SCHEDULE "I"

IN-KINGDOM TOTAL VALUE ADD (IKTVA) TERMS AND CONDITIONS

[Contract Based]

This Schedule sets out the IKTVA provisions, designed to establish a network of local suppliers.  The conditions set out below have been established to promote SAUDI ARAMCO’s commercial interests in reliable local supply.

1. IKTVA Percentages

Notwithstanding the Saudization Requirements of Schedule “S”, CONTRACTOR shall comply with the In-Kingdom Total Value Add (IKTVA) requirements regarding localized good and services, salaries paid to Saudi nationals, training and development of Saudi nationals, Saudi contractor development spend, and in-Kingdom research and development spend as set forth below for the entire duration of the Contract and any extension thereof.

* 1. IKTVA Formula

## The In-Kingdom Total Value Add program (IKTVA) is established to measure and support increased levels of localization in the Kingdom of Saudi Arabia in support of SAUDI ARAMCO’s commercial objectives, as outlined above. The program requires contractors to self-report information that falls into six major categories: revenue, goods and services, Saudi payroll related costs, Saudi training and development, Saudi supplier development, and in-Kingdom research and development. From this data, SAUDI ARAMCO calculates an IKTVA ratio that approximates the percentage of SAUDI ARAMCO’s spending in support of these commercial objectives. No cost or expense shall be counted under multiple categories described in this paragraph 1.0. Each cost that qualifies for a particular category shall not be double counted under any other category as part of the IKTVA formula notwithstanding that such cost or expense may qualify under multiple categories.

## The IKTVA formula is:

## Where:

## A= Localized goods and services ($)

## B= Salaries paid to Saudis ($)

## C= Training and Development of Saudis ($)

## D= Vendor/Manufacturer development spend ($)

## R= In-Kingdom Research and Development spend ($)

## E= Revenue generated by this Contract during the applicable Contract Year from goods and services provided to SAUDI ARAMCO as a customer (spend from SAUDI ARAMCO) ($)

## X= Export revenue factor (%) : (Maximum of 10%)

## X = Export revenue as a % of total revenue \*10%

## 30% Export target

* + 1. Category A comprises the cost of any goods and services purchased from In-Kingdom suppliers during the applicable Contract Year directly related to WORK under this Contract. The following is intended to illustrate a non-exhaustive list of what is included and excluded from Category A.

Examples include but are not limited to:

• Materials and supplies.

• Transportation/shipping.

• In-Kingdom Professional services.

• Equipment Rental.

• Temporary manpower (Saudis).

• Benefits provided to expatriate personnel (i.e. insurance, housing, car allowance, etc.)

• Utilities.

• Contractors/consultants (Saudis).

Examples exclude but are not limited to:

• Agent, brokered, or pass-through purchases.

• Costs associated with training of Saudis (these costs are included under training costs).

• Costs associated with vendors/manufacturers development (these costs are included under vendors/manufacturers development costs).

• Income taxes or Zakat payments.

• Costs associated with bidding.

The total amount spent by CONTRACTOR on the procurement of goods and services directly related to this Contract from Saudi suppliers during the applicable Contract Year shall be used to calculate Category “A” when determining CONTRACTOR’s IKTVA. The IKTVA for the CONTRACTOR’s suppliers (including vendors and subcontractors) shall be calculated as follows: if the CONTRACTOR’s supplier itself has a certified IKTVA score then that score will be used. The contract value of the contract (including purchase orders) with the CONTRACTOR’s supplier that relates to this Contract will be multiplied by the IKTVA score (percentage) of the CONTRACTOR’s supplier. This amount will be included in Category “A” spend above for the CONTRACTOR’s supplier rather than the full value of the contract between the CONTRACTOR and the CONTRACTOR’s supplier. If the CONTRACTOR’s supplier does not have a certified IKTVA score, then the IKTVA score from SAUDI ARAMCO’s sector or industry supplier table will be used for this calculation instead.

* + 1. Category B comprises any salaries/wages and all related benefits paid during the applicable Contract Year to Saudi nationals by the CONTRACTOR directly related to WORK under this Contract.

The wage/salaries and all related benefits of Saudi Arab employees working directly under this Contract during the applicable Contract Year shall be used to calculate Category “B” when determining CONTRACTOR’s IKTVA.

The calculation for Category B shall include all Saudi Arab personnel involved in direct performance of the WORK under this Contract during the applicable Contract Year.

* + 1. Category C comprises any training costs paid during the applicable Contract Year for the development of Saudi nationals directly involved in the performance of WORK under this Contract.

The calculation for Category C shall include the training of all personnel during the applicable Contract Year involved in performance of the WORK. The following is intended to illustrate a non-exhaustive list of what is included and excluded from Category C.

Examples include but are not limited to:

• Travel and accommodations when spent in connection with training and development.

• Training and development courses.

• Annual software license fee related to training.

• Outside training consultants.

• Internship, and co-op sponsorship costs.

Examples of excluded training costs include, but are not limited to:

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

The total amount spent by CONTRACTOR during the applicable Contract Year to train Saudi Arab personnel employed for the execution of this Contract shall be used to calculate Category “C” when determining CONTRACTOR’s IKTVA.

* + 1. Category D comprises the cost of any in-Kingdom supplier development costs incurred during the applicable Contract Year directly related to WORK under this Contract.

Examples include but are not limited to:

• Costs of programs designed to improve Supplier quality management.

