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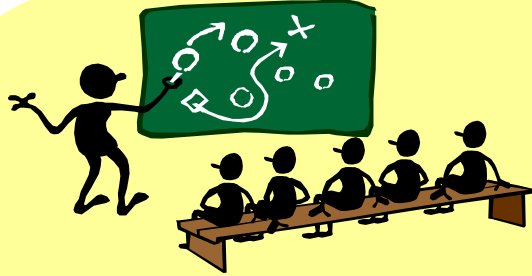
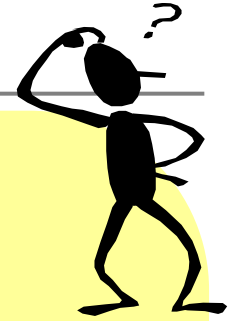
**WEBINAR**

**Procurement Regulatory Framework**

**Wednesday 6th, August 2014**

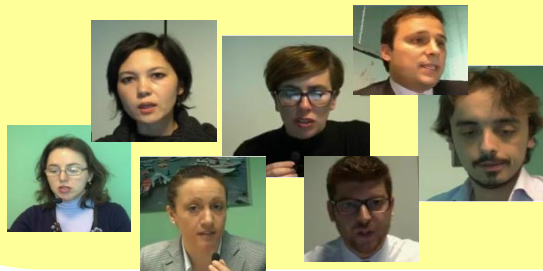
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# Why webinars on procurement regulatory framework?



In order to spread and circulate knowledge and information on new regulatory documents issued and on new procurement operational instruments, Procurement Department has launched a series of training initiatives through a cycle of webinars, held by procurement experts, to focus on documents scope of application, content, main topics and instructions on how to use them.

Webinars are on line seminars held by procurement experts, that introduce topics to a virtual classroom, participants can either attend live sessions or download registered sessions.



Webinars on procurement regulatory framework have gone live since october 2013.



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### ***Today speaker***

- Gianfranco Importuna      Vendor Management Planning & Market Analysis

### ***Reference document***

- eni best practice procedure “Suppliers performance evaluation and vendor rating”, to be issued in september 2014.



## Feedback and Vendor Rating model

Project: "Review of criteria and methodologies for market intelligence, feedback and Vendor Rating process"

*Training Documentation*

# Executive summary

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- The objective of this training session is to show the **main features of the new feedback and Vendor Rating model** developed by Procurement Department in place of the old feedback model regulated by circular 323 and 324 (2008)
- In particular, today we will show you how the new model:
  - Guarantees an **objective and homogeneous suppliers assessment** along the entire *vendor life cycle*, through 3 levels of evaluation and 5 areas of analysis
  - Requires a **mandatory evaluation only for relevant tenders and contracts** or for any detected serious non-performance and misconducts
  - Implies an **active role of local procurement functions**, guaranteeing feedback compilation and collection and an effective interface with central vendor management unit



# Agenda

