

# Vendor Day

## Procurement Italia

**Salvatore Bernabei**

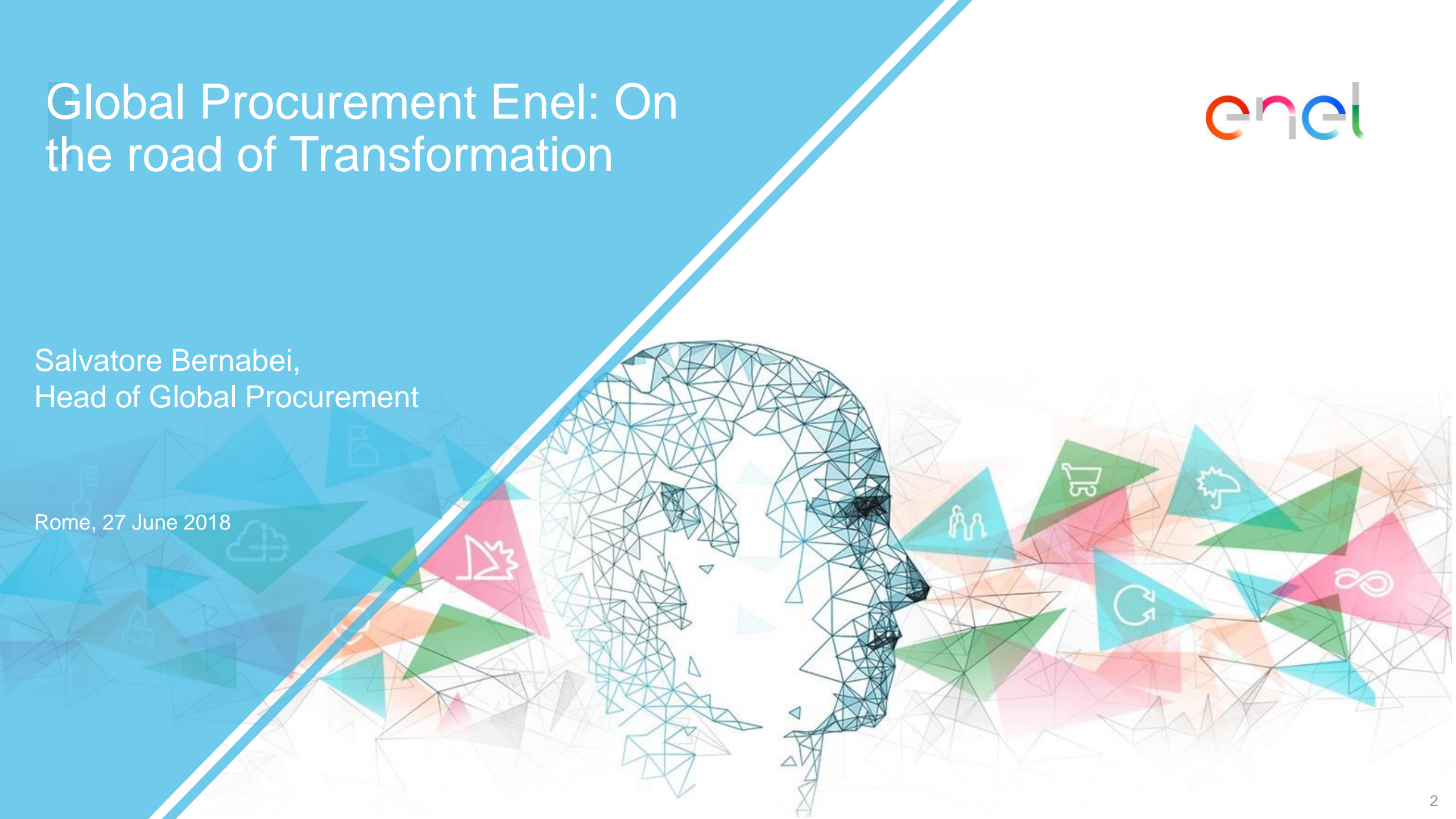
Direttore Global Procurement

# Global Procurement Enel: On the road of Transformation



Salvatore Bernabei,  
Head of Global Procurement

Rome, 27 June 2018



# Agenda

Suppliers day, Madrid 2018

The background features a large, abstract graphic of a human head in profile, facing right. The head is composed of a wireframe mesh of triangles. The face area is filled with a solid light blue color. The rest of the head and the background are filled with a complex pattern of overlapping, semi-transparent triangles in various colors including light blue, green, pink, and orange. A solid cyan rectangle is positioned on the left side of the slide, partially overlapping the head graphic.

**Enel Today**

**Macro-trends impacting Procurement**

**Procurement Transformation**



# Agenda

Suppliers day, Madrid 2018



## Enel Today

Macro-trends impacting Procurement

Procurement Transformation



# Enel today



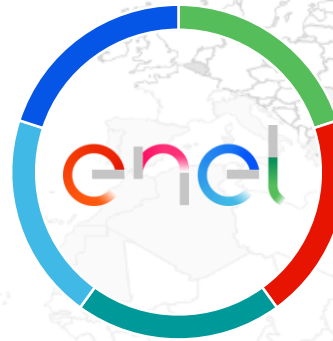
□ Countries of presence



#1 private **network** operator globally  
72 mn end users and 44 mn digital meters



~20 mn free **retail** customers  
#1 in Italy, Iberia and top 3 in Latam



#1 **Renewable** operator  
~40GW managed capacity



~47 GW **thermal** capacity  
Highly flexible and efficient assets



**e-Solutions (Enel X)**

**+5.7 GW** demand response



# Enel today

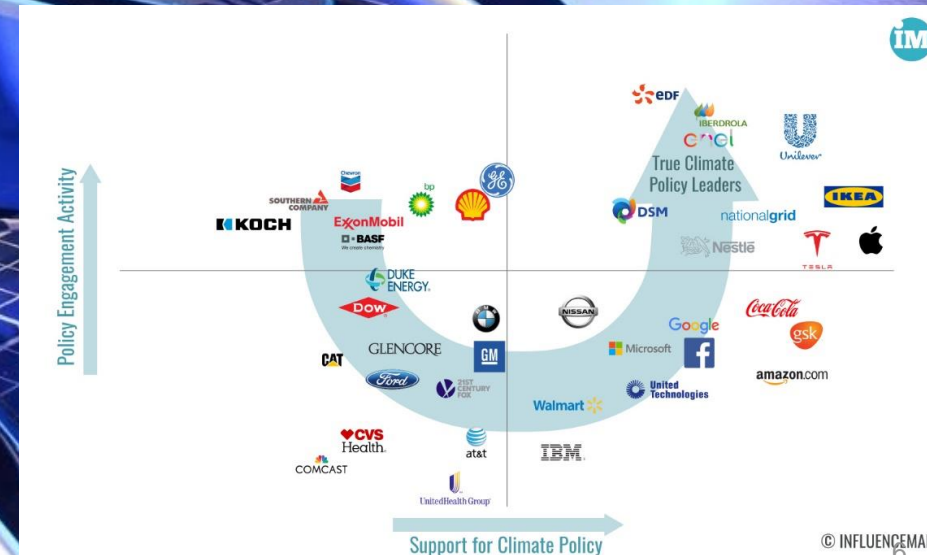
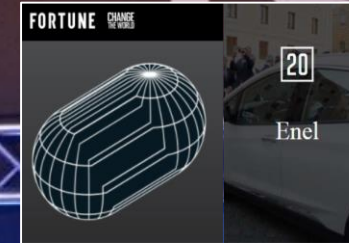
Enel in the “**TOP-20 Companies that change the world**” 2017 (Fortune)

Enel in the short list 2017 of “**responsible business award**” (Ethical Corporation)

