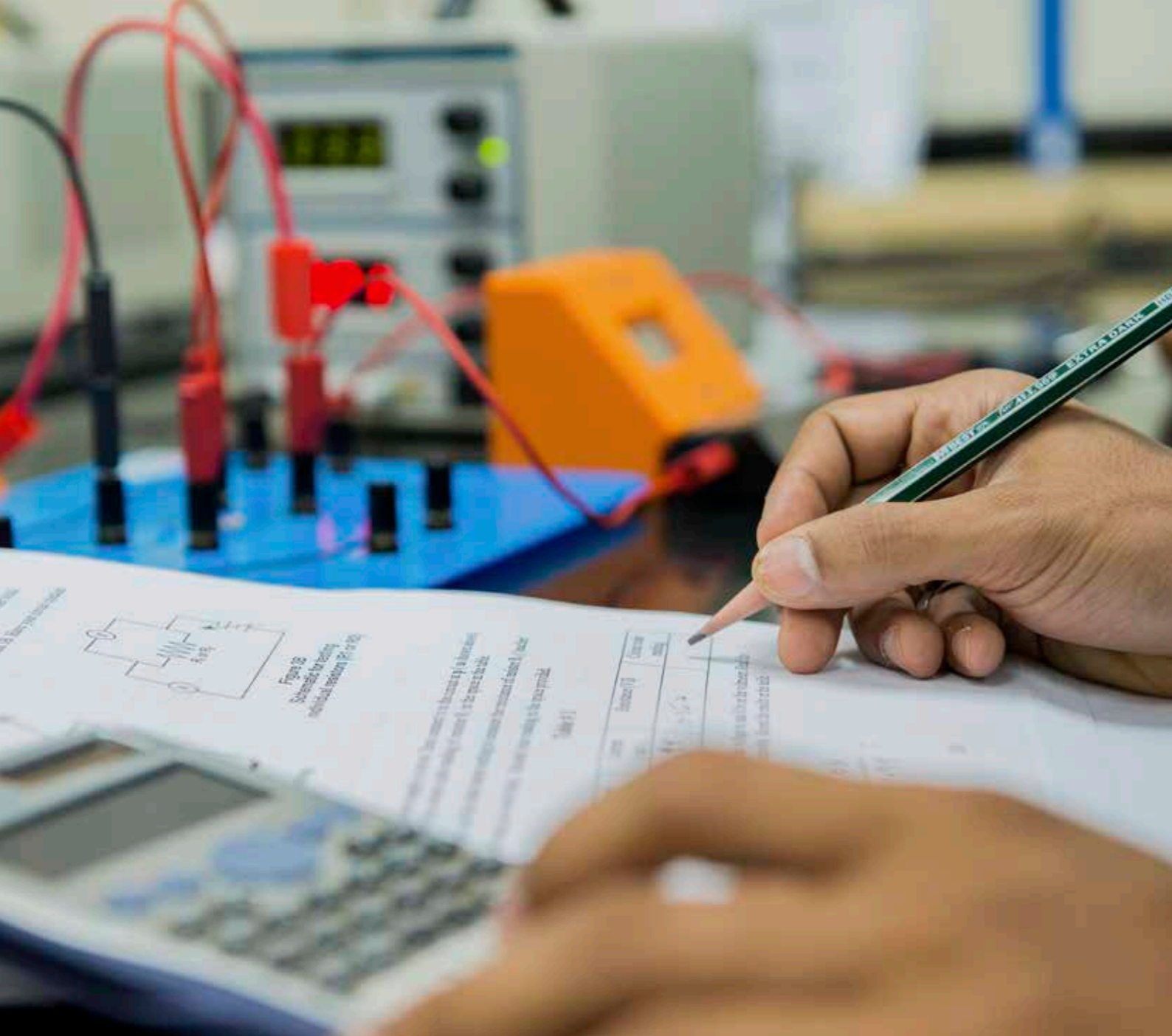
		2013		2014		2015		
Description ¹		Saudi Aramco	KSA	Saudi Aramco	KSA	Saudi Aramco	KSA	Remarks
1.0 Revenue								
In-Kingdom based customers	Sales to all in-Kingdom customers							
Export sales	Sales from in-Kingdom operations to customers outside the Kingdom							
Total Revenue								
2.0 Goods and services								
	Portion of goods and services purchased from in-Kingdom suppliers related to the revenue generated from in-Kingdom based sales (see above). For significant suppliers, please apply suppliers IKTVA ratio to the company's purchases.							
3.0 Employment								
Number of Saudi national employees.								
Total number of in-Kingdom employees (all nationalities).								
Total Saudi national salaries, wages, and benefits	Compensation amounts for the year including salaries and wages, bonuses, housing, and transportation including compensation of Saudi expats. Excludes costs related to SPSP, interns and co-ops (these costs should be included in training).							
Average Compensation / Saudi National								
4.0 Training & qualification of Saudi national workforce								
Headcount	Number of Saudi nationals that participated in technical training and qualification activities (both in-Kingdom and out-of Kingdom)							
Training & qualification costs	Training and qualification expenses related to Saudi nationals.							
5.0 Supplier development								
	Costs incurred by company to support development of supply chain capabilities.							

