

Global Procurement Enel: On the road of Transformation



Salvatore Bernabei,
Head of Global Procurement

Lima, 4 September 2018



Agenda

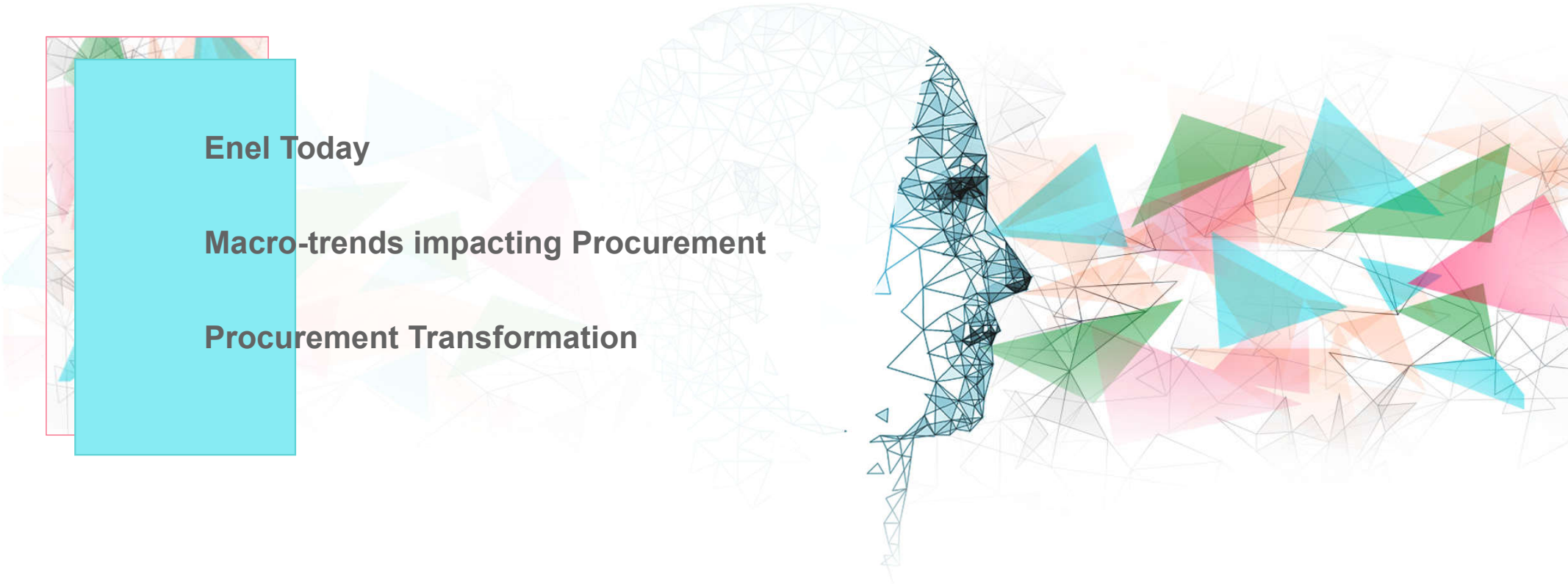
Suppliers day, Madrid 2018



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



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



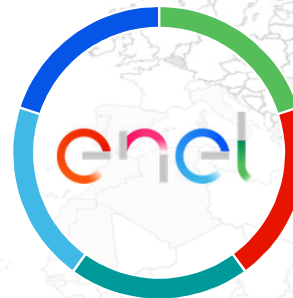
~20 mn free **retail** customers
#1 in Italy, Iberia and top 3 in Latam



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



e-Solutions (Enel X)
+5.7 GW demand response



Enel today

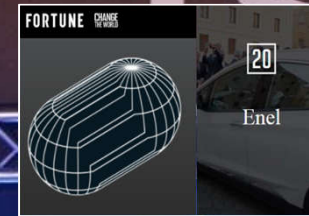
Enel in the “TOP-20 Companies that change the world” 2018 (Fortune)

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

Enel as #5 company in the world that fights 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



BLACKROCK®



"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..."