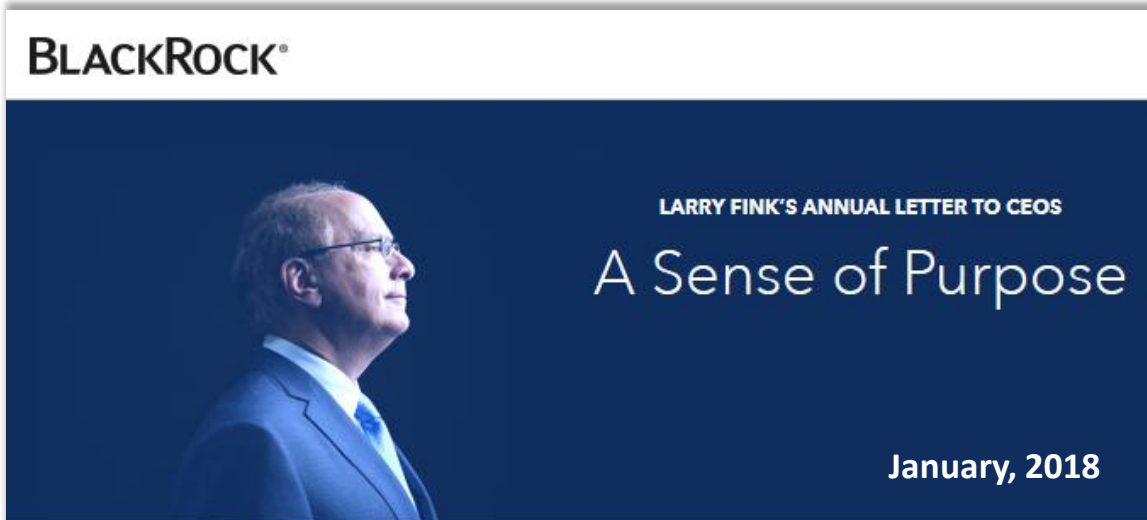
Enel as #5 company in the world that **fight**s the climate change (INFLUENCEMAP)

In 2018 Enel is a finalist for the 2 consecutive year in the multinational category in “**The Circulares 2018**”, the contest of the World Economic Forum which awards the most circular institutions, leaders and multinational companies in the world. *(alongside companies such as Apple, Google, Ikea and H&M)*

In June 2018 Enel was again confirmed in **Euronext Vigeo - World 120 index** – list of 120 most sustainable companies with the largest free-float market capitalisation in Europe



## Sustainability matters: a (big...) shareholder perspective



*"A company's ability to manage environmental, social, and governance matters... is so essential to sustainable growth"*

*"In order to make engagement with shareholders as productive as possible, companies must be able to describe their strategy for long-term growth..."*

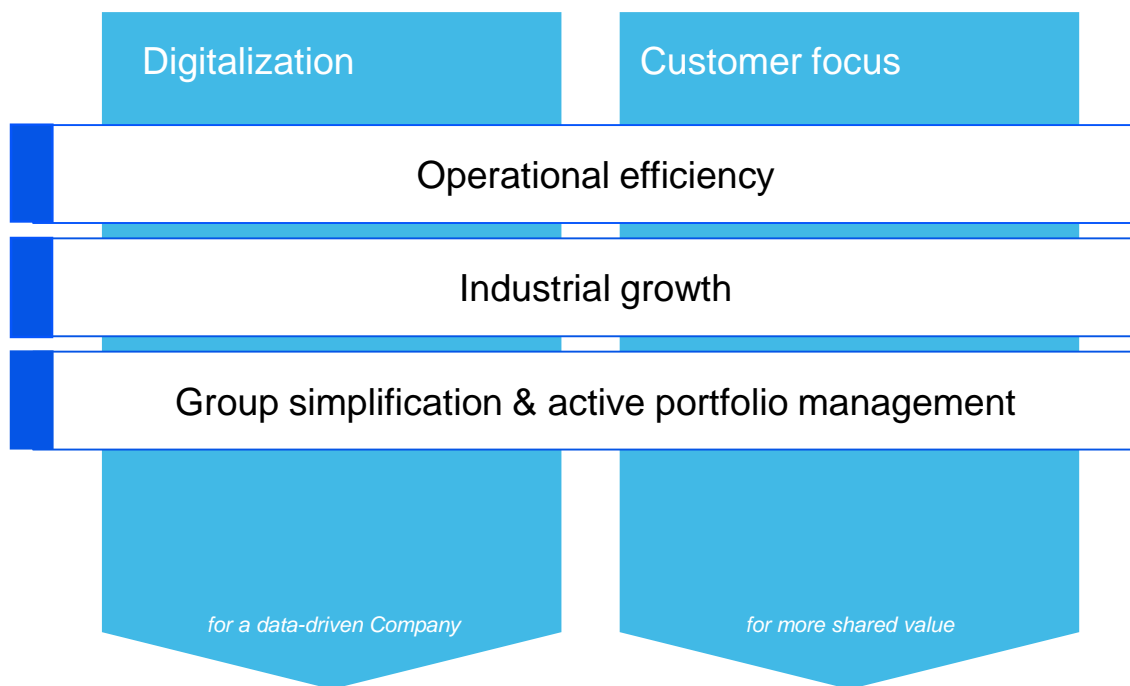
*I want to reiterate our request, that you publicly articulate your company's strategic framework for long-term value creation..."*

*"Society is demanding that companies, both public and private, serve a social purpose..."*

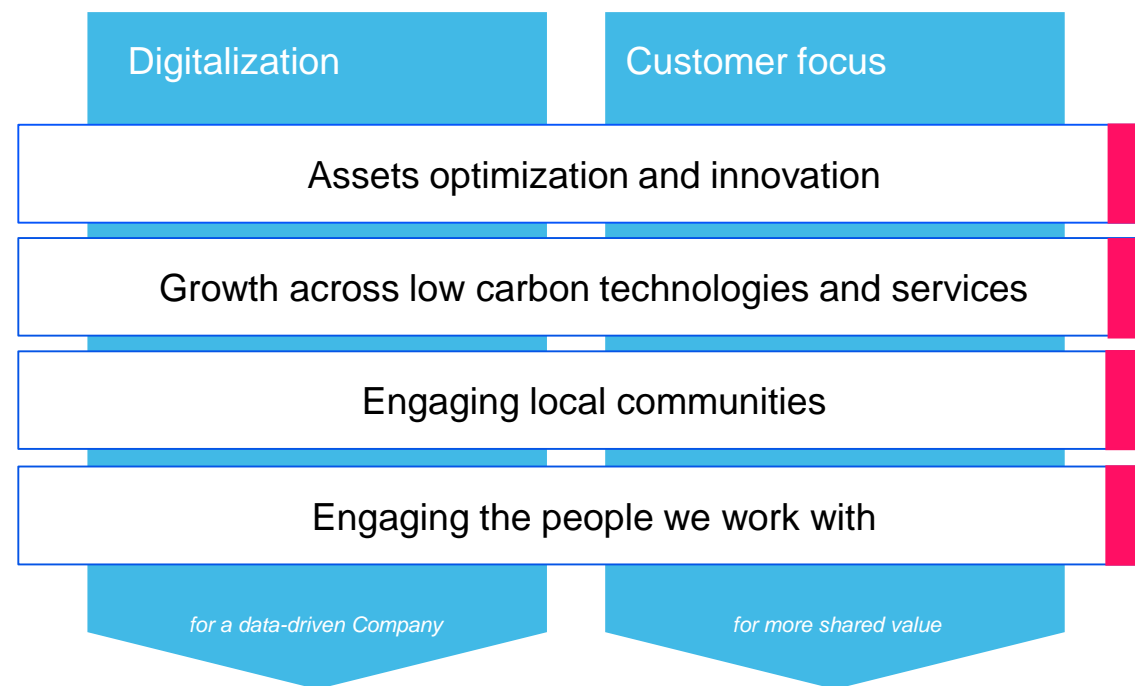
# Enel framework: a single strategy with industrial AND sustainability pillars for long-term value creation



