



ADNOC In-Country Value (ICV) Program

ENHANCED PROGRAM AND CONSIDERATIONS

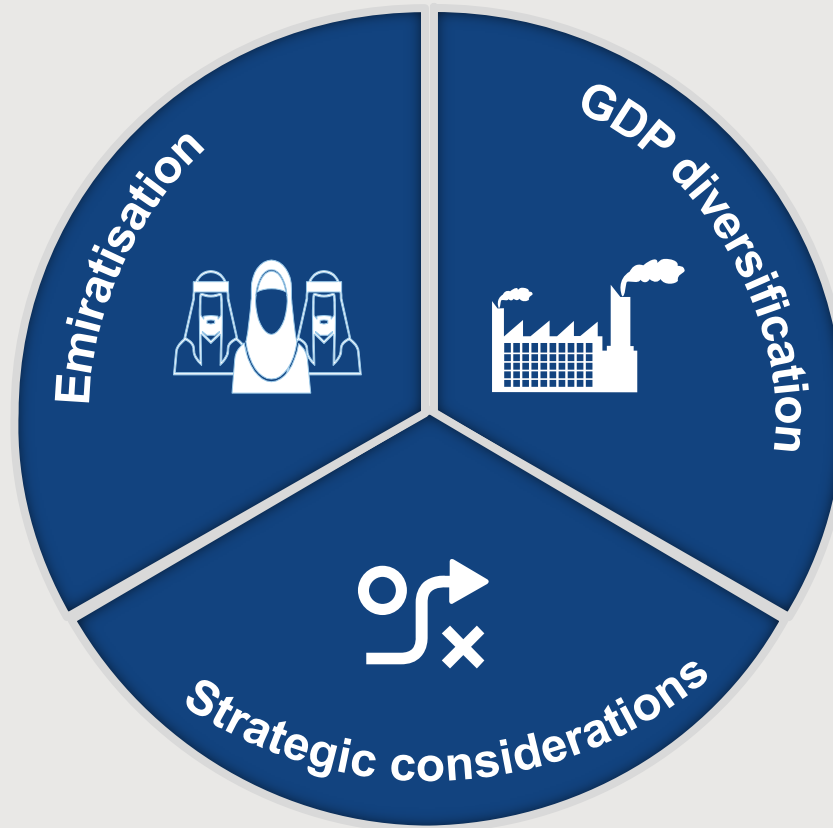
SUPPLIERS WORKSHOP

ABU DHABI NATIONAL OIL COMPANY

AGENDA



CONTINUING ON THE SAME PATH



MAJOR OBSERVATIONS



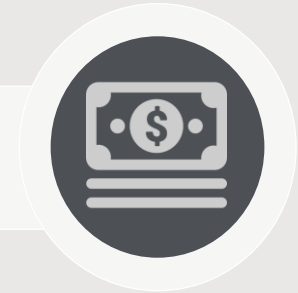
Observation

Consideration of future ICV plans

Volume of investment

Emiratization

Operating costs



Addressed by

Improvement Plan

Enhanced Formula

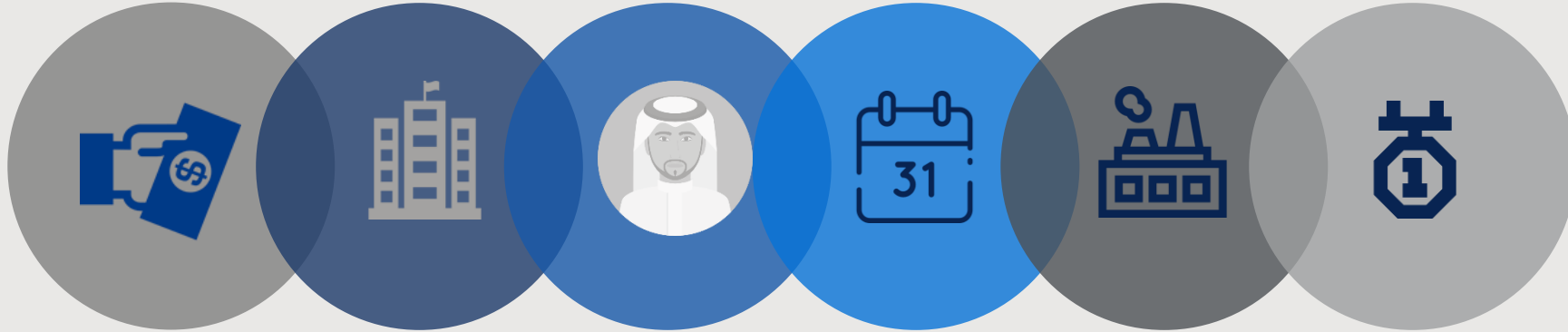
Enhanced guidelines

ICV ENHANCED FORMULA



		GOODS	SERVICE	FORMULA	Bonus (Maximum up to 5%)
Goods / Services	(GM) Goods Manufacturing	50%	N/A	$\frac{\text{Manufacturing cost incurred within UAE} + \text{Emirati Cost} + 0.6 * \text{Expat cost}}{\text{Total Revenue}}$	$\frac{\text{Total Annual revenue from outside UAE (Export Revenue)}}{\text{Total Annual revenue from UAE (revenue from inside + outside customers) Excluding Re - Exports}}$
	(TPS) Third Party Spend	N/A	50%	$\frac{\sum \text{Value of good \& services procured per vendor \& subcontractor} \times \text{ICV of the vendor \& subcontractor} + \text{Emirati Cost} + 0.6 * \text{Expat cost}}{\text{Total Revenue}}$	
Company	(I) Investment	25%	25%	$\frac{\text{Net Book Value of Assets in UAE}}{\text{Net Book Value of Total Assets}}$ + $\text{Top up 15\% on progressive basis (USD 5M - USD 50M)}$	$\frac{\text{No. of Emiratis}}{100}$
	(E) Emiratization	15%	15%	Up to AED 200K Salary & benefits – 2% Above AED 200K till AED 20M –progressive Above AED 20M – 15%	
	(EC) Expat contribution	10%	10%	In terms of head counts, progressive increase as follows: a) 1 to 5- 1 to 3% b) 6 to 50 – 4 to 6% c) 51 to 200 – 7 to 9% d) Above 200 – 10%	

