ADNOC In-Country Value (ICV) Program

PAYMENT MECHANISM

ADNOC'S IN-COUNTRY VALUE

PROGRAM TIMELINE

Nov. 2017

Announcement

ADNOC announced intention to launch ICV Program in ADIPEC

Jan. 2018

Implemented in Procurement

ICV evaluation part of tendering process in ADNOC Group tenders.

Mid 2018

Feedback

Feedback obtained from stakeholders – Suppliers, Group Companies

Nov. 2018

Enhanced ICV Program

Rev.2 of the program launched:

- New ICV formula & Improvement Plan.
- 5% ICV Payment

Apr. 2019

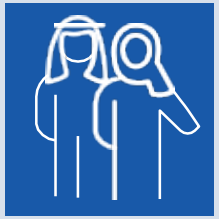
New Certifying bodies

Number of Certifying bodies doubled from 6 to 12.

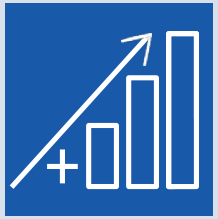
NOTE – THIS PRESENTATION IS FOR GENERAL AWARENESS ONLY. ADNOC IS NOT RESPONSIBLE FOR THE USE OR INTERPRETATION OF THE INFORMATION CONTAINED IN THE PRESENTATION.

ADNOC'S IN-COUNTRY VALUE

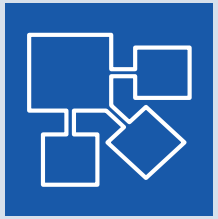
OBJECTIVES AND ATTRIBUTES



Emiratization
In the private sector



GDP
Diversification



Strategic
Consideration

IN-COUNTRY MANUFACTURING

LOCAL PROCUREMENT

EMPLOYMENT OF EMIRATIS

LOCAL INVESTMENT

EXPAT MANPOWER

NOTE – THIS PRESENTATION IS FOR GENERAL AWARENESS ONLY. ADNOC IS NOT RESPONSIBLE FOR THE USE OR INTERPRETATION OF THE INFORMATION CONTAINED IN THE PRESENTATION.

ADNOC'S IN-COUNTRY VALUE

CONSIDERATION OF ICV SCORE

ICV CERTIFICATE

Based on the Audited Financial Statement

Expiry date 18 months

Attested by ADNOC Empaneled Certifying Bodies

ICV SCORE

Weighted average of the certificate and the improvement plan

IMPROVEMENT PLAN

Contractual binding deliverable

5% ICV Milestone

Higher weightage during evaluation

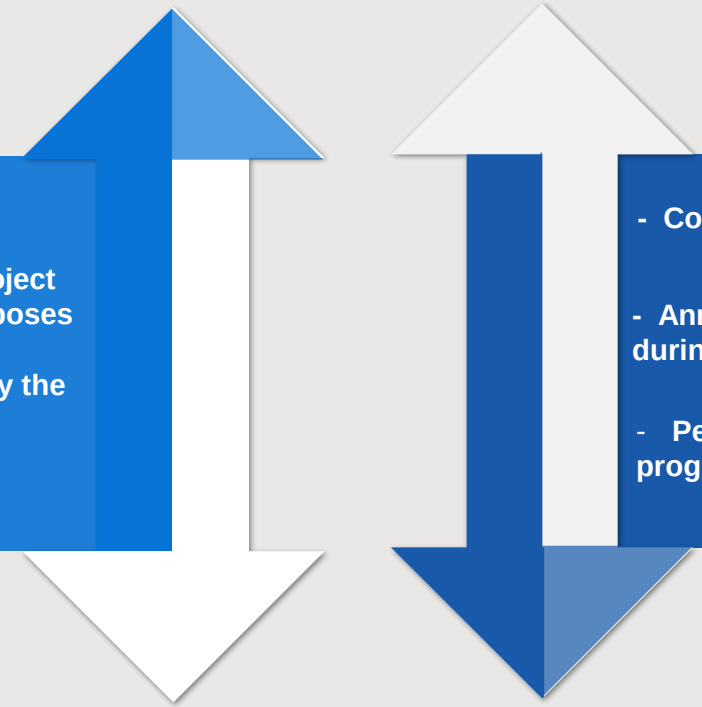
NOTE – THIS PRESENTATION IS FOR GENERAL AWARENESS ONLY. ADNOC IS NOT RESPONSIBLE FOR THE USE OR INTERPRETATION OF THE INFORMATION CONTAINED IN THE PRESENTATION.