## *Industrial*



## *ESG: Environment, Social, Governance*



**Sustainable long-term value creation**



# Delivery: a sustainable strategy



## Enel commitment to the global SDGs



**800,000** beneficiaries by 2020



**3 million** people by 2020, mainly in Africa, Asia and Latin America



**3 million** beneficiaries by 2020



**< 350 gCO<sub>2</sub> /kWh<sub>eq</sub>** by 2020  
(-25% vs base year 2007)

## Delivery

2017

2015-17



**~290,000**

**586,000** ↑



**~490,000**

**1.74 million**



**370,000**

**1.5 million** ↑



**399 gCO<sub>2</sub> /kWh<sub>eq</sub><sup>2</sup>**

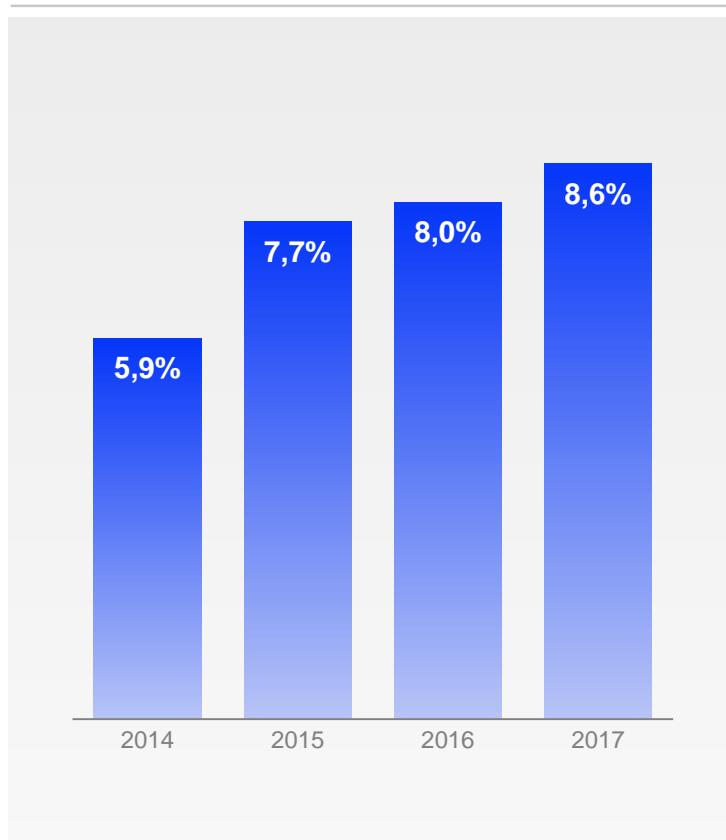
**n.a.**

1. Cumulated figure
2. -14% vs base year 2007. Including BSO
3. ↑ Target updated

# Sustainable business pays back



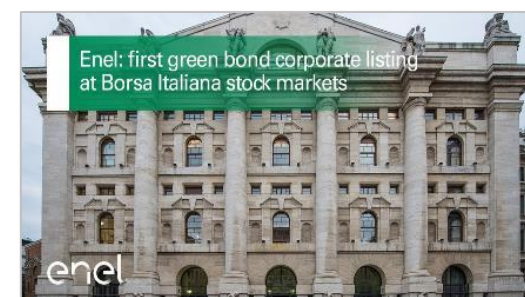
## % of SRI (socially responsible investors)



## Enel included in main Sustainability indices

From 2004	 MEMBER OF <b>Dow Jones Sustainability Indices</b> In Collaboration with RobecoSAM
From 2002	 <b>FTSE4Good</b>
From 2005	 <b>CDP</b> DRIVING SUSTAINABLE ECONOMY
From 2014	 MEMBER OF <b>STOXX</b> ESG LEADERS INDEXES
From 2013	 <b>EURONEXT</b> vigeo eiris
From 2007	 <b>ECPI</b> Sense in sustainability

## Other initiatives and recognitions



In Jan 2017 and 2018 two “green bonds” were issued with the total value of 2,5 bn euro

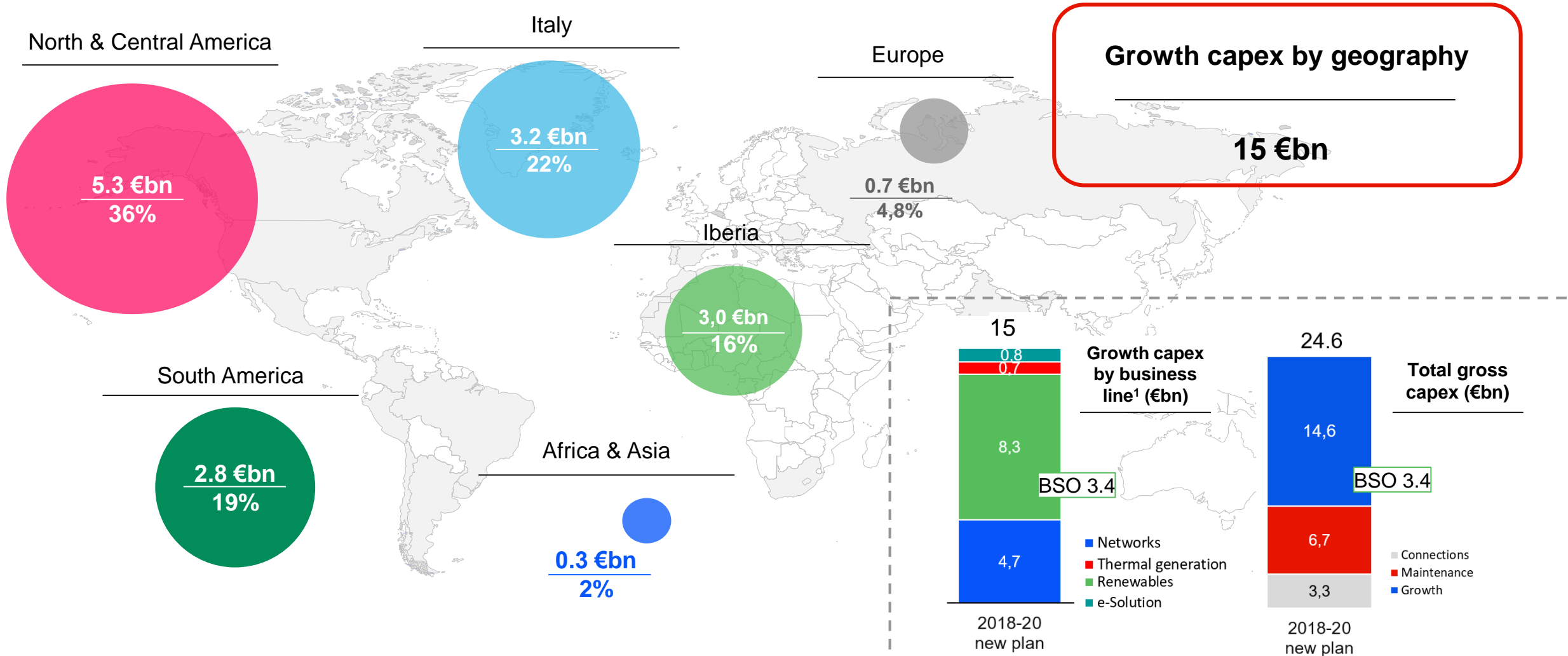
Investment (M €) **96,6**

Sustainability Projects (n) **>1200**

Beneficiaries (M people) **> 9**

# 2018-2020 Strategic capex growth plan

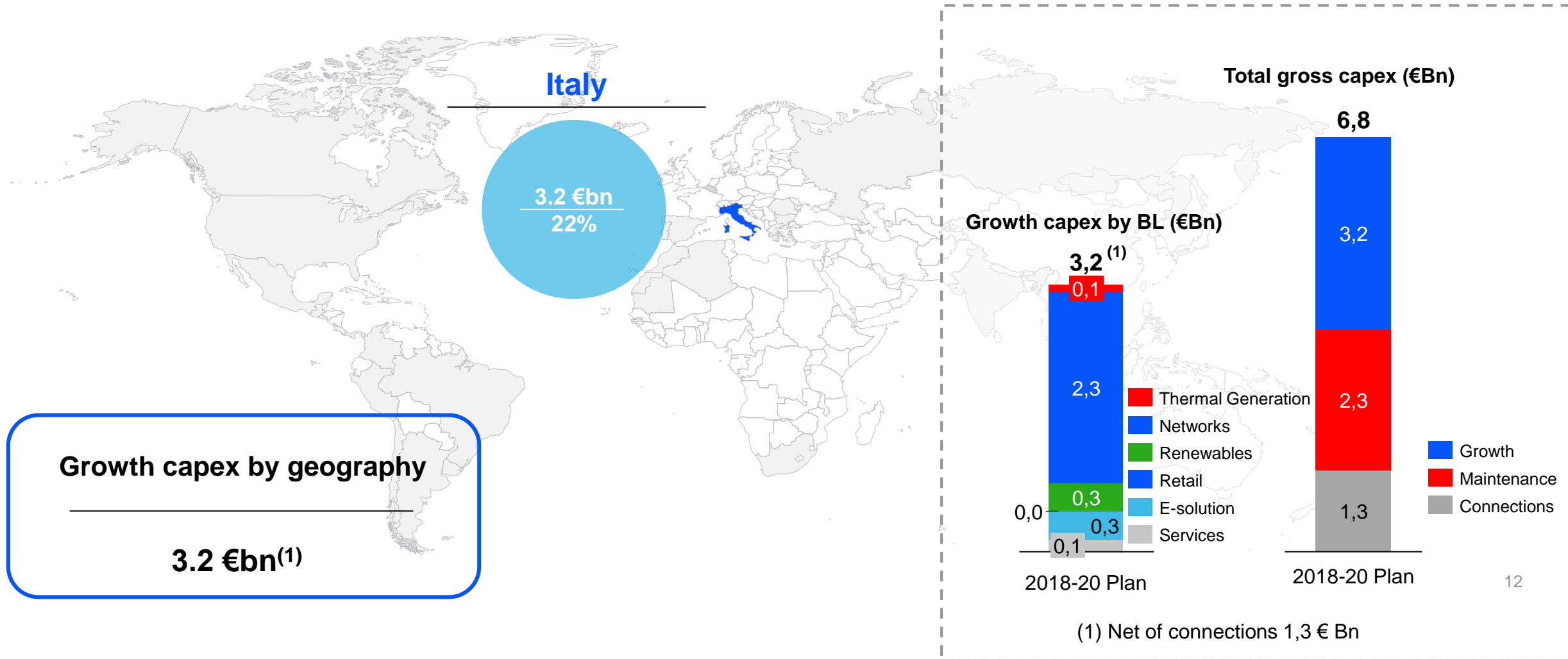
Rebalancing capex in networks and developed countries