• Cost of joint product development programs.

The total amount spent by CONTRACTOR during the applicable Contract Year on supplier development shall be used to calculate Category “D” when determining CONTRACTOR’s IKTVA.

* + 1. Category R comprises any in-Kingdom research and development (R&D) costs incurred during the applicable Contract Year directly involved in the performance of WORK under this Contract.
    2. Catgeory X comprises of Export Revenue Factor whereby CONTRACTOR can receive up to an additional 10 percentage points to their IKTVA ratio by increasing their export revenue as a percentage of total revenue to 30% or above. Partial credit is also given, on a linear basis, to those companies that export less than 30%. Example: if a company’s 2017 export revenue was 12% of total revenue, then it would have 4 percentage points added to its IKTVA ratio [(12% / 30%) x 10 points].

1. IKTVA Targets  
   1. CONTRACTOR shall recruit, hire, train Saudi Arab personnel, locally procure goods and services, develop Saudi contractors, and perform research and development In-Kingdom so that, for the percentages and time periods listed in Attachment I to this Schedule “I”, the IKTVA percentage shall not be less than the specified minimum Contract Year IKTVA Score stated in Attachment I to this Schedule “I” on a Contract Year basis.
   2. Only personnel and procured services and goods of the CONTRACTOR or CONTRACTOR’s contractor or supplier (without duplication), and developed local vendor/manufacturer by the CONTRACTOR or CONTRACTOR’s contractors or suppliers (without duplication), and In-Kingdom research and development (without duplication) that are directly related to WORK under this Contract and used/incurred during the applicable Contract Year shall be considered for the purposes of determining the IKTVA ratio and calculation, but shall be subject to the audit and verification required by paragraph 5 of this Schedule “I”.
   3. If the CONTRACTOR makes any revisions or updates to its approved IKTVA proposal as stated in Attachment I, the revised proposal shall be submitted to SAUDI ARAMCO for approval provided that the revised proposal meets the minimum required IKTVA target percentages. If the revised proposal is approved, the Contract shall be amended to reflect the new proposal. CONTRACTOR shall agree with the Company Representative on an execution plan (in a format provided by Company Representative or any other format approved by the Company Representative) for the IKTVA proposal within sixty (60) calendar days after Contract award.
2. Affiliated Contract

If this Contract has an affiliated contract that is for the same project, is related to this Contract and is entered into between SAUDI ARAMCO or one of its affiliates and the CONTRACTOR or one of its affiliates, then the IKTVA Score and related formula and calculations will be aggregated to include all of these contracts.

1. Faliure to Meet IKTVA Targets

Complying with (a) the IKTVA requirements in paragraphs 1 – 6 of this Schedule “I” and (b) the Contract Year IKTVA Score stated in Attachment I to this Schedule “I” on a Contract Year basis, in each case, is a material obligation of CONTRACTOR under this Contract. Failure to comply with the aforementioned IKTVA requirements or failure to provide requested documentation or support to verify IKTVA, or evidence of falsified records, constitutes a substantial breach of this Contract, and without prejudice to any other rights or remedies of SAUDI ARAMCO, SAUDI ARAMCO may, at its sole option, terminate the Contract pursuant to Schedule “A”, suspend CONTRACTOR from consideration for future contracts for a period to be determined solely by SAUDI ARAMCO, or both.

1. Verification

As further described herein, the CONTRACTOR shall calculate the values comprising the IKTVA formula in Paragraph 1 of this Schedule “I” and the IKTVA ratio and report this information to SAUDI ARAMCO.

First, within fifteen (15) days from the end of every ninety (90) day period from the effective date of the Contract, CONTRACTOR shall report to SAUDI ARAMCO the CONTRACTOR’s achieved IKTVA ratio only for the prior ninety (90) day period and on a cumulative year-to-date basis (year-to-date being measured by one year from the effective date of the Contract and not a calendar year).

Second, CONTRACTOR shall report on CONTRACTOR’s IKTVA ratio on a contract year basis beginning with the first anniversary of the effective date of the Contract and then every anniversary of the effective date thereafter throughout the term of the Contract (each such year, a “Contract Year”). This report shall include the achieved IKTVA ratio and the breakdown of each value of the IKTVA formula as provided in Paragraph 1 of this Schedule “I”. CONTRACTOR, at its own expense, shall report this information within ninety (90) days after the end of each Contract Year until and including year containing the Contract expiry, authenticated by a third party auditing firm approved by SAUDI ARAMCO, to the Company Representative with a copy to mailing address stated in Attachment I to this Schedule “I”. CONTRACTOR shall bear all of the costs and expenses for the authentication performed by the third party auditing firm.

CONTRACTOR may propose, and request SAUDI ARAMCO to approve, an alternate auditing firm to perform IKTVA verification. Any such approval will be at the sole discretion of SAUDI ARAMCO, and subject to the firm’s capability to perform such verification as determined by SAUDI ARAMCO. Notwithstanding anything to the contrary contained in this Contract, this Paragraph 5 of Schedule “I” shall survive the termination or expiration of the Contract for the purposes of providing the final IKTVA report as required herein.

1. Disagreements

In the event of any disagreements as to (a) the proper calculation of the IKTVA percentages and formula or (b) whether the actual IKTVA percentages for a particular time period or for the entire Contract has been achieved for any category, the Company Representative’s determination shall prevail.

END OF SCHEDULE "I"