ADNOC'S IN-COUNTRY VALUE

IMPROVEMENT PLAN CONSIDERATION

PARTICULAR HIGH VALUE EPC OR CONSTRUCTION PROJECTS

- Agreement based Improvement Plan
- Additional requirement for Supplier to engage project auditor to audit project spend for verification purposes
- Agreement specific ICV certificate to be issued by the Certifying bodies
- Percentage of agreement value to be released progressively as per compliance with ICV targets



- Company based Improvement Plan
- Annual Company based ICV certificates to be issued during full agreement period
- Percentage of agreement value to be released progressively as per compliance with ICV targets

ALL AGREEMENTS & OTHER PROJECTS

NOTE – THIS PRESENTATION IS FOR GENERAL AWARENESS ONLY. ADNOC IS NOT RESPONSIBLE FOR THE USE OR INTERPRETATION OF THE INFORMATION CONTAINED IN THE PRESENTATION.

ADNOC'S IN-COUNTRY VALUE

ICV PAYMENT PROCESS

Bidders will submit ICV Improvement Plan in their bids.

ICV Improvement Plan will be evaluated during a tender.

The final Agreement will include the ICV Improvement Plan and the ICV related payment mechanism.

Supplier will submit separate invoices to claim payment against the ICV along with all required documentation at end of each Agreement Year

The submitted Invoice shall be handled as per each company's invoicing procedure

NOTE – THIS PRESENTATION IS FOR GENERAL AWARENESS ONLY. ADNOC IS NOT RESPONSIBLE FOR THE USE OR INTERPRETATION OF THE INFORMATION CONTAINED IN THE PRESENTATION.

ICV MONITORING / PAYMENT

SCENARIO 1: LUMPSUM AGREEMENT WITH MILESTONE PAYMENTS

- $Total\ ICV\ Fee = 5\%\ of\ the\ lump\ sum\ amount$
- $Annual\ ICV\ Fee = \frac{Total\ ICV\ Fee}{Duration\ of\ Agreement\ (Years)}$
- $Annual\ ICV\ entitlement\ = [Annual\ ICV\ Fee]\ x\ \frac{Actual\ ICV\ Growth}{Planned\ ICV\ Growth}$
- **Supplier to submit separate invoice at the end of each Agreement Year to claim Annual ICV entitlement**
- **If the Supplier meets the target in any subsequent year, the unpaid amount in previous years shall be released.**

NOTE – THIS PRESENTATION IS FOR GENERAL AWARENESS ONLY. ADNOC IS NOT RESPONSIBLE FOR THE USE OR INTERPRETATION OF THE INFORMATION CONTAINED IN THE PRESENTATION.

ICV MONITORING / PAYMENT

SCENARIO 1: LUMPSUM AGREEMENT WITH MILESTONE PAYMENTS

Effective date
1st Apr 19

Duration
3 years

Award value
100M

Current ICV%
30%

ICV PAYMENTS

Total ICV Fee	Agreement Year	Plan	Actual	Annual ICV Fee	Maximum cum to be Paid	Payment for the Year	Amount Held	payment for Catching Up	Balance of Held Amount	Total Payment	Cum. Payment
5M	Year 1	35	32	1.67	1.67	$\frac{(32-30)}{(35-30)} \; x \; 1.67 = 0.67$	1.00	-	1.00	0.67	0.67
	Year 2	40	40	1.67	3.33	$\frac{(40-35)}{(40-35)} \; x \; 1.67 = 1.67$	-	1.00	-	2.67	3.33
	Year 3	45	40	1.67	5.00	$\frac{(40-40)}{(45-40)} \; x \; 1.67 = 0$	1.67	-	1.67	0	**3.33**