KEY CHANGES IN CONSIDERATIONS



01

Procurement from Agents

For manufacturers, goods purchased from an agent within the UAE, the manufacturing cost incurred will be 50% or ICV percentage of the trader

02

Service providers in Free Zones

Service providers can issue their ICV considering all attributes except Investment

03

Training for Emiratis

Training for Emiratis (non employees) shall be counted if it done through Sondoq Al Watan or to a government university

04

Validity of the Certificate

18 months for each certificate from the date of issuance

05

Operating Costs

Operating costs shall be considered in the ICV calculation either at a fixed ICV score or the ICV of the entity

06

Award Strategy

Combination of ICV certificate and Improvement Plan as a base for award

IMPROVEMENT PLAN CONSIDERATION



Evaluation



Combination of ICV Certificate and Improvement Plan with higher weightage on Improvement Plan

- ICV Milestone Payment of 5% of project value
- Amounts released annually based on compliance with ICV Improvement Plan



Governance

Implementation



Immediate implementation on specific agreements.
Remaining to be applied by November 2018

IMPROVEMENT PLAN CONSIDERATION



Particular Projects

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

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

All Agreements & other projects

AWARD STRATEGY



Stage	Tender Floating	Technical Evaluation	Commercial Evaluation	ICV Evaluation
Participants	All qualified Suppliers	All qualified Suppliers	Technically accepted	Commercial participants
Activity	Tender floated including the project's scope of work and specifications	Suppliers are evaluated based on technical requirements only	Suppliers are ranked by Commercial quotes, and combination of ICV % and improvement plan	Rights of refusal granted Consecutively to highest to lowest combined ICV suppliers to match a target price

AWARD STRATEGY – SINGLE AWARD



Supplier	Price Quoted (AED)	Price Ranking	ICV % As per certificate	ICV Improvement Plan
A	100	L1	20%	25%
B	120	L2	10%	18%
C	130	L3	30%	38%
D	140	L4	45%	46%
E	150	L5	40%	55%



1

To arrive at the combined score, the following weightages to be assigned*

40%

60%

* The assigned percentages are not fixed, and are only used for illustration purposes.

AWARD STRATEGY – SINGLE AWARD



Supplier	Price Quoted (AED)	Price Ranking	ICV % As per certificate	ICV Improvement Plan	Combined ICV	New Ranking
A	100	L1	20%	25%	23%	H4
B	120	L2	10%	18%	14.8%	H5
C	130	L3	30%	38%	34.8%	H3
D	140	L4	45%	46%	45.6%	H2
E	150	L5	40%	55%	49%	H1

Initially

Request Supplier D to match L1 (AED 100). If he agrees, award Supplier D for AED 100

Revised

Request Supplier E to match L1 (AED 100). If he agrees, award Supplier E for AED 100

AWARD STRATGY - MULTIPLE AWARD



Multiple Award is to be made to 3 Suppliers in ratio of 60:30:10 in this case study
80% weightage on improvement plan , 20% on ICV certificate *

Supplier	Price Quoted (AED)	Price Ranking	ICV % As per certificate	ICV Improvement Plan	Combined ICV	New Ranking
A	100	L1	20%	25%	24%	H4
B	120	L2	10%	18%	16.40%	H5
C	130	L3	30%	38%	36.40%	H3
30%	D	L4	45%	46%	45.80%	H2
60%	E	L5	40%	55%	52%	H1

Process to be followed:

- 1 Request Supplier E (H1) to match L1 (AED 100). If he agrees, award Supplier E the highest share 60% for AED 100
- 2 Once Supplier E is awarded, Supplier D will be approached to match L1 for second highest share 30%. If he agrees he will be awarded, if not, Supplier C will be approached for the same and so on for the rest of the shares

The shares (60/30/10) will be directly proportional to ICV%

* The assigned percentages are not fixed, and are only used for illustration purposes.

IMPROVEMENT PLAN



During evaluation, combination of ICV Certificate and Improvement Plan will be applied to arrive at the overall score. The supplier with the highest overall score will be approached first to equate to a target price with the committed ICV at his own submission

The target to be monitored quarterly to ensure the supplier is on track. Any shortfall noticed shall be communicated to the supplier for immediate rectification action plan

Supplier to submit the required ICV certificate to prove achievement of the ICV milestone to release the respective payment accordingly

01 Suppliers to submit the improvement plan with the commercial bid. The improvement plan is considered binding and shall not be revised

02 New consideration shall be implemented by Nov. 2018. ADNOC Group will apply the new considerations partially on some of its major tenders instantly

03

04 A milestone of 5% of contract value will be introduced to ensure the ICV achievement. Annual Progressive payments shall be made according to the compliance with the ICV target

05

06

WAY FORWARD



September

September & October

November

Improvement plan to be considered in evaluation for specific tenders

Communication and awareness sessions
Recertification of the suppliers

Implement enhanced formula and consideration of improvement plan in evaluation for all tenders



THANK YOU

ABU DHABI NATIONAL OIL COMPANY