# 2018-2020 Strategic capex growth plan Italy

Rebalancing capex in networks and developed countries



# Agenda

Suppliers day, Madrid 2018



Enel Today

**Macro-trends impacting Procurement**

Procurement Transformation



# Disruptive Technologies

10 emerging/consolidating technological trends potentially disruptive across industries



## X-as a service



**Energy as a Service, Products as a service** (e.g. Residential Storage, UPS,...), Virtual PV, **Uberization**

## Digitalization



IoT, Wearables, **AR/VR, Robots & Drones, 3D Printing, Future of Work**

## Automation of knowledge work



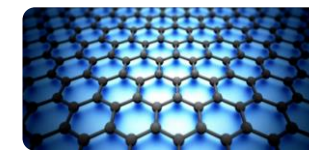
**AI systems** that can perform knowledge work tasks with unstructured commands and subtle judgements

## Autonomous is the new smart



**AI, Virtual Assistants** Network Automation, **Autonomous systems** (vehicles, drones,...)

## Advanced materials



**Materials increasingly performant** (e.g., nano-materials, graphene, piezoelectrics...)

## Advanced energy storage



**Li-ion and fuel cells** cost reduction, integration of solar/wind power and **stabilization of grid**

## Data monetization



Data Trading; **Data as a Service**; Bartering, Brokering and Business Intelligence models,...

## P2P business models



Cryptocurrencies, **Blockchain**, Smart Contracts, Trading Platforms, **Fintech**

## Platform business models



V2G, V1G, **Distributed Generation, DR, DSM, Marketplaces**

## Health & Wellness



eHealth, Wearables, **Connected Home, Energy Harvesting**



A man in a suit is sitting at a desk, looking at a computer monitor. In front of him is a chessboard with several chess pieces. The scene is dimly lit, with light coming from the monitor and a window in the background.

## Macro trends impacting Procurement activity in 2018

enel

**AI** and **RPA** will disrupt Procurement way of working,  
focusing resources on value added activities

# Macro trends impacting Procurement activity in 2018



**Big Data:** understanding how data can add value



# Macro trends impacting Procurement activity in 2018



**Innovation ecosystems:** to identify and leverage suppliers in joint innovation journeys



# Macro trends impacting Procurement activity in 2018



Focus shift from «cost reduction» to «**value-focused**»  
procurement

## Macro trends impacting Procurement activity in 2018



**Face-to-face interactions** still fundamental to deliver stronger social learnings and achievement



# Macro trends impacting Procurement activity in 2018



**Risk Mitigation** and resilience will take priority



# Agenda

Suppliers day, Madrid 2018



Enel Today

Macro-trends impacting Procurement

**Procurement Transformation**



The goal of Enel Procurement is to **MAXIMIZE THE CREATION OF VALUE** in its many forms (*safety, savings, time, quality, performance, revenue, flexibility, cash flow, risk management*) and to improve the stakeholders' **END-TO-END EXPERIENCE:**

Broadening our **Buyers'** competencies, employing user-friendly technologies, recognizing everybody's contribution in a multicultural work environment based on trust and fired by passion

Engaging **Suppliers** right from the start and working together to develop innovative and sustainable approaches and tools

Improving integration and communications with our **Customers** in order to provide increasingly effective solutions for the business



# TRANSFORMING OUR RELATIONSHIP WITH SUPPLIERS



**Procurement Manifesto:** enlarging our supplier horizon by carefully **listening** to their proposals, by constantly **scouting** regardless of sector or geography, helping local suppliers **grow and expand** their range of action.



- ❑ Redefining the main supplier-related processes (*Planning, Tendering, Qualification, Vendor Rating*)

- ❑ Communication & Early Engagement (*Supplier days, pre-tender workshops, Innovation by Vendors, Design to Value*)



- ❑ Defining together a more sustainable supply chain

- ❑ New Technologies & Tools to improve communication and interaction (*Open Innovability platform*)



- ❑ HSE Partnership

- ❑ Rewarding and incentivizing



INNOVATING TOGETHER TO CREATE MUTUAL VALUE

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# Qualification

Pillars of the new process and expected impact



## Pillars of new process

### Differentiated paths based on MG risk

- Fast track for low risk MGs
- Progressive checks based on risks

### 1 unique global qualification IT system

- Not asking documentation twice
- Direct communication with suppliers
- Exit from Repro IT System in Spain and Latam

### Digitalization and Artificial Intelligence

- Artificial Intelligence to screen documents
- On-line surveys and automatic scoring

### Fee simplification

- Removed when barrier to attract suppliers
- No different fee by Country and MGs

### Extend duration to 5 years

- Continuous monitor Vendor Rating, open sources
- Yearly check eco-finance, sustainability (HSE)

## Expected Impact:

Qualification Leadtime -70% days on average

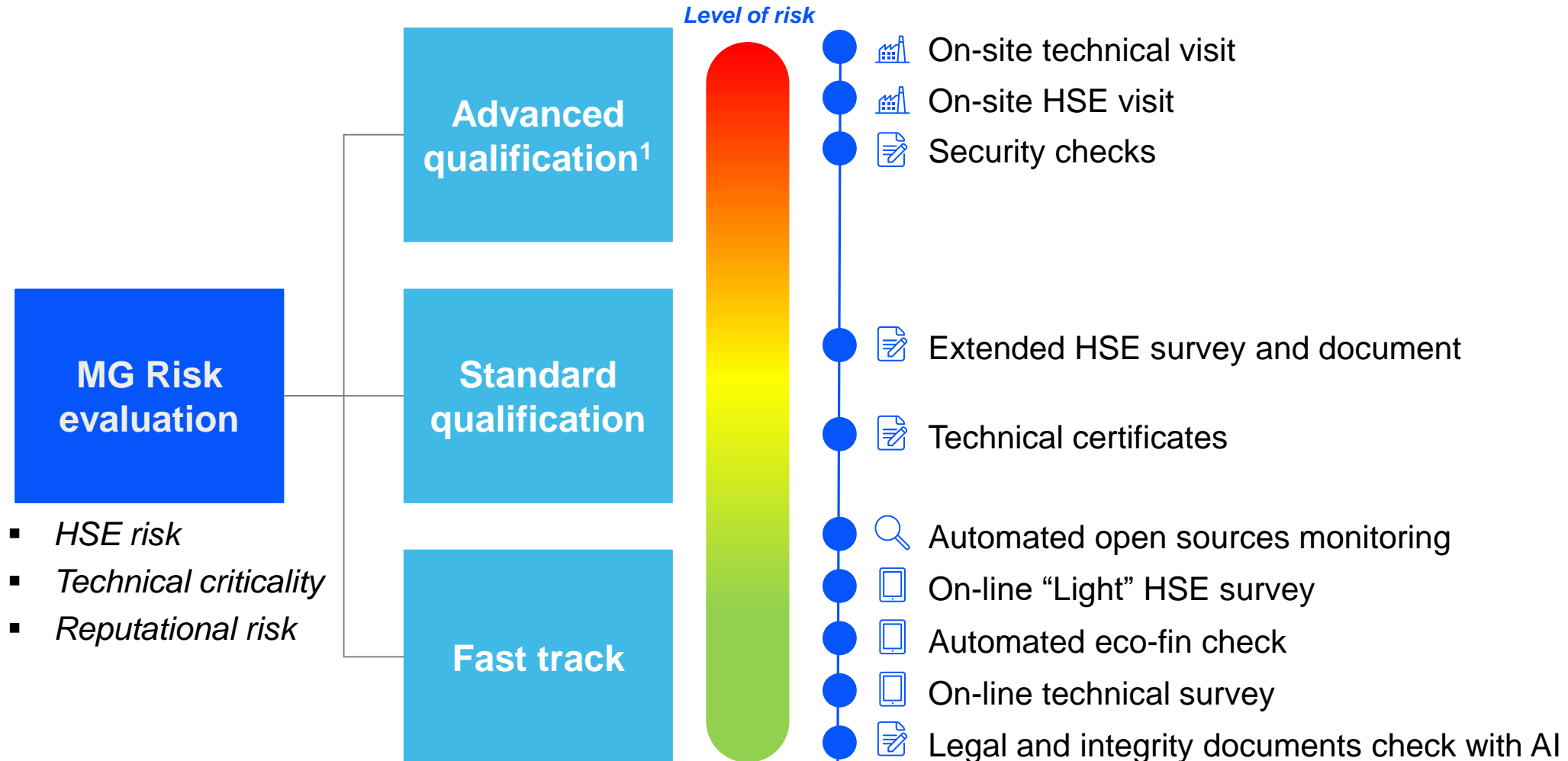
12 days average lead time of fast track

Risk mitigation

Wider qualified supplier base

# Qualification

Detail on differentiated paths based on MG risk



<sup>1</sup> On-site visit and security check performed when specific high risk emerged during qualification