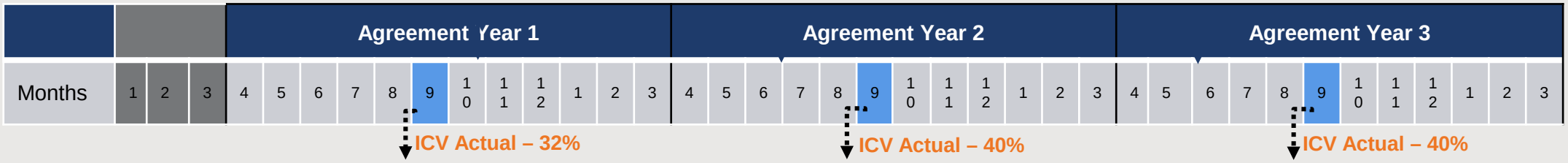
$$\frac{Total\ ICV\ Fee}{Duration\ of\ Agreement\ (Years)}$$

$$\frac{Actual\ ICV\%\ Growth}{Planned\ ICV\%\ Growth} \; x \; Annual\ ICV\ Fee$$

$$ICV\%\ growth = current\ year\ ICV\% \; - \; previous\ year\ ICV\%$$

Certification plan

Renewed ICV certificate submission



NOTE – THIS PRESENTATION IS FOR GENERAL AWARENESS ONLY. ADNOC IS NOT RESPONSIBLE FOR THE USE OR INTERPRETATION OF THE INFORMATION CONTAINED IN THE PRESENTATION.

ICV MONITORING / PAYMENT

SCENARIO 2: CALL OFF ORDER AGREEMENTS AND PROGRESSIVE LUMP SUM

- **Upon completion or provisional acceptance under each CALL-OFF ORDER , Supplier to submit invoice as under:**

$$Gross\ Payable\ -\ 5\%\ for\ ICV\ = Net\ payable$$

- **Supplier to submit separate invoice at the end of each Agreement Year to claim 5% ICV amount on each fully completed & fully invoiced COO during the Agreement Year.**

- $$Annual\ ICV\ entitlement\ = \left[\begin{matrix}5\%\ ICV\ amount\ of\ all\ invoices \\ raised\ for\ completed\ COOs\end{matrix}\right] x\ \frac{Actual\ ICV\ Growth}{Planned\ ICV\ Growth}$$

- **If the Supplier meets the target in any subsequent year, the unpaid amount in previous years shall be released.**

NOTE – THIS PRESENTATION IS FOR GENERAL AWARENESS ONLY. ADNOC IS NOT RESPONSIBLE FOR THE USE OR INTERPRETATION OF THE INFORMATION CONTAINED IN THE PRESENTATION.