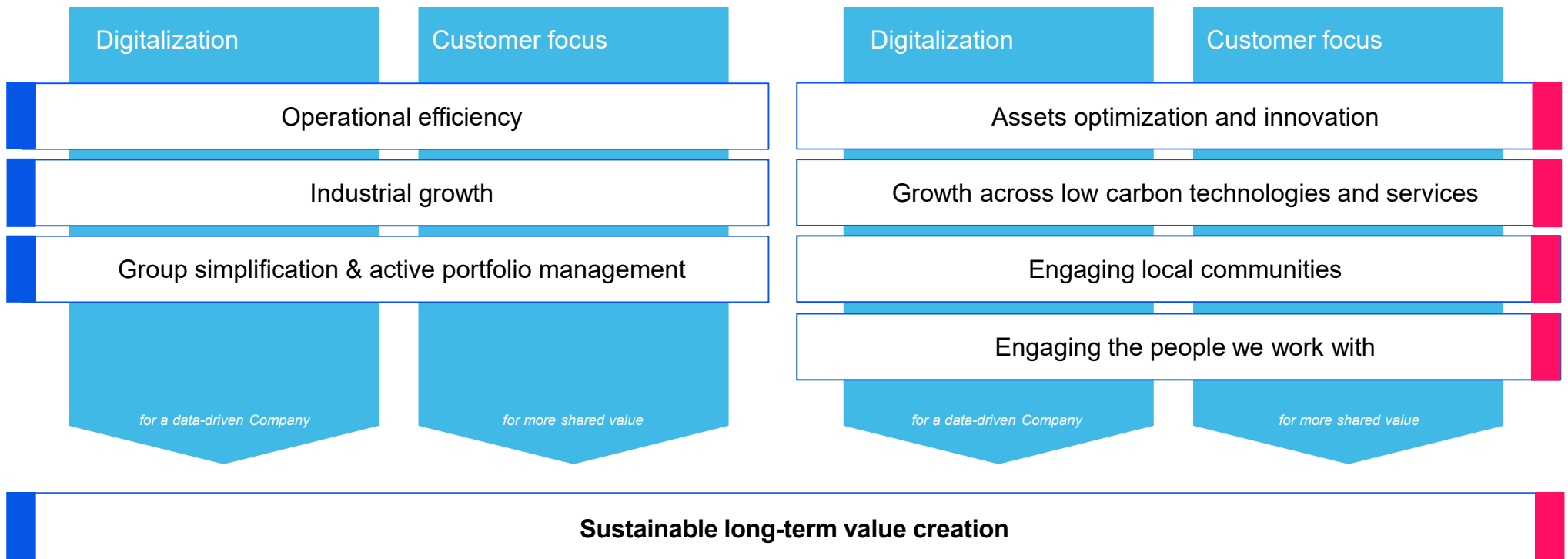
"Society is demanding that companies, both public and private, serve a social purpose..."

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



Industrial

ESG: Environment, Social, Governance



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 gCO₂ /kWh_{eq} 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 gCO₂ /kWh_{eq}²

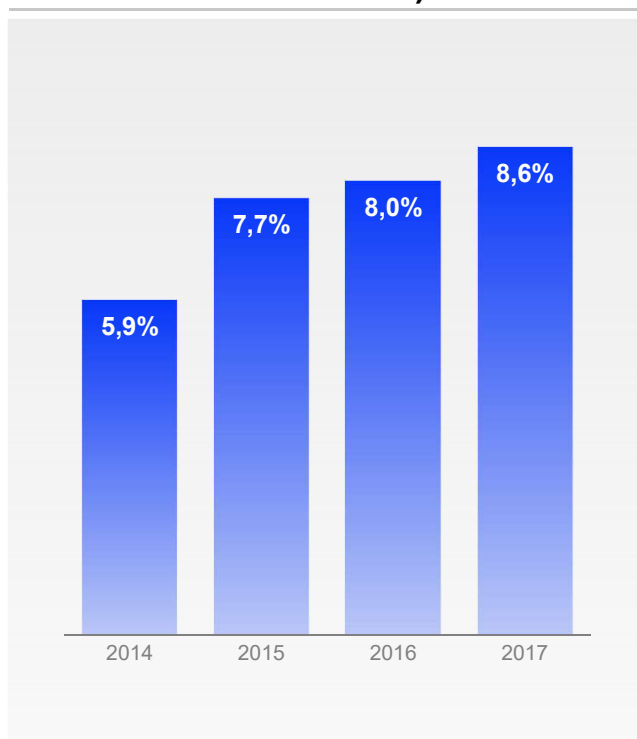
n.a.