# Tendering

Pillars of the new process and expected impact



## Pillars of new process

### Differentiated paths (transactional vs. non transactional) with different level of simplification, based on:

- Contracted amount
- Complexity of technical assessment (tech K, technical offer)
- MG's risk

### Strong link with qualification

- No double request of valid legal documents requested in qualification
- Only qualified supplier invited to spot orders (at steady state)

### Digitalization and automation

- Integrated digital document management system
- Digital contract creation tool

### Increase usage of catalogue

- Increase coverage of recurrent standard
- Improve user experience

## Expected impact (end of 2018)

- **Lead time:**
  - **-70% days target on spot orders** by the end of year (16 tender procedures already completed in line with lead time target)
  - **Further potential improvement on not-transactional procurement** under finalization
- **Experience:** improvement of stakeholders experience (buyers, BLs and Suppliers) documentation

**Simplified Global Contract Conditions** for **spot orders** to be implemented starting from **1 of July 2018**.

The simplification will allow a “**volume reduction**” of **approx 50%** (compared to current GCC).

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- ☐ HSE Partnership



- ☐ **Communication & Early Engagement**

- ☐ **New Technologies & Tools to improve communication and interaction**

- ☐ Rewarding and incentivizing



INNOVATING TOGETHER TO CREATE MUTUAL VALUE



# From needs to solutions by means of open innovation enabling tools



**INNOVATING WITH STARTUPS**

**INDUSTRIAL PARTNERSHIPS**

**CROWDSOURCING**

**INNOVATION INTELLIGENCE**

**INNOVATION WITH SUPPLIERS**

**INNOVATION COMMUNITIES**

**IDEA FACTORY/INNOVATION CULTURE INITIATIVES**

**INNOVATING WITH ACADEMIC PARTNERS**

**CHALLENGE**

*Based on  
Business and  
Staff Function  
needs*



*From Solutions scouting and  
testing (POC) to Handover to  
business to scale up*

# From needs to solutions by means of open innovation enabling tools



INNOVATING WITH STARTUPS

INDUSTRIAL PARTNERSHIPS

CROWDSOURCING

INNOVATION INTELLIGENCE

**INNOVATION WITH SUPPLIERS**

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# Innovating together with Suppliers

Suppliers from different industries involved in an **OPEN, CROSS-FERTILIZED DISCUSSION**, focusing on pre-selected critical technical challenges in order to identify quickly implementable innovative solutions (e.g. products, processes, or systems) to be jointly customized

## INNOVATION BY VENDORS

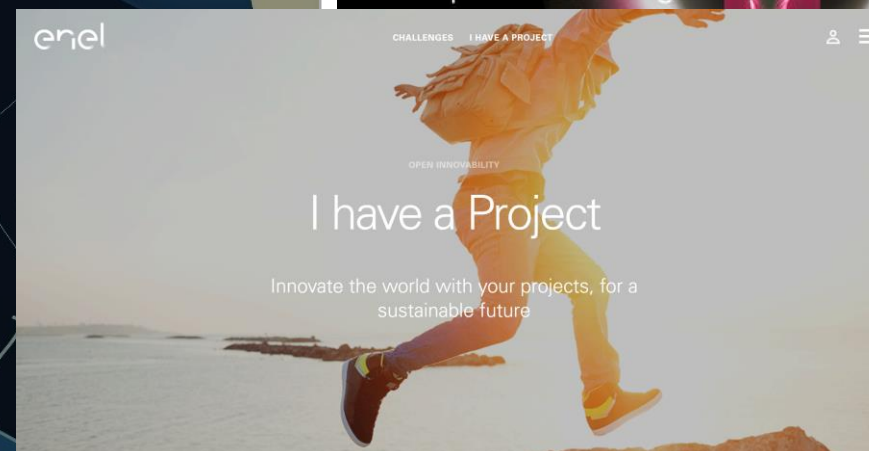
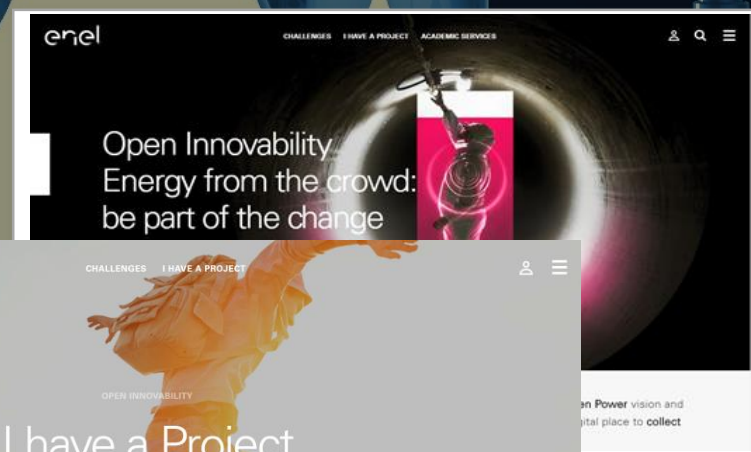
### Multi-Disciplinary Team:

- Innovation & Sustainability
- Engineering and Construction
- Technical Lines
- Power Plant personnel
- coordinated by Global Procurement