ICV MONITORING / PAYMENT

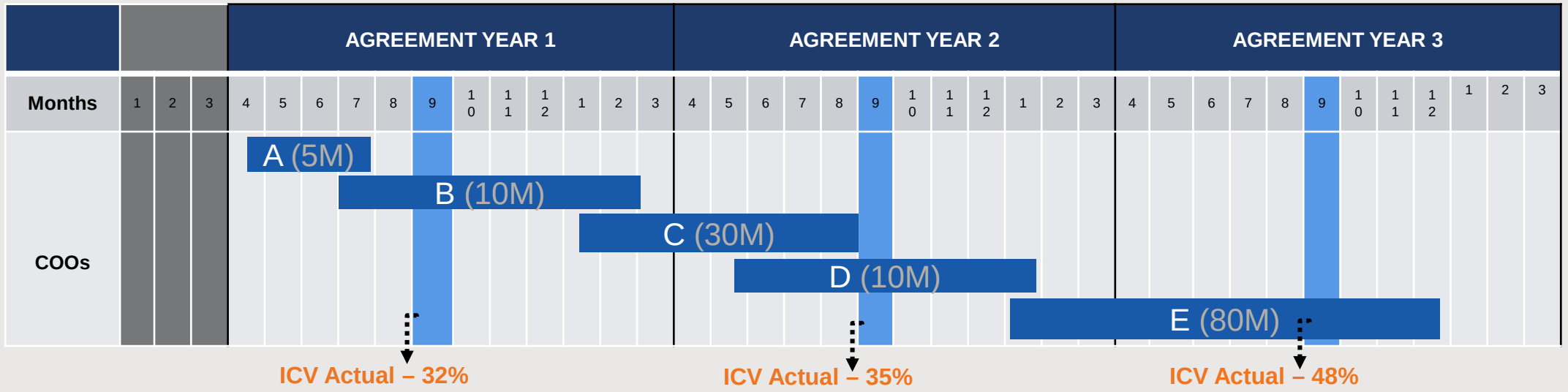
SCENARIO 2: CALL OFF ORDER AGREEMENTS AND PROGRESSIVE LUMP SUM

Effective date
1st Apr 19

Duration
3 years

Current ICV%
30%

New ICV
Every Sep



ICV IP

Year	%
1	35
2	40
3	45

AGREEMENT YEAR	CALL OFF COMPLETED	VALUE OF COO'S	ICV VALUE (5% OF COO)	PAYMENT FOR THE YEAR	AMOUNT HELD	PAYMENT FOR CATCHING UP	BALANCE OF HELD AMOUNT	TOTAL PAYMENT
Year 1	A + B	15M	0.75M	$\frac{(32-30)}{(35-30)} x\ 0.75 = \mathbf{0.3}$	**0.45**	**NA**	**0.45**	**0.30**
Year 2	C + D	40M	2M	$\frac{(35-35)}{(40-35)} x\ 2 = \mathbf{0}$	**2**	**0.45**	**2**	**0.45**
Year 3	E	80M	4M	$\frac{(48-40)}{(45-40)} x\ 2.5 = \mathbf{6.4}$ (capped to **4 M)**	**-**	**2**	**-**	**6.00**
Total		**135**	**6.75**	**4**	**-**	**2.45**	**-**	**6.75**

NOTE – THIS PRESENTATION IS FOR GENERAL AWARENESS ONLY. ADNOC IS NOT RESPONSIBLE FOR THE USE OR INTERPRETATION OF THE INFORMATION CONTAINED IN THE PRESENTATION.

ICV MONITORING / PAYMENT

SCENARIO 3: REIMBURSABLE AGREEMENTS

- For each period of time (whenever the invoice is to be submitted), Supplier to submit invoice as under:

$$Gross\ Payable\ -\ 5\%\ for\ ICV\ = Net\ payable$$

- Supplier to submit separate invoice at the end of each Agreement Year to claim 5% ICV amount on each invoice during the Agreement Year.

- $$Annual\ ICV\ entitlement\ = \begin{bmatrix} 5\%\ for\ all\ invoices\ paid \\ during\ the\ agreement\ year \end{bmatrix} x\ \frac{Actual\ ICV\ Growth}{Planned\ ICV\ Growth}$$

- If the Supplier meets the target in any subsequent year, the unpaid amount in previous years shall be released.

NOTE – THIS PRESENTATION IS FOR GENERAL AWARENESS ONLY. ADNOC IS NOT RESPONSIBLE FOR THE USE OR INTERPRETATION OF THE INFORMATION CONTAINED IN THE PRESENTATION.