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



Other initiatives and recognitions

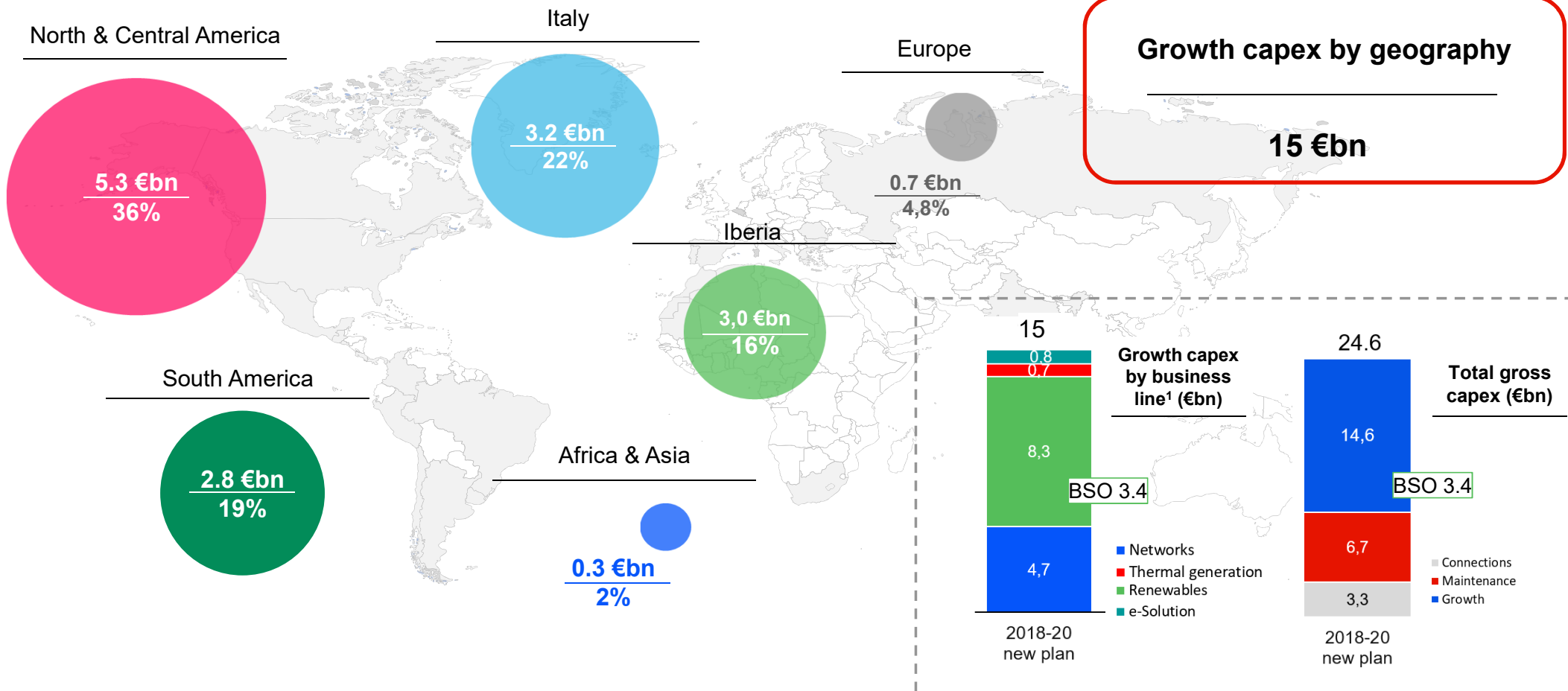


In Jan 2017 and 2018 two “green bonds” were issued with the total value of 2,5 bn euro

Investment (M €)	96,6
Sustainability Projects (n)	>1200
Beneficiaries (M people)	> 9