**PROPOSE SPECIFIC TECHNICAL CHALLENGES TO SUPPLIERS TO DEVELOP SOLUTIONS AND IMPLEMENT THEM**

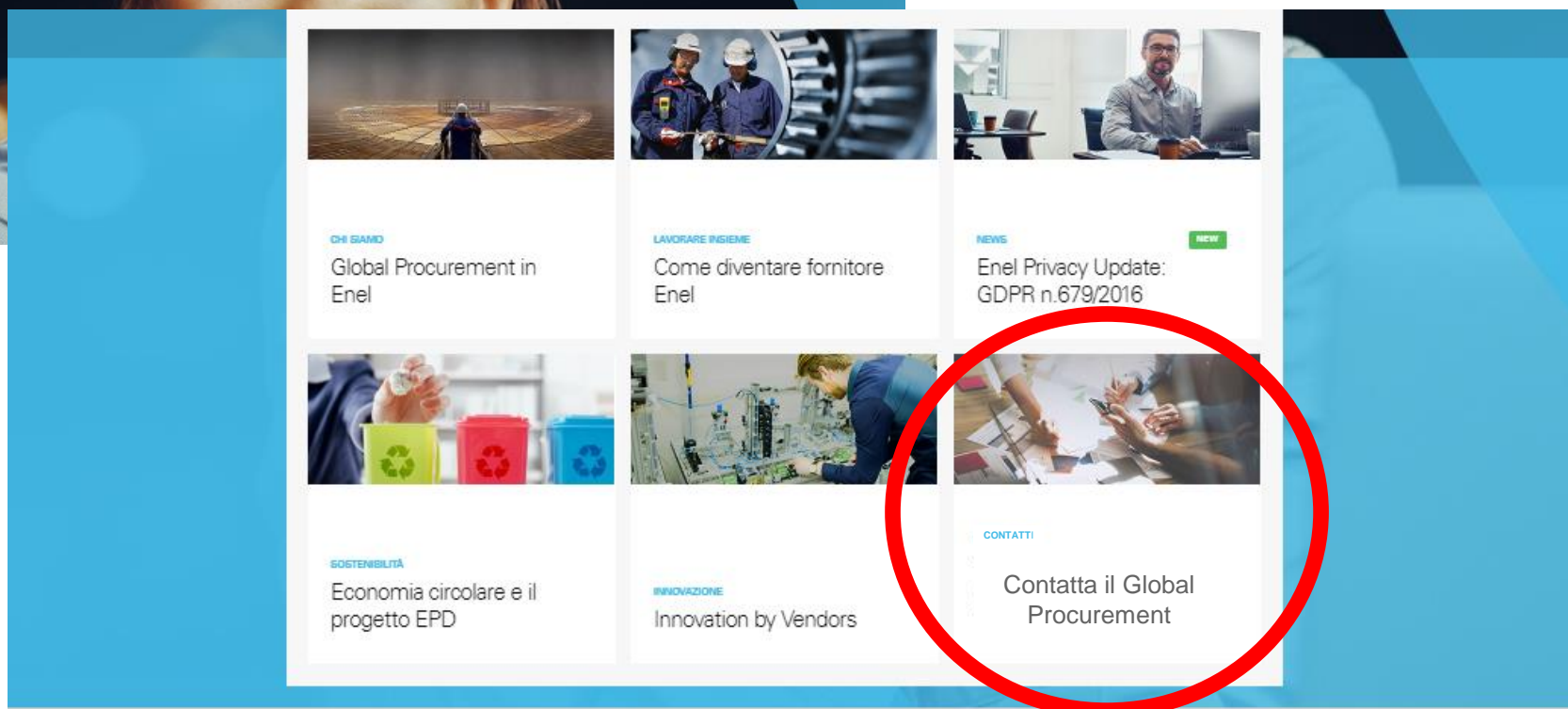
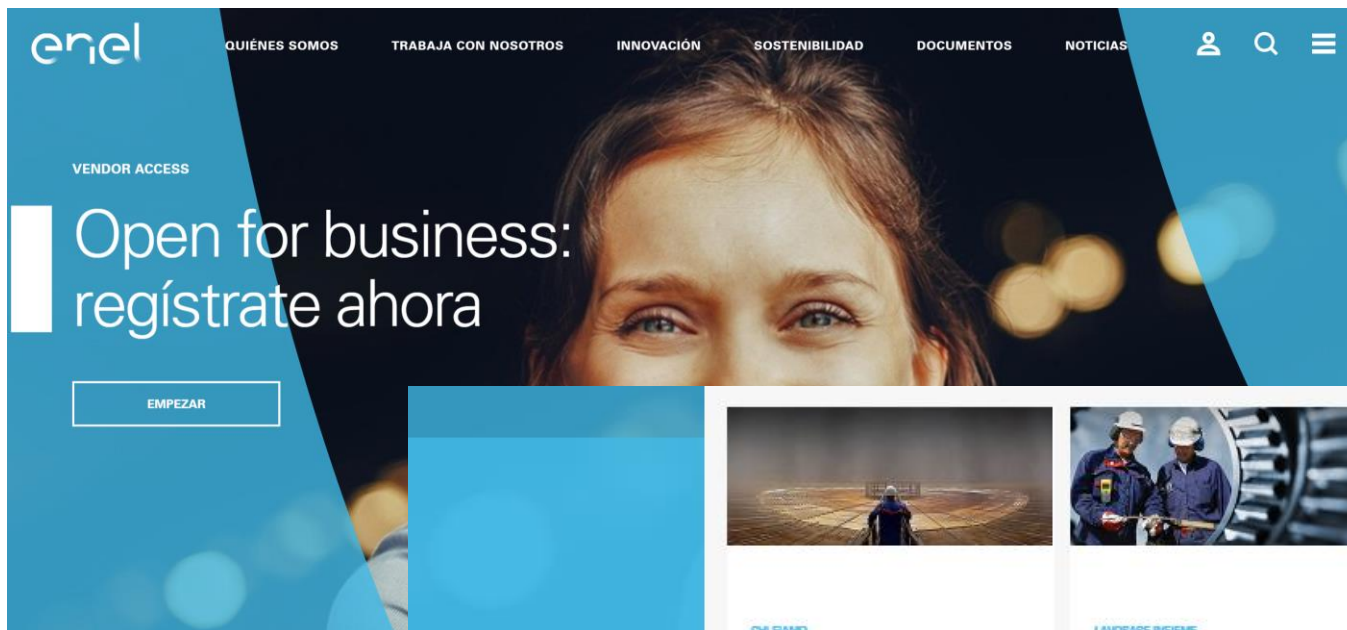


## OPEN INNOVABILITY PORTAL





# New Open Supplier Portal



# Contatta il Global Procurement

Hai una domanda o vuoi saperne di più su come Enel può aiutarti a sviluppare la tua attività?  
Basta inserire le tue informazioni nei campi di seguito e verrai contattato a breve.

Se hai bisogno di assistenza immediata cerca il tuo il contatto tra [i numeri di telefono](#) del Global Procurement di Enel nel mondo

Accessibilità  
Collaborazioni  
Innovazione  
Sostenibilità  
Altro

In cosa sei interessato ▾

Nome

Cognome

SI  
NO

Sei già fornitore Enel ▾

Nome Azienda

Telefono

email

Lascia il tuo messaggio

Selezionando il pulsante "Invia" si autorizza il trattamento dei propri dati ai sensi dell'art. 13 del D.Lgs 196/03

ANNULLA

INVIA

# Advanced levers

4 advanced levers to boost Procurement performance with new capabilities and new way of working

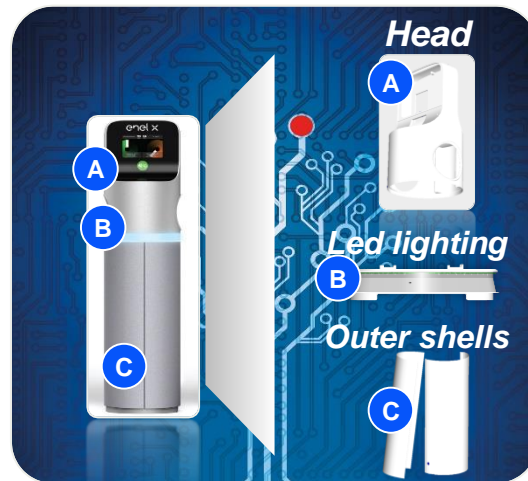


## Best Cost Country Sourcing



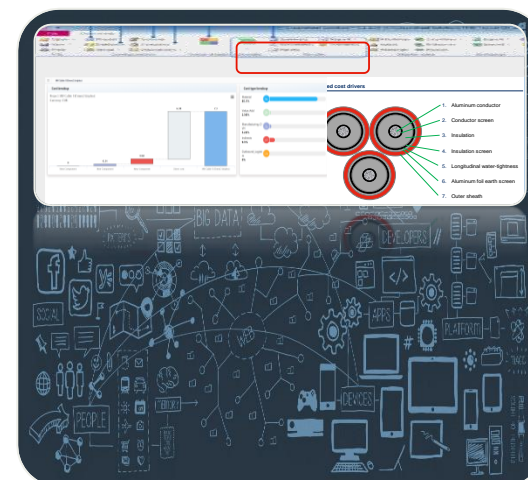
Strengthen **Global Sourcing** ensuring **optimal spend allocation**

## Design to Value



**Cross functional review** (with Business) of **technical specifications** to **maximize the value/cost** ratio of the goods we buy, while **better matching our customers' needs**

## Should Cost



**Detailed and bottom up perspective of the real cost** of the equipment and service we buy **to allow a fact-based negotiations with suppliers**

## Should Contract



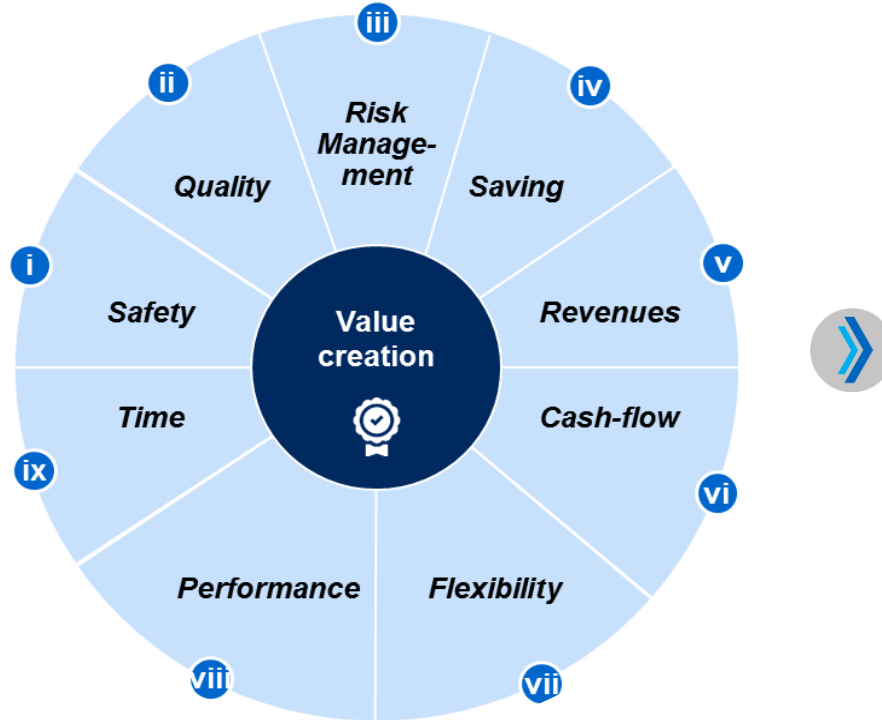
**Modular contracts, alignment** with the **best practices**. Focus on **mutual value creation, continuous improvement** and **risk hedging**.