ICV MONITORING / PAYMENT

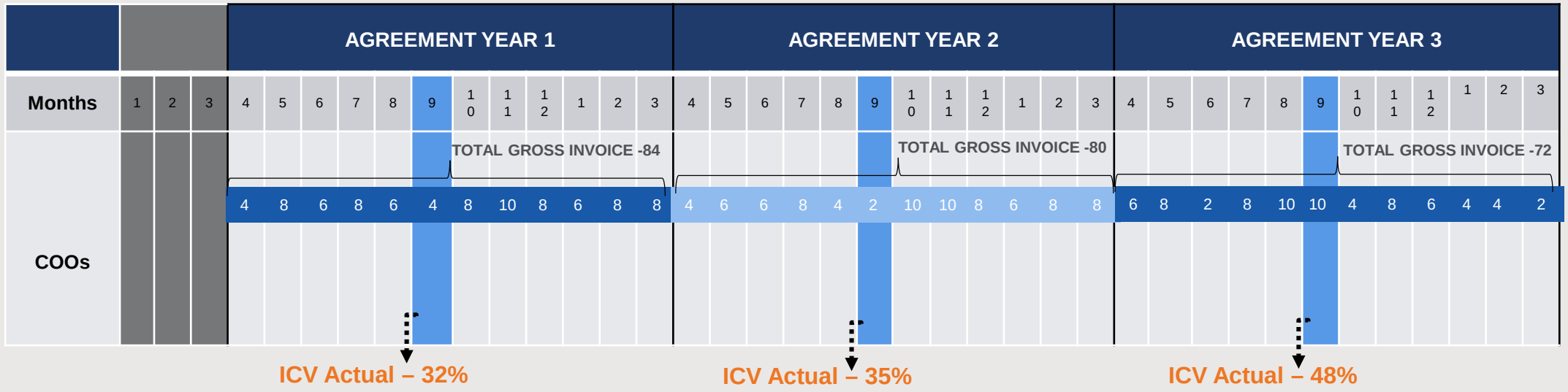
SCENARIO 3: REIMBURSABLE AGREEMENT

Effective date
1st Apr 19

Duration
3 years

Current ICV%
30%

New ICV
Every Sep



ICV IP

Year	%
1	35
2	40
3	45

AGREEMENT YEAR	NO. OF INVOICES	VALUE OF INVOICES	ICV VALUE (5% OF INVOICE)	PAYMENT FOR THE YEAR	AMOUNT HELD	PAYMENT FOR CATCHING UP	BALANCE OF HELD AMOUNT	TOTAL PAYMENT
Year 1	12	84	4.2	$\frac{(32-30)}{(35-30)} \; x \; 4.2 = \mathbf{1.68}$	**2.52**	**NA**	**2.52**	**1.68**
Year 2	12	80	4	$\frac{(35-35)}{(40-35)} \; x \; 4 = \mathbf{0}$	**4**	**2.52**	**4**	**2.52**
Year 3	12	72	3.6	$\frac{(48-40)}{(45-40)} \; x \; 3.6 = \mathbf{5.76}$ (capped to **3.6 M)**	**-**	**4**	**-**	**7.60**
Total		**135**	**6.75**	**4**	**-**	**6.52**	**-**	**11.8**

NOTE – THIS PRESENTATION IS FOR GENERAL AWARENESS ONLY. ADNOC IS NOT RESPONSIBLE FOR THE USE OR INTERPRETATION OF THE INFORMATION CONTAINED IN THE PRESENTATION.

ICV MONITORING / PAYMENT

SCENARIO 4: AGREEMENT SPECIFIC ICV WITH MILESTONE PAYMENT

- $Total\ ICV\ Fee = 5\%\ of\ the\ lump\ sum\ amount$
- $Annual\ ICV\ entitlement = \left[5\%\ of\ the\ Value\ of\ Work\ Done\ for\ the\ Agreement\ Year\right] x \frac{Actual\ ICV}{Planned\ ICV}$
- **Supplier to submit separate invoice at the end of each Agreement Year to claim ICV entitlement with Agreement specific ICV certificate**

NOTE – THIS PRESENTATION IS FOR GENERAL AWARENESS ONLY. ADNOC IS NOT RESPONSIBLE FOR THE USE OR INTERPRETATION OF THE INFORMATION CONTAINED IN THE PRESENTATION.