IKTVA questionnaire

		2013		2014		2015		
	Description ¹	Saudi Aramco	KSA	Saudi Aramco	KSA	Saudi Aramco	KSA	Remarks
6.0 In-Kingdom investment								
Capital expenditures								
Buildings and facilities								
Machinery and equipment								
Information technology								
Training equipment and infrastructure								
R&D equipment and facilities								
Other								
Total capital expenditures								
R&D operating expenses	Operating expenses related to research and development activities conducted in-Kingdom, including costs of expats and those incurred with out-of-kingdom suppliers.							
IKTVA ratio								
Saudization %								

(1) Please See the Survey Guide's Instructions for Clarifications and Definitions.

Note: this form is provided for your information purposes only. The required official document should be obtained from Saudi Aramco.



IKTVA certification guidelines for external auditors



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overview

Saudi Aramco has created a new program to baseline, measure and support increased levels of localization in the Kingdom. The goal of this new program, entitled in-Kingdom Total Value Add (IKTVA), is to promote local content development leading to higher levels of Saudization and local spending to boost the Kingdom's economy, capabilities, and supply chain.

The IKTVA Program requires The supplier to self-report qualitative and quantitative information that falls into five major categories: Revenue, Goods and Services, Saudi Payroll Related Costs, Saudi Training and Development, Saudi Supplier Development and Other. From this data, Saudi Aramco calculates an IKTVA ratio that approximates the percent of Saudi Aramco's spend with the supplier that remains in Kingdom or develops the Kingdom's supply chain and capabilities.

Saudi Aramco requires third-party verification of the numbers the company has supplied to them. As a result, the supplier would like to engage an independent third party service provider to perform selected agreed upon procedures and provide a report that can be attached to the supplier's IKTVA survey response. The engagement should be conducted under standards outlined by the Saudi Organization of Certified Public Accountants General, Generally Accepted Auditing Standards No. 9. A sample report is provided in Appendix A. The Agreed Upon Procedures should be performed for each year listed on the IKTVA survey form.

deliverable

Report on findings from the agreed upon procedures.

agreed upon procedures - general

- All financial amounts should be reported in USD. Enquire with the appropriate person as to what rate was used to translate information from the functional currency to USD, if the functional currency of the company is not USD. Agree the exchange rates used to translate financial data to published rates. Report the exchange rate used to translate income statement amounts (average exchange rate) and the balance sheet amounts (period end rate).
- Please enquire to determine assumptions and calculation methodologies utilized to prepare the IKTVA response is consistent with assumptions and calculation methodologies used from year to year or in prior years (if applicable). Note any differences.
- Except for R&D expenses, revenues and costs should not be double counted within the specific IKTVA survey column. For example, if training costs are provided, these costs should not also be included in the Goods and Services or Payroll categories. Enquire with the appropriate person as to whether any of the reported revenues or costs in lines 23 ,19 ,14 ,11 ,10, and 25 have been double counted within the same column.

