

Procurement

Efficient and sustainable procurement processes

A large number of suppliers and service providers contribute to the services rendered by EnBW. The annual cash-relevant procurement volume of the EnBW Group amounts to around €2.2 billion. Therefore, EnBW places great importance on the efficient and sustainable design of their procurement processes. The goal is to continuously increase the value added by the Procurement Department. Early involvement in all important projects for the company lays the foundations that enable the Procurement Department to further develop its role as a partner for creating efficient procurement processes. The new mission statement for the Procurement Department developed in 2015 is based on three central guidelines: orientation around the operating business, stringency of the process landscape and cooperative management.

The “Transformation of Procurement” project

The “Transformation of Procurement” project places procurement at EnBW on a new footing. On the basis of best practice approaches from the manufacturing industry, the goal is to better realise optimisation potential for EnBW than ever before. Subprojects are focussing, for example, on streamlining processes, change management, product group strategies and supplier management. EnBW is working closely with business partners in this area to make substantial contributions to boosting efficiency. The clear organisation of procurement in alignment with the business segments at EnBW, the centralisation of claims management and the introduction of a value analysis are other important elements of the realignment of the Procurement Department. A pilot project in cooperation with suppliers was successfully completed and the concept developed as a result will be implemented across all product groups. The first stage of the “Transformation of Procurement” project was concluded in July and the second stage in December 2015. The savings potential was mainly realised in the growth fields of onshore and offshore wind energy. The project will be concluded in the spring of 2016 with the implementation of the third development stage.

Integrated procurement platform

Procurement processes at EnBW have been made even more efficient and transparent as a result of the development of an integrated purchasing platform and the introduction of

automated ordering processes. The purchasing platform includes standardised pre-qualification of suppliers, participation in invitations to tender and the submitting of offers, as well as the recording of services rendered. Suppliers and buyers can access information on procurement processes from a central source and interact electronically with the Central Procurement Department. All important suppliers completed the pre-qualification phase by the end of 2015 and were obligated to observe legal and social standards.

High-performance supplier evaluation system

Another important step towards a new system landscape in procurement was made with the introduction of a high-performance supplier evaluation system in July 2015. It will better meet the requirements set by the individual product groups and specialist departments and will thus represent a cornerstone for the optimisation of supplier management at EnBW. This process will be concluded in 2016. Around one third of the strategic purchasers currently use the evaluation system.

Shaping the future together

Alongside the changes to the system landscape, another important strategic element of procurement has been successfully established: the Suppliers Day. This event aims to reinforce relationships with strategically important suppliers through cooperative management and integrated measures. The suppliers are shown development opportunities and simultaneously offered support to guarantee their competitiveness. At the same time, procurement costs are optimised, supply risk minimised and supply quality improved. The derived measures and goals are continuously checked by both sides. This process is repeated regularly in order to support the sustainable further development of the supplier.

Responsible raw materials procurement in the coal sector

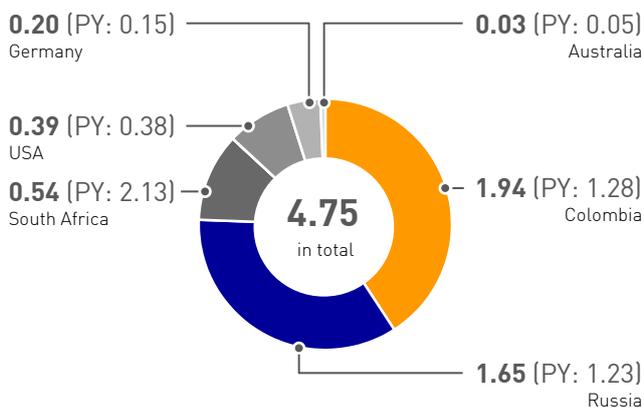
Origin of coal supplies

In order to guarantee a reliable and economic supply of electricity, 4.75 million tonnes of coal (previous year: 5.67 million tonnes) with a procurement value of €242 million was delivered to EnBW power plants in 2015. The coal is primarily sourced from Colombia and Russia. The source of