# Value metrics



## Procurement value dimensions



Value dimensions are the starting point of the new set of Procurement KPIs, receiving input from different systems/tools.

## KPIs new dashboard

### From existing systems / DB

- Safety index of supplier base
- Quality index of supplier base
- Enel dependency from single supplier
- Supplier base turnover
- Suppliers pipeline readiness
- Supplier dependency

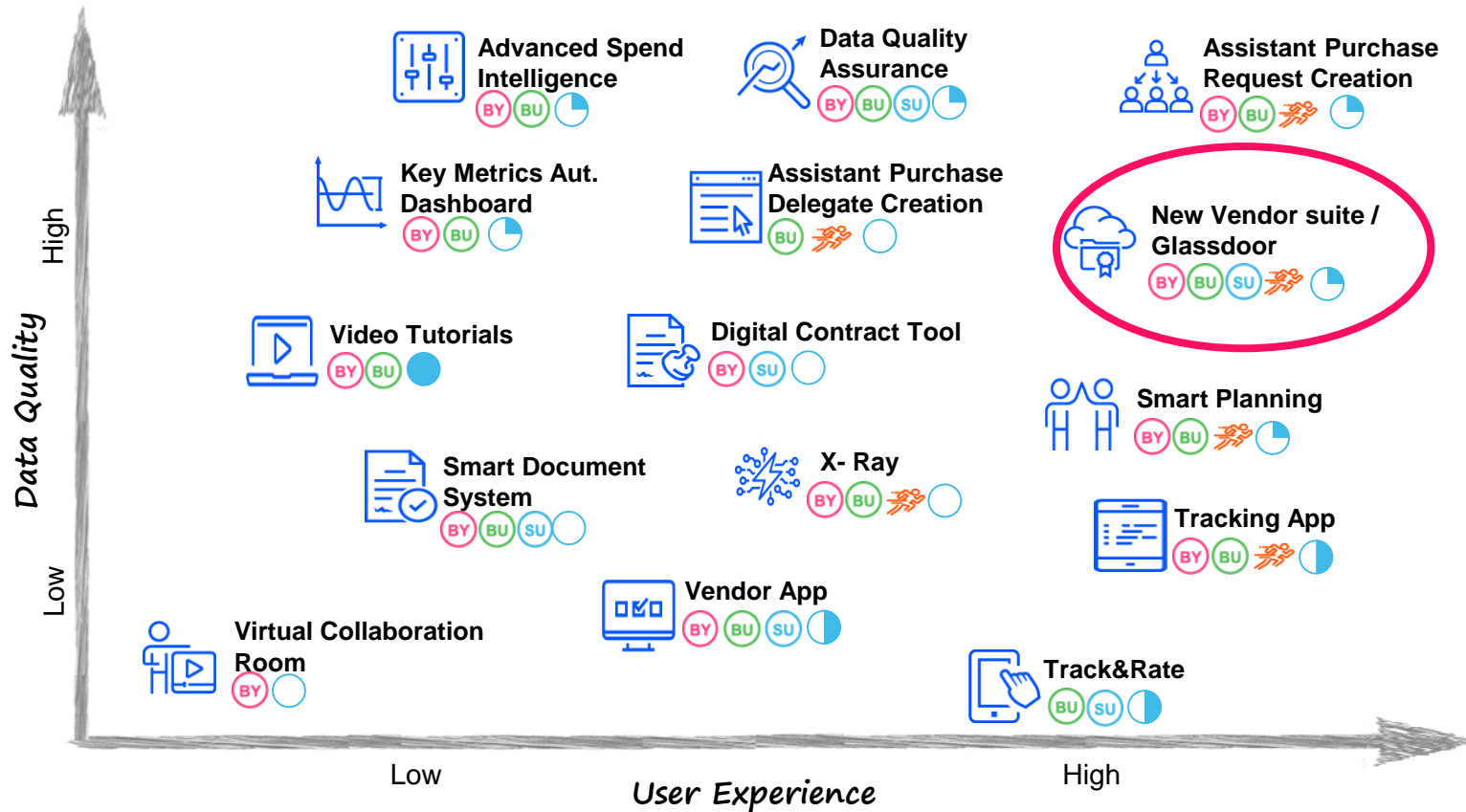
### From Tender Scoresheet

- Advanced levers – DTV
- Advanced levers – Should contract
- Advanced levers – Should cost
- Tender attractiveness
- Incremental revenues
- Incremental cash flow

MOVING FROM “MEASURE TO REPORT” TO AN EFFECTIVE MODEL OF “MEASURE TO MANAGE”

# Digital Procurement

....to increase data quality and allow easy interaction with stakeholders



## 15 transformation initiatives

- 1 completed (video tutorial)
- 9 ongoing
- 5 to start in the 2H

## AS-IS Application Map under review (*Task 42*), driven by user experience and data quality approach

Harvey Ball legend: To start Completed

Buyer BU Supplier Eligible agile project

# Glassdoor

## an Overview of the Vendor activities



### What

A tool that allows a **complete overview** of all Vendor interactions, along its journey (like **qualifications, tenders, contracts, performances, invoicing, payments, guaranties, etc.**)

### Why

- **Improvement of the User experience** for both Vendors and Enel Users
- Guarantee Data Quality and provide a **single place** where to find information