revenue

Procedures to perform

- Obtain a breakdown of revenue for the [years on the form] classified between Saudi Aramco revenue, total in-Kingdom revenue (including Saudi Aramco revenue), and total export revenue.
- Test the mathematical accuracy of the report.
- Agree on the total of the list to the audited financial statements of the company for the year(s) ended [date(s)]. If the totals do not agree to the financial statements, disclose the reconciliation performed by management.
- Agree on the total of the list to the total shown in lines 10 and 11 of the IKTVA survey.
- Test the classification of revenue into Saudi Aramco; in-Kingdom and export by tracing [number of transactions] from the breakdown of revenue to underlying invoices and delivery notes/contract documentation.

goods and services

Procedures to perform

- Obtain an annual breakdown of goods and services for the [years on the form] classified between costs related to generating Saudi Aramco revenue and costs related to generating total revenue from in-Kingdom operations (including export revenue). The list should be sorted based on total in-Kingdom purchases in descending order.
- Test the mathematical accuracy of the report.
- Agree on the total of the lists to the audited financial statements of the company for the year(s) ended [date(s)]. If the totals do not agree to the financial statements, disclose the reconciliation performed by management.
- Agree on the total of the lists to the total shown in line 14 of the IKTVA survey.
- Starting at the top of the list, select suppliers representing %70 of the total goods and services related to revenue generated from in-Kingdom operations for further testing. Further testing should include:
 - For suppliers whose IKTVA ratio was provided by that supplier, trace its IKTVA ratio to the IKTVA Program reports accompanied by an independent third party report on factual findings.
 - Haphazardly select a sample of [input number] significant transactions and [input number] other transactions from each supplier.
 - Trace these transactions to underlying invoices and/or contract documentation noting down what backing documentation was available for these transactions. Read documentation that shows that expenditures are for in-Kingdom based goods and services and do not include the income tax, Zakat, or capital expenditures of the company.
- Test the classification of goods and services costs related to Saudi Aramco revenue. If the company uses a ratio based on revenue to classify the costs, test the mathematical accuracy of the calculation. Repeat the steps listed in 5.

payroll related data

Procedures to perform

- Agree the total employee headcount and total Saudi national headcount numbers on lines 17 and 18 to the year-end GOSI report for the years disclosed on the return.
- Test the classification of headcount related to Saudi Aramco revenue. If the company uses a ratio based on revenue to classify the costs, test the mathematical accuracy of the calculation.
- Obtain a breakdown of Saudi national salaries, wages, and benefits costs for the [years on the form] classified between costs related to generating Saudi Aramco revenue and costs related to generating total revenue from in-Kingdom operations (including export revenue).
- Test the mathematical accuracy of the report.
- Agree the total of the lists to the audited financial statements of the company for the year(s) ended [date(s)]. If the total on the list does not agree to the audited financial statements, obtain from management a reconciliation of such amounts.
- Agree the total of the lists to the total shown in line 19 of the IKTVA survey.
- Select [input sample size] employees on a haphazard basis and trace compensation and benefit amounts to GOSI reports and other invoicing or documentation support. Review documentation to ensure expenditures are for Saudi nationals and their related benefits.
- Test the classification of Saudi national headcount and Saudi national salaries, wages, and benefits costs related to Saudi Aramco revenue. If the company uses a ratio based on revenue to classify the headcount and costs, test the mathematical accuracy of the calculations. Otherwise, trace [input sample size] employees selected on a haphazard basis to underlying HR records, national identification cards, and contract documentation. Review the documentation to ensure expenditures are for Saudi nationals and their related benefits.

training and qualification of Saudi nationals

Procedures to perform

- Obtain a list of Saudi nationals receiving training for the [years on the form].
- Agree on the totals on the report to line 22.
- Review list to ensure no employees have been counted more than once.
- Select [input sample size] employees on a haphazard basis and trace to underlying HR records and national identification cards to ensure those listed are Saudi nationals.
- Obtain a breakdown of Saudi national training costs for the [years on the form] classified between costs related to generating Saudi Aramco revenue and costs related to generating total revenue from in-Kingdom operations (including export revenue).
- Test the mathematical accuracy of the report.
- Agree on the total of the lists to the audited financial statements of the company for the year(s) ended [date(s)]. If the total on the list does not agree to the audited financial statements, obtain from management a reconciliation of such amounts
- Agree on the total of the lists to the total shown in line 23 of the IKTVA survey.
- Test the classification of Saudi National training costs related to Saudi Aramco revenue. If the company uses a ratio based on revenue to classify the costs, test the mathematical accuracy of the calculation. Otherwise, trace [input sample size] transactions to underlying invoices and contract documentation. Review the documentation to ensure expenditures are for training activities related to Saudi nationals.