ICV MONITORING / PAYMENT

SCENARIO 4: AGREEMENT SPECIFIC ICV WITH MILESTONE PAYMENT

Effective date
1st Apr 19

Duration
3 years

Award value
500M

Current ICV%
30%

ICV IMPROVEMENT PLAN

Agreement Y	%
Year 1	35
Year 2	40
Year 3	45

PRICING STRUCTURE

Activity	Cost
Engineering	50M
Procurement	200M
Fabrication	100M
Installation	125M
Comissioning	25M
Total	**500M**

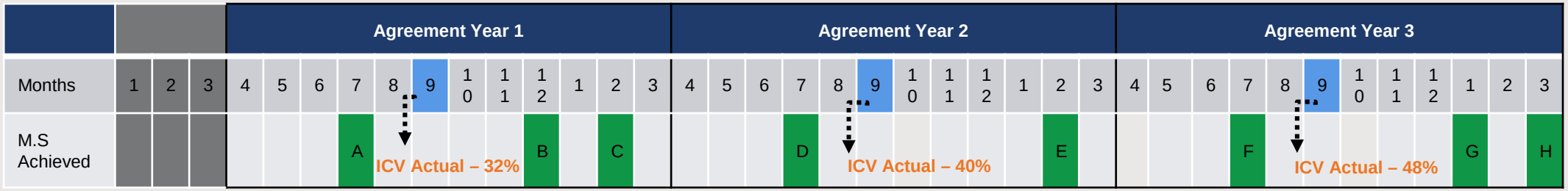
PAYMENT MILESTONE STRUCTURE

S.N	Activity	VOWD (USD)	Payment %	Value of Milestone Payment
A	Completion of 50% Engineering	25M	95%	475 M
B	Completion of 100% Engineering	25M (50M)		
C	Completion of 50% Procurement	100M		
D	Completion of 100% Procurement	100M (200M)		
E	Completion of 100% Fabrication	100M		
F	Completion of 50% Installation	62.5M		
G	Completion of 100% Installation	62.5 (125M)		
H	Completion of Commissioning	25M		
I	**ICV Payment**	**-**	**5%**	**25M**
Total		**500M**	**100%**	**500M**

Renewed ICV certificate submission

Milestone achieved and invoice submitted

Certification plan



NOTE – THIS PRESENTATION IS FOR GENERAL AWARENESS ONLY. ADNOC IS NOT RESPONSIBLE FOR THE USE OR INTERPRETATION OF THE INFORMATION CONTAINED IN THE PRESENTATION.

ICV MONITORING / PAYMENT

SCENARIO 4: AGREEMENT SPECIFIC ICV WITH MILESTONE PAYMENT

AGREEMENT YEAR	AGREEMENT SPECIFIC ICV IMPROVEMENT PLAN			ACTUAL ACHIEVEMENTS AND PAYMENTS				
	PLAN	PHASED REVENUE FROM THE AGREEMENT (USD)	ICV VALUE IN USD	Actual	VOWD (USD) per Year	Maximum ICV payment (5% of VOWD/year)	ICV Payment / year	ICV Cumulative paid
YEAR 1	35	100	35	32	100	$100\ x\ 5\% = 5$	$\frac{32}{35}\ x\ 5 = 4.57$	4.57
YEAR 2	40	250	100	40	250	$250\ x\ 5\% = 12.5$	$\frac{40}{40}\ x\ 12.5 = 12.5$	$4.57 + 12.5 = 17.07$
YEAR 3	45	150	67.50	48	150	$150\ x\ 5\% = 7.5$	$\frac{48}{45}\ x\ 7.5 = 8$	$17.07 + 8 = 25.07$ (Capped to maximum 25 M)
TOTAL	-	**500**	**202.50**	-	**500**	**25**	**25.07 (capped at 25)**	**25**

NOTE – THIS PRESENTATION IS FOR GENERAL AWARENESS ONLY. ADNOC IS NOT RESPONSIBLE FOR THE USE OR INTERPRETATION OF THE INFORMATION CONTAINED IN THE PRESENTATION.

THANK YOU

ABU DHABI NATIONAL OIL COMPANY