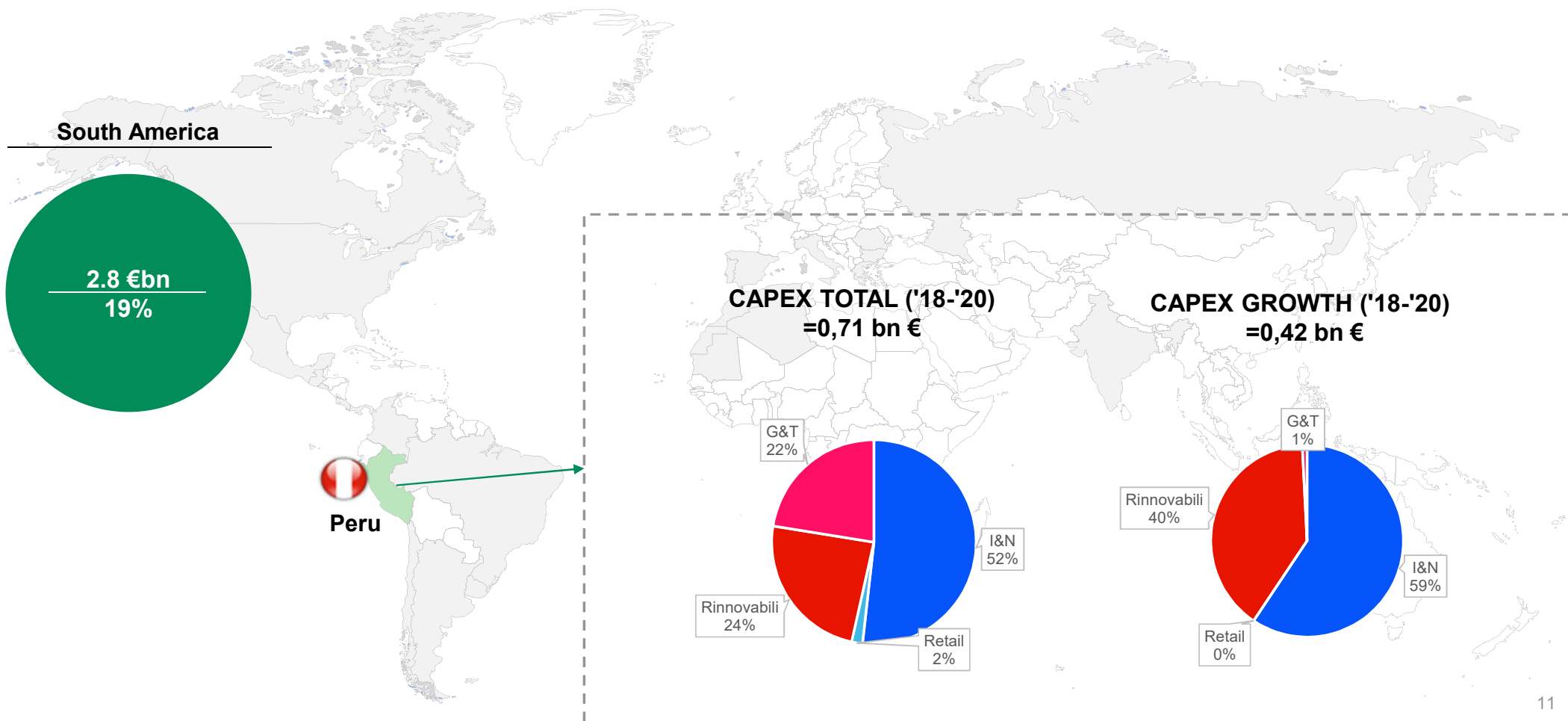
2018-2020 Strategic capex growth plan

Rebalancing capex in networks and developed countries



2018-2020 Strategic capex growth plan

Rebalancing capex in networks and developed countries



Agenda

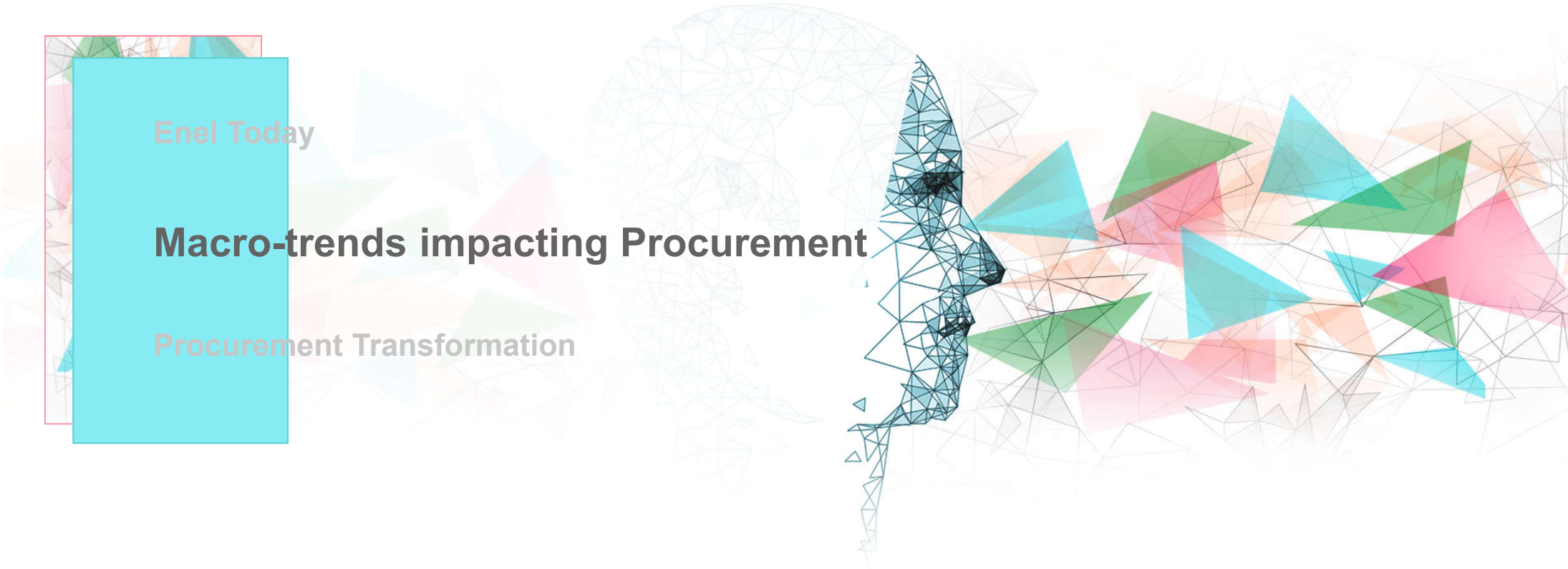
Suppliers day, Madrid 2018



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



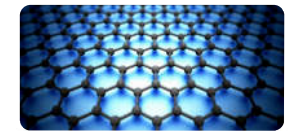
AI systems that can perform knowledge work tasks with unstructured commands and subtle judgements

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 thoughtfully at a computer monitor. In the foreground, a chessboard is visible, suggesting strategic thinking. 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

enel

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



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



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

- Defining together a more sustainable supply chain
- HSE Partnership

- 
- 
- 
- Communication & Early Engagement (*Supplier days, pre-tender workshops, Innovation by Vendors, Design to Value*)
 - New Technologies & Tools to improve communication and interaction (*Open Innovability platform*)
 - Rewarding and incentivizing