supplier development

Procedures to perform

- Obtain a report of supplier development costs for the [years on the form].
- Test the mathematical accuracy of the report.
- Agree the total of the lists to the audited financial statements of the company for the year(s) ended [date(s)]. If the total on the list does not agree to the audited financial statements, obtain from management a reconciliation of such amounts.
- Agree the total of the lists to the total shown in line 25 of the IKTVA survey.
- Test the classification of supplier development costs related to Saudi Aramco revenue. If the company uses a ratio based on revenue to classify the costs, test the mathematical accuracy of the calculation. Otherwise, trace [input sample size] transactions to underlying invoices and contract documentation that show the expenditures are for supplier development activities.

other

Procedures to perform

- Obtain a report of total in-Kingdom capital expenditures for the [years on the form].
- Test the mathematical accuracy of the report.
- Agree on the total of the lists to the audited financial statements of the company for the year(s) ended [date(s)]. If the total on the list does not agree to the audited financial statements, obtain from management a reconciliation of such amounts.
- Agree the total of the lists to the total shown in line 35 of the IKTVA survey.
- Obtain a report of total in-Kingdom research and development costs for the [years on the form].
- Test the mathematical accuracy of the report.
- Agree on the total of the lists to the audited financial statements of the company for the year(s) ended [date(s)]. If the total on the list does not agree to the audited financial statements, obtain from management a reconciliation of such amounts.
- Agree on the total of the lists to the total shown in line 36 of the IKTVA survey.

appendix a – sample report

[Date]

We have performed the procedures enumerated below, which have been communicated to the suppliers by the Saudi Arabian Oil Company and agreed with [name of company] to assist you in evaluating the Saudi Arabian Oil Company in-Kingdom Total Value Added Return (IKTVA Return) for the objective of assisting [company] to determine the accuracy of the IKTVA Return. Our engagement to apply the agreed upon procedures was undertaken in accordance with standards established by the Saudi Organization for Certified Public Accountants.

The specified users of the report are solely responsible for the sufficiency of these procedures. Accordingly, we will not issue any statement on the sufficiency of procedures stated below, whether for the purpose for which this report is intended or for any other purpose.

The procedures performed and the related factual findings are set out in Appendix A to this report.

We were not engaged to, and did not, perform an audit, the objective of which would be to express an opinion on the specified elements, accounts, segments, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of [name of company] and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Name :
Signature:
License No.

City :
Date :
Corresponding:



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listing of approved auditors with offices/affiliations in KSA



Introducing the in-Kingdom Total Value Add Program (IKTVA)

Baker Tilly (Ayad Al Seraihi)	Grant Thornton (Al Dar Audit Bureau Abdullah Al Basri & Co.)
BDO (Dr. Al-Amri & Co.)	RSM International (Al Sabti & Bannaga)

Note: Any additional firms must be submitted to Saudi Aramco Financial Accounting Department for approval.



journey

1940

Seeds of socioeconomic development:

- Built infrastructure.
- Encouraged entrepreneurship among Saudi employees.
- Introduced purchasing policy 1963, premium payments 1977.

1980

Seeds for a vibrant chemical industry:

- Master Gas System.
- Massive development of the company's human capital.

1990

Focus on 'value adding' the O&G industry:

- Introduced a contracting policy for local contractors.
- Introduced a local enterprise support policy.

2000

Concrete steps to increase local content development:

- Established NBD in 2003.
- Merged services and procurement functions.
- Mandated Saudization in major contracts.

2010 - 2015

Competitive Saudi energy sector:

- Serving Saudi Aramco's needs.
- Exporting to the region and the world.
- Growing and diversifying the Kingdom's economy.
- In-Kingdom Total Value Add (IKTVA) Program.