أدنــوك
ADNOC

ICV PAYMENT GUIDELINES FOR SUPPLIERS

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1 INTRODUCTION

ADNOC has announced its In-Country Value (ICV) program for ADNOC and ADNOC Group Companies. The objectives of this program are the following:

a) **Emiratization**: creating additional employment opportunities for Emiratis in the private sector;

b) **GDP Diversification**: supporting UAE GDP diversification through sourcing more Goods and Services within the UAE; and

c) **Strategic Considerations**: localizing strategically critical parts of the value chain for selected categories.

2 SCOPE

This document establishes the guidelines for the ICV payments in various agreement types/scenarios, and includes guidelines to be followed if the ICV improvement plan is not met or is partially met.

This document is subject to periodic review and revision whenever required.

3 PURPOSE

The purpose of these guidelines is to detail the process for the ICV payments in ADNOC contracts.

4 CLARIFICATIONS

In case of any clarifications on the payment, please contact ICV@adnoc.ae

5 DEFINED TERMS

ADNOC: means Abu Dhabi National Oil Company.

ADNOC Group: means ADNOC together with each company in which ADNOC directly or indirectly, holds 50% or more of the shares or has the ability to direct the management of the company.

Agreement: refers to all types of contracts entered into by ADNOC Group companies with Suppliers for procurement of goods and/or services.

Annual ICV Fee: means the yearly amount due from the ICV payment as per the terms and conditions of the Agreement.

Annual ICV Target: the percentage of the ICV score that the Supplier should annually achieve as stated in the Improvement Plan of the Agreement and in accordance with the terms and conditions of the Agreement.

Bid: means a response by a Bidder to RFQ or RFT.

Bidder: means a Supplier that submits the Bid in response to RFQ or RFT or any other form of invitation extended by ADNOC Group.

ICV Certificate: means the document issued by ADNOC approved firm certifying the In-Country Value achieved by the Supplier.

In Country Value or **ICV**: means the level of value to be added within the UAE in the course of procurement of Goods and Services by ADNOC Group companies, as identified, defined, measured and certified in accordance with the ICV certification process.

Suppliers: a generic term to cover contractor, vendor, manufacturer, associate, principal, and others involved in supply of goods or services

Value Added Tax or VAT: means – as defined by Federal Decree Law No. (8) of 2017- a tax imposed on the import and supply of goods and services at each state of production and distribution including the deemed supply. It is a type of consumption tax that placed on a product or a service whenever value is added at a stage of production and at a final sale.

6 GUIDELINES

The following guidelines should be adhered to for all ICV payments:

1) The ICV payment shall be in an amount equivalent to 5% of the total value of the Agreement. ADNOC reserves the right to amend the ICV payment percentage which will be with advanced notification in RFT/RFQ and subsequently, included in the agreements.

2) ICV Improvement Plan and ICV Payment Mechanism are included in the Agreement as applicable

3) In the Improvement Plan, the ICV Target for any particular Agreement year must be higher or same as the year before, noting that the ICV Target percentage in any Agreement year shall not be lower than in any of the previous years.

4) Suppliers shall submit an invoice once annually for the Annual ICV Fee for the relevant year calculated on a pro-rata basis based on the percentage of the Annual ICV Target achieved to claim ICV entitlement along with all required documentation at the end of each Agreement year. The invoice shall be supported by a valid ICV certificate issued by an authorized ICV Certifying Body. The method of calculating ICV payment in case the target was not achieved in the set year for each type of Agreements is detailed in point 5 below.

5) If the Supplier meets or exceeds the ICV Target of a specific year in any subsequent year during the Agreement term, the unpaid amount of that previous year shall be released. This is applicable to all Agreement types/scenarios except scenario 4, (please refer to section 6 ‘Procedures and Scenarios’, EPC Agreement for more than US$200M). For scenario 4, if the Supplier exceeds the ICV Target of a specific year, the amount shall be paid on pro-rata basis based on the achieved percentage.