INNOVATING TOGETHER TO CREATE MUTUAL VALUE

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

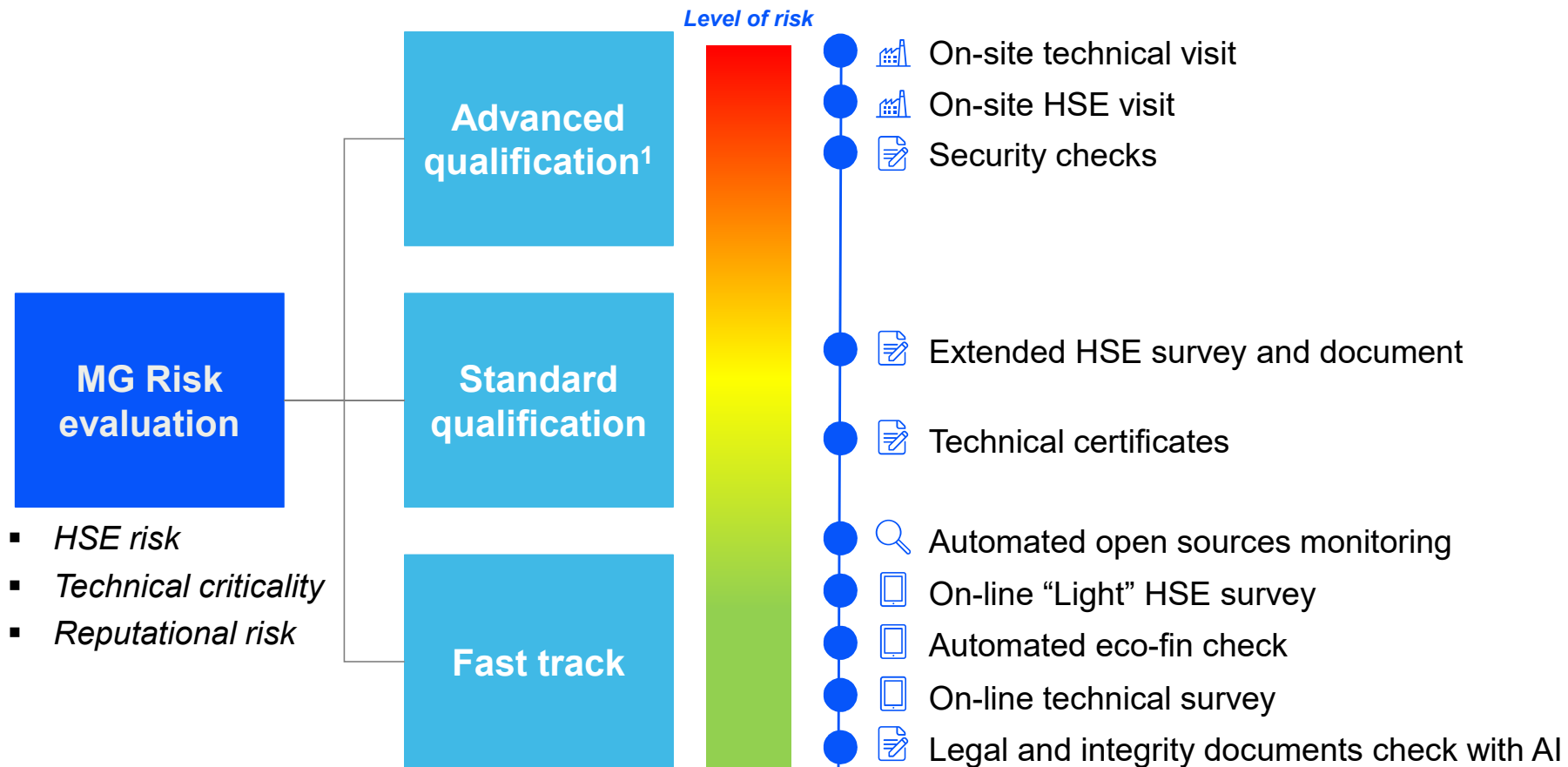
12 days average lead time of fast track

Risk mitigation

Wider qualified supplier base

Qualification

Detail on differentiated paths based on MG risk



¹ 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 non-transactional procurement** under finalization
- **Experience:** improvement of stakeholders experience (buyers, BLs and Suppliers) documentation

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

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

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



- ❑ Defining together a more sustainable supply chain



- ❑ 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



CHALLENGE

Based on Business and Staff Function needs



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

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

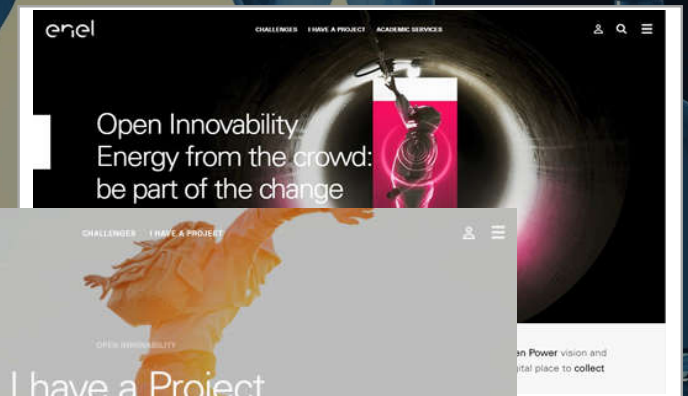
Multi-Disciplinary Team:

- 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



Communicating with Suppliers

New Open Supplier Portal



enel

QUIÉNES SOMOS TRABAJA CON NOSOTROS INNOVACIÓN SOSTENIBILIDAD DOCUMENTOS NOTICIAS

VENDOR ACCESS

Open for business:
regístrate ahora

EMPEZAR

CHI SIAMO
Global Procurement in Enel

LAVORARE INSIEME
Come diventare fornitore Enel

NEWS
Enel Privacy Update:
GDPR n.679/2016

SOSTENIBILITÀ
Economia circolare e il
progetto EPD

CONTATTI
INNOVAZIONE
Innovation by Vendors

CONTATTI
Póngase en contacto con
el Global Procurement

New Open Supplier Portal: [contact us!](#)

HOME / CONTACTO CON EL GLOBAL PROCUREMENT

Póngase en contacto con el Global Procurement

¿Tiene alguna pregunta o desea saber cómo Enel puede ayudarlo a desarrollar su empresa?

Simplemente ingrese su información en los campos a continuación y usted será contactado en breve.

Si necesita asistencia inmediata, busque su contacto entre los [números de teléfono](#) de Enel Global Procurement en el mundo.

¿EN QUÉ ESTÁ INTERESADO?

INFORMACIÓN PERSONAL

Nombre Apellidos

Usted es un proveedor de Enel Empresa

DATOS DE CONTACTO

Teléfono Correo electrónico

DEJA SU MENSAJE

Póngase en contacto con el Global Procurement

Haciendo clic en el botón "Enviar" autorizas el tratamiento de sus datos de acuerdo con el art. 13 del D.lgs 196/03.
Sus datos personales serán gestionados de acuerdo con las disposiciones de nuestra [Política de privacidad](#)

Advanced levers

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

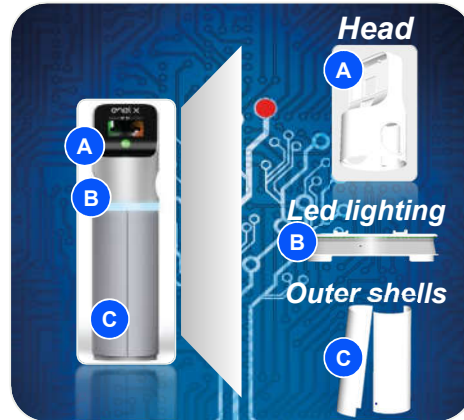


Best Cost Country Sourcing



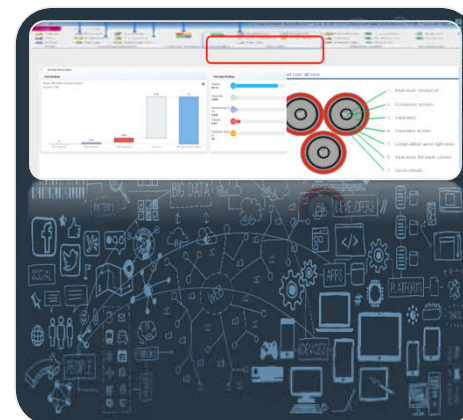
Strengthen **Global Sourcing** ensuring **optimal spend allocation**