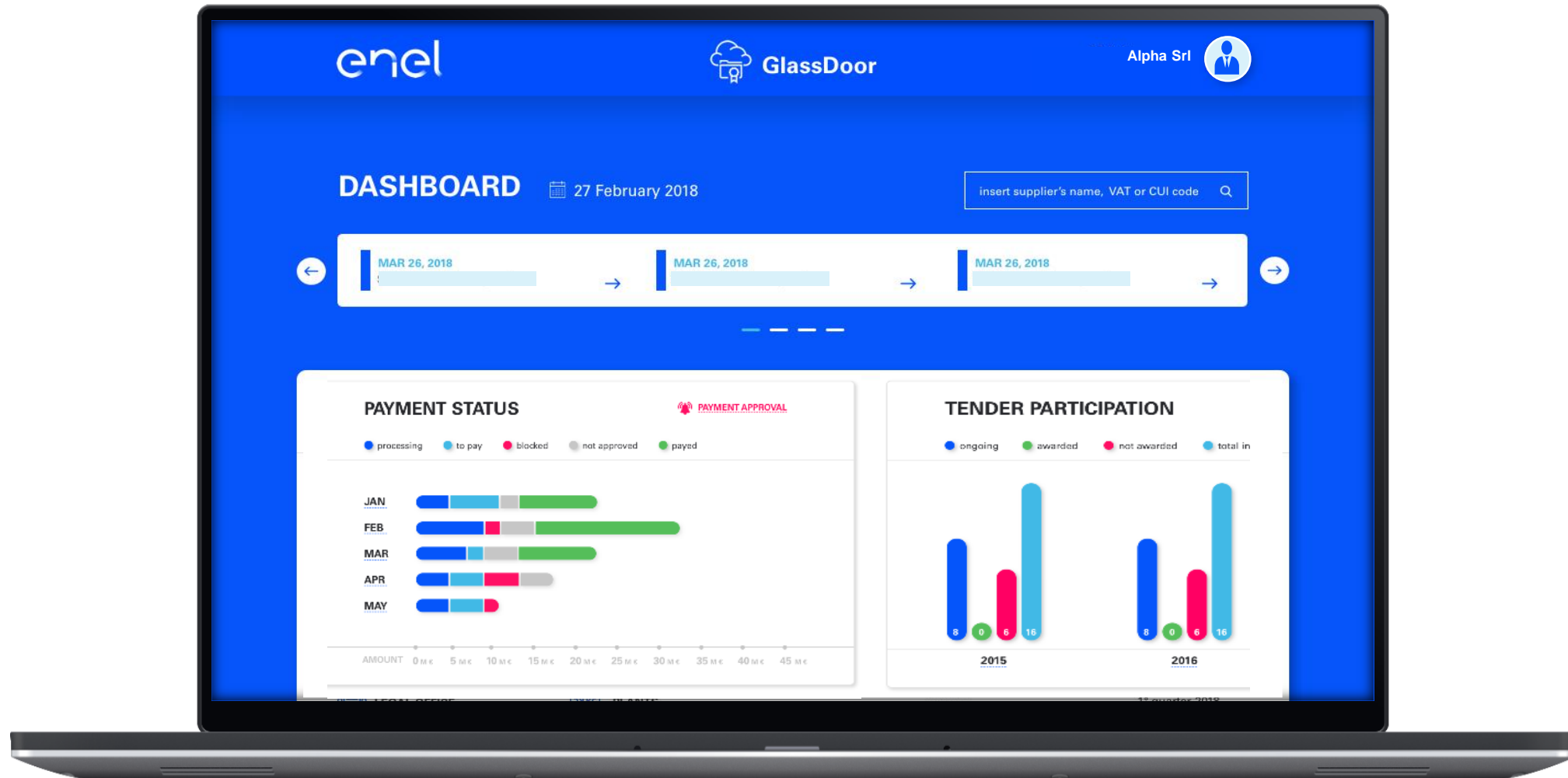
### Future

- **Visibility over** Qualification status, Tenders and Contracts activity, Payment status (expiring, pending invoices and blocked invoices), Vendor Rating performance
- **Improvement** of the user experience for the data view
- Tool **available** by the beginning of 2019



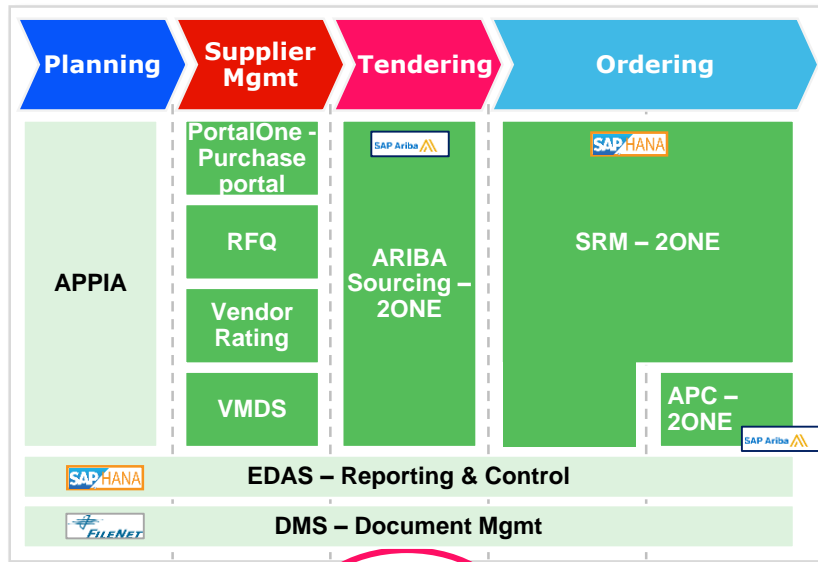
# Digital Procurement

Glassdoor 



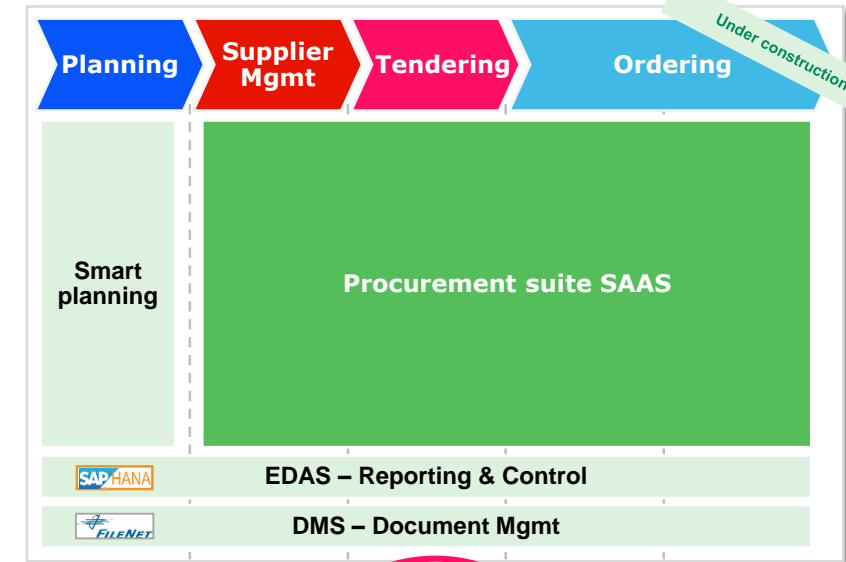
# Digital Procurement

Application map evolution: AS-IS and TO-BE scenarios



## Drivers

- To **satisfy stakeholders' user experience** (buyers, internal customers and suppliers)
- To **enhance data quality** (consistency, credibility and availability of data)
- To be **more effective along the value chain**, leveraging on a **single platform** for the whole "Sourcing to Pay" process
- To **renew Vendor Suite**
  - Improved User experience (fast, lean, user-friendly)
  - Unique repository of information avoiding multiple requests for same documentation
  - One-stop-shop principle



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INNOVATING TOGETHER TO CREATE MUTUAL VALUE



# Implementing a coefficient (K) of Sustainability in tenders



**Sustainability K** is a set of requirements related to **social, environmental of H&S issues**. Suppliers who comply with these requirements receive a certain number of points which could give them a competitive advantage in the technical phase of the tender if all other technical requirements are met.

## Environmental K:

- Reduction of CO2 footprint: Awareness + compensation/mitigation activities (Smart meter tender, Cables tender)
- Certification commitment (Environmental management certification UNI EN ISO 14001, Certification EMAS II Eco management and Audit Scheme)
- Usage of «green» vehicles (electric, hybrid, gas/methane)

## Social K:

- Certification commitment (e.g. SA8000:2008 (social and ethical responsibility of the company), Certification BS OHSAS 18001)
- Employment of disadvantaged categories of population
- «Social clause» to prevent occupational instability in the region



# Circular Economy and Environmental Product Declaration



## Procurement process

### Supply

### Works

EPD



Sustainable work site



EPD – a declaration validated by third party in accordance with the international standards of ISO 14040 and ISO 14025 with the purpose to quantify and objectify data of the entire lifecycle of our supplies

Enel has launched the **CIRCULAR ECONOMY INITIATIVE FOR SUPPLIERS ENGAGEMENT**: based on the **Environmental Product Declaration (EPD)**, the project aims to quantify, assess and validate Environmental KPIs (CO<sub>2</sub>, H<sub>2</sub>O, emission..) deriving from the manufacturing cycle of a Product.

### EPD benefits for the Business:

- Better monitoring of its own environmental footprint (H<sub>2</sub>O, soil, emissions, etc)
- Measure and certify suppliers
- Reduce exposure to price and supply risk
- Improve supplier list sustainability
- Define a K Circular Economy factor to introduce in tender
- Define a circular economy qualification standard
- Reduction of costs (process control and optimization)

### Benefits of EPD for Suppliers

- Become part of new community
- Define benchmark to define improvement goals
- Monitoring of environmental footprint (H<sub>2</sub>O, soil, emissions, etc)
- Guarantee long-term business
- Attract more stakeholders and green investors





# Circular Economy initiative for Enel suppliers



February 20<sup>th</sup>  
WORKSHOP with suppliers

5 30 50

categories suppliers participants

## Sprint 1 (2018)

Wind Turbine  
Insulators  
Smart Meters  
Switches  
Solar PV



## How it works: open source PCR and EPD Certification

- ✓ During each sprint Enel Jointly with the Suppliers will develop **the specific PCR<sub>(1)</sub>** to be adopted to obtain the EPD Declaration
- ✓ In the International EPD System website, all the suppliers can participate in PCR development and provide comments
- ✓ For each Merchandise Group the EPD declaration will become a qualification requirement

This process ensures transparency, open source approach, independent review of the LCA calculations

## TARGET 2018-2019

- A series of one-to-one meetings with suppliers to evaluate their environmental performance calculations
- Sprint 2: 10 more product categories (cables, columns, transformers, oil, ammonia, gas turbine, pole, relay, electrical panels, storage)
- 60% total negotiated amount
- Introduce K circular economy in tenders for categories in scope
- Implement quantitative requirement in supplier qualification process (qualitative one already exists)
- Supplier community creation
- Data collection web tool implementation



(1) Product Category Rules (PCR) tell how information should be collected and calculations carried out in order to collect environmental data over the life cycle of products in accordance with the international standard ISO 14025. These documents are open to all and give information on identifying significant environmental aspects and ways to improve the environmental performance.



Thank you for attention!