6) VAT payment is restricted to 5% of the actual payment made in respect of work done, therefore, the VAT will be applied to any payment after deducting the ICV value. VAT will be applied to any subsequent payments relating to ICV.

7) The ICV payment duration is up to the end of the Agreement term. Payment will be made at the end of each Agreement year once the Target Improvement Plan is achieved or partially achieved based on pro-rata basis subject to the ICV Target of that year. The ICV achieved will be based on a valid ICV certificate issued by an authorized ICV Certifying Body.

7 PROCEDURES AND SCENARIOS

The following procedures will be applicable for the ICV payments based on Agreement type/scenario:

Scenario 1 - Lump Sum Agreement with Milestone Payments (*other than EPC Agreements for more than US$200M):*

A. For this type of Agreements, payments are based on achievement of milestones. The payment schedule in the commercial part of the Agreement will be developed as follows:

   1. 95% of the lump sum portion of the Agreement price shall be earmarked for achievement of Technical scope Milestones.

   2. Remaining 5% of the lump sum portion of the Agreement price shall be earmarked for ICV payment Milestone.

Annual ICV Fee due from the ICV payment Milestone as per the terms and conditions of the Agreement, should be calculated by dividing the ICV payment milestone by the number of years of the Agreement term.

Supplier will submit ICV invoice at the end of each Agreement year to claim ICV entitlement amount..

Each invoice should be supported by the latest Company specific ICV Certificate of the Supplier.

Scenario 2 – Call off order Agreement & Progressive Lump Sum projects

For this Agreement type, services will be called off when required. Upon completion or Provisional Acceptance under each Call-Off Order, the Supplier will submit the invoice as follows:

Gross Payable – 5% for ICV = Net Payable.

The accounting allocation will be administered as set out in the following example:

Value of progress under the Agreement	AED 100,000
- Less ICV at 5%	AED (5,000)
Net Amount Payable	AED 95,000
+ Add Value Added Tax at 5%	AED 4,750
Total Net Invoice Payable	AED 99,750

Supplier will submit ICV invoice at the end of each Agreement year to claim ICV entitlement amount on each fully completed and fully invoiced Call-Off Order during the Agreement year.

Each invoice should be supported by the latest Company specific ICV Certificate of the Supplier.

Scenario 3 – Reimbursable Agreements

For this type of Agreement, the Supplier will submit the invoices as follows for each period of time (whenever the invoice is to be submitted),

Gross Payable – 5% for ICV = Net Payable.

The accounting allocation will be administered as set out in the following example:

Value of progress under the Agreement	AED 100,000
- Less ICV at 5%	AED (5,000)
Net Amount Payable	AED 95,000
+ Add Value Added Tax at 5%	AED 4,750
Total Net Invoice Payable	AED 99,750

Supplier will submit ICV invoice at the end of each Agreement year to claim ICV entitlement amount on each fully completed and fully invoiced Call-Off Order during the Agreement year.

Each invoice should be supported by the latest Company specific ICV Certificate of the Supplier.

Scenario 4 – EPC Agreements for more than US$200M

The payment schedule in the commercial part of the Agreement will be developed as illustrated in point A in scenario 1. For this Agreement type/scenario, percentage of agreement value to be released progressively in accordance to the value of work done and achievement of ICV target. Annual ICV Fee for the relevant year is calculated on a pro-rata basis based on the percentage of the annual ICV Target achieved.

The Supplier shall submit separate invoice at the end of each Agreement year to claim ICV entitlement. Each invoice should be supported by the latest Agreement specific ICV Certificate of the Supplier.

If any of the Annual ICV Targets were not achieved at FINAL ACCEPTANCE, or if these were achieved only partially, ADNOC or ADNOC Group will respectively either (i) not pay the ICV payment Milestone amount, or (ii) pay any amounts due on a pro-rata basis based on the achieved percentage and retain the remaining amounts from the ICV payment.