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**

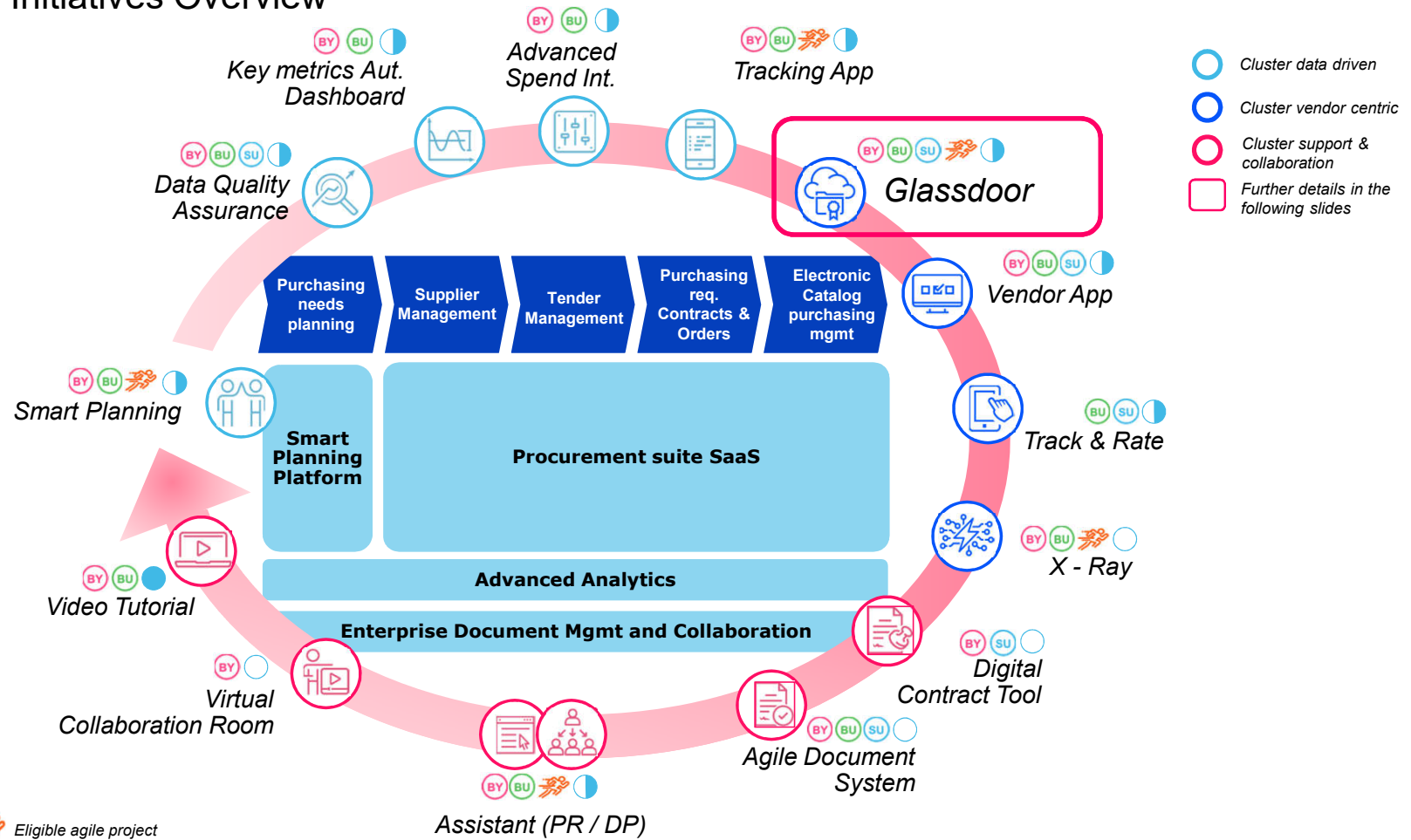
Should Contract



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

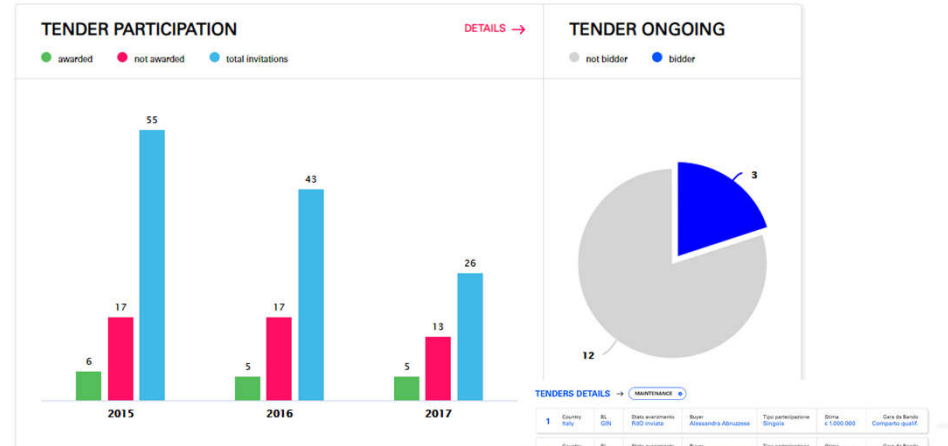
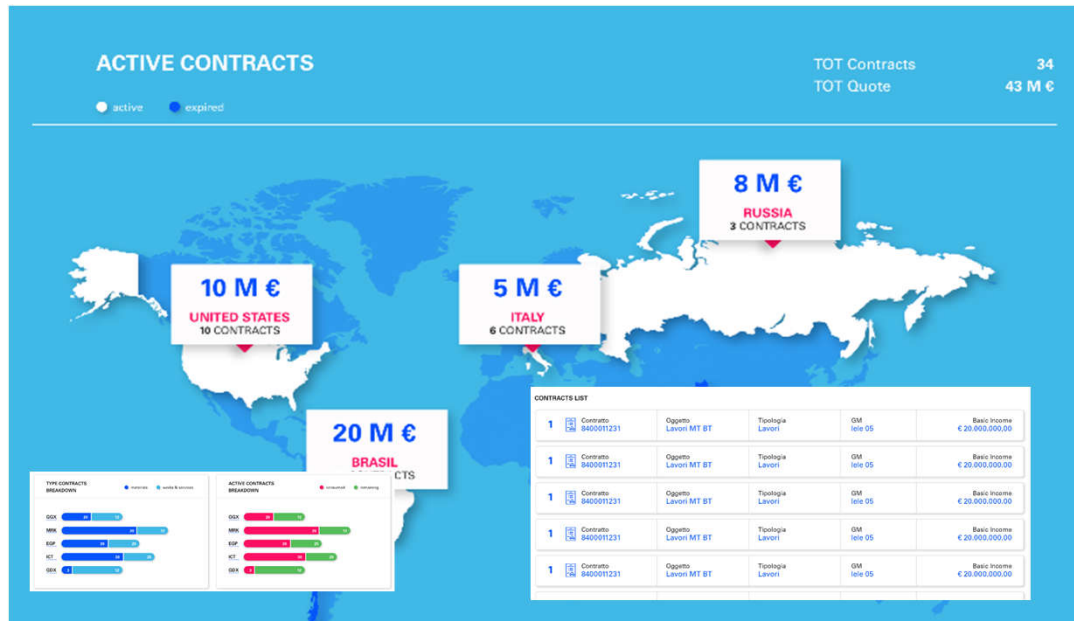
Digital Procurement