the Colombian coal can be precisely traced because the three major coal producers have their own shipping ports: 517 thousand tonnes originated from Cerrejón, 898 thousand tonnes from Drummond and 528 thousand tonnes from Glencore (Prodeco). Due to the large number of coal mines and coal producers in Russia and South Africa, it is only possible here to localise the origin of the coal to the mining region. The Russian coal originates from the Kusnezker Basin, while the South African coal originates from the mining region in Mpumalanga Province. The American coal originates exclusively from coal mines in the Illinois Basin. In this respect, it is possible to exclude the use of coal mined using the controversial method of mountaintop removal mining. No Polish coal was used for the first time since 2001, 0.45 million tonnes were still sourced from Poland in the previous year.

Origin of coal supplies to EnBW power plants

in millions of tonnes



EnBW places importance on maintaining a balanced procurement portfolio to avoid becoming dependent on individual producing countries, producers or dealers. EnBW covers the majority of its coal requirements through contracts with trade intermediaries, in which the origins of the coal are not usually defined. Moreover, there are direct business relationships with selected coal producers. More information on coal procurement by EnBW can be found on our website at www.enbw.com/kohlebeschaffung and in our Energiewende blog at www.dialog-energie-zukunft.de/infografik_kohle/.

Code of conduct governing responsible procurement

EnBW strives to ensure that the generation of electricity from hard coal is as sustainable as possible across the entire value chain. For this reason, the EnBW Board of Management adopted a code of conduct governing the responsible procurement of hard coal and other raw materials in July 2014 that includes concrete requirements for suppliers and business partners (www.enbw.com/verhaltenskodex). The aim is to improve the living conditions for people across the value chain in the interests of all stakeholders. For coal

consumers and producers, this contributes to the reduction of the legal, operational and reputational risks and to long-term economic success.

The principles behind this code of conduct are based on recognised international guidelines and standards for the protection of human rights, the protection of the rights of indigenous peoples, the improvement of working conditions, environmental protection and the assurance of good corporate management and compliance. The Guiding Principles on Business and Human Rights of the United Nations and the findings of the process for developing a National Action Plan for Business and Human Rights in Germany support EnBW in facing up to its responsibilities in the procurement process. The code of conduct has been used for new raw material procurement processes since the 2015 financial year. In the course of regular inspections, any suspected violations of the code of conduct trigger a testing process that can lead to the end of the business relationship.

Implementation of the code of conduct

The application of the code of conduct was further substantiated in the 2015 financial year with the development of internal operational guidelines so that the reliability of the process was increased in all business areas. As a result of the revision of the sustainability index database for coal producers, the requirements and sustainable activities expected of producers can be better integrated into the decision-making process of the CSR committee for sustainable raw materials procurement. In 2015, the CSR committee discussed the sustainability performance of all important suppliers based on the sustainability index database. The procurement situation in Colombia was once again a central theme.

On-site involvement in Colombia

EnBW has further intensified its on-site activities in Colombia – the most important source country for hard coal. In March 2015, meetings were held in Bogota and the coal mining region of Cesar with representatives from ministries, embassies, authorities, local authorities, victims of the Colombian civil war and coal-producing companies. Following this fact-finding mission, a number of meetings were held with social organisations and coal producers. A list of questions dealing with unresolved themes was subsequently created, which underlined the central importance of a code of conduct as the contractual basis for the business relationship between EnBW and the Colombian coal producers. This targeted list of questions, which was sent to producers in October 2015, combines core measures for business partner auditing and stakeholder management (p. 34 ff.) with on-site involvement. In addition, EnBW has expanded its involvement in improving the working and living conditions in Colombia – especially in relation to water provision to the population affected by the mining and transport of coal.