Transformation Initiatives Overview



Glassdoor

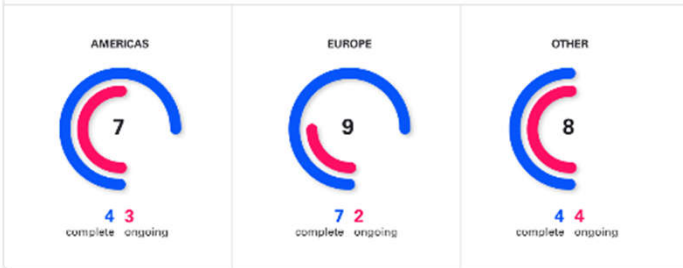
Dashboard overview



Qualifications

GEOGRAPHIC AREA

● ongoing ● complete

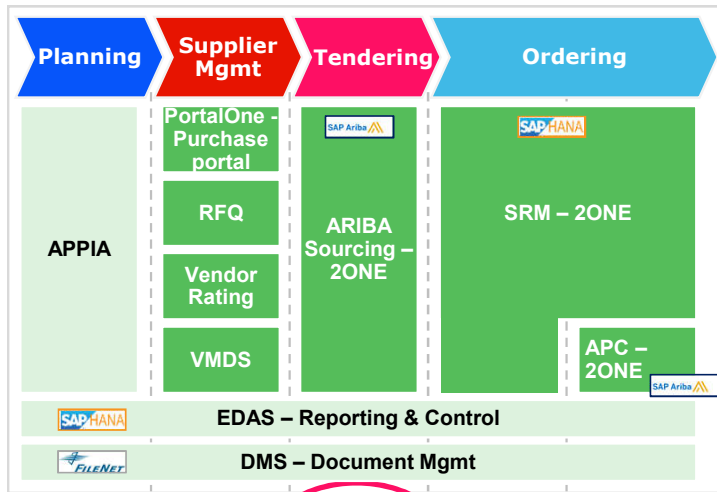


ION AND PERFORMANCE DETAILS → ALL

#	Implant	MT/BT	VR %	RFO Status	Tender threshold	Domain	Expiry date	MGType
1	Implant	MT/BT	80	QUALIFIED	Limitless	ITALY	20 FEB 2022	Work
1	Implant	MT/BT	80	ONGOING	Limitless	ITALY	20 FEB 2022	Work
1	Implant	MT/BT	40	SUSPENDED	Limitless	ITALY	20 FEB 2022	Work
1	Implant	MT/BT	80	QUALIFIED	Limitless	ITALY	20 FEB 2022	Work

Digital Procurement

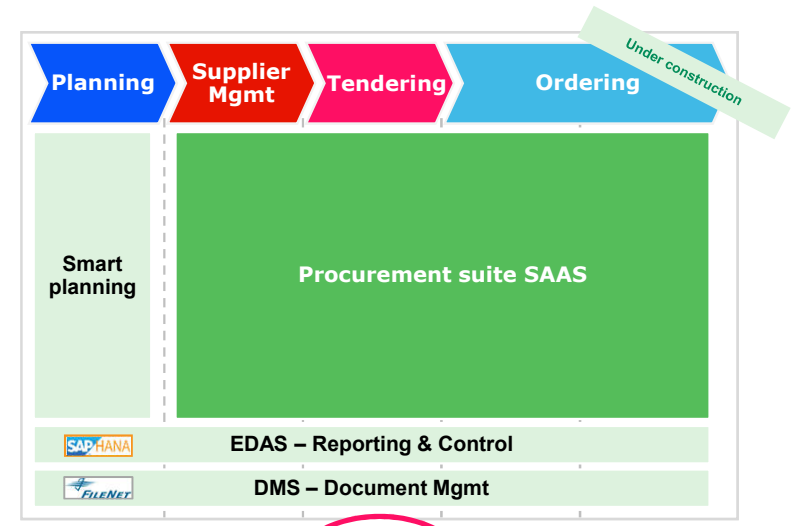
Application map evolution: AS-IS and TO-BE scenarios



As-Is

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



To-Be

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

❑ **Defining together a more sustainable supply chain**



- ❑ HSE Partnership

- ❑ Communication & Early Engagement (*Supplier days, pre-tender workshops, Innovation by Vendors, Design to Value*)
- ❑ New Technologies & Tools to improve communication and interaction (*Open Innovability platform*)
- ❑ Rewarding and incentivizing



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

Thank you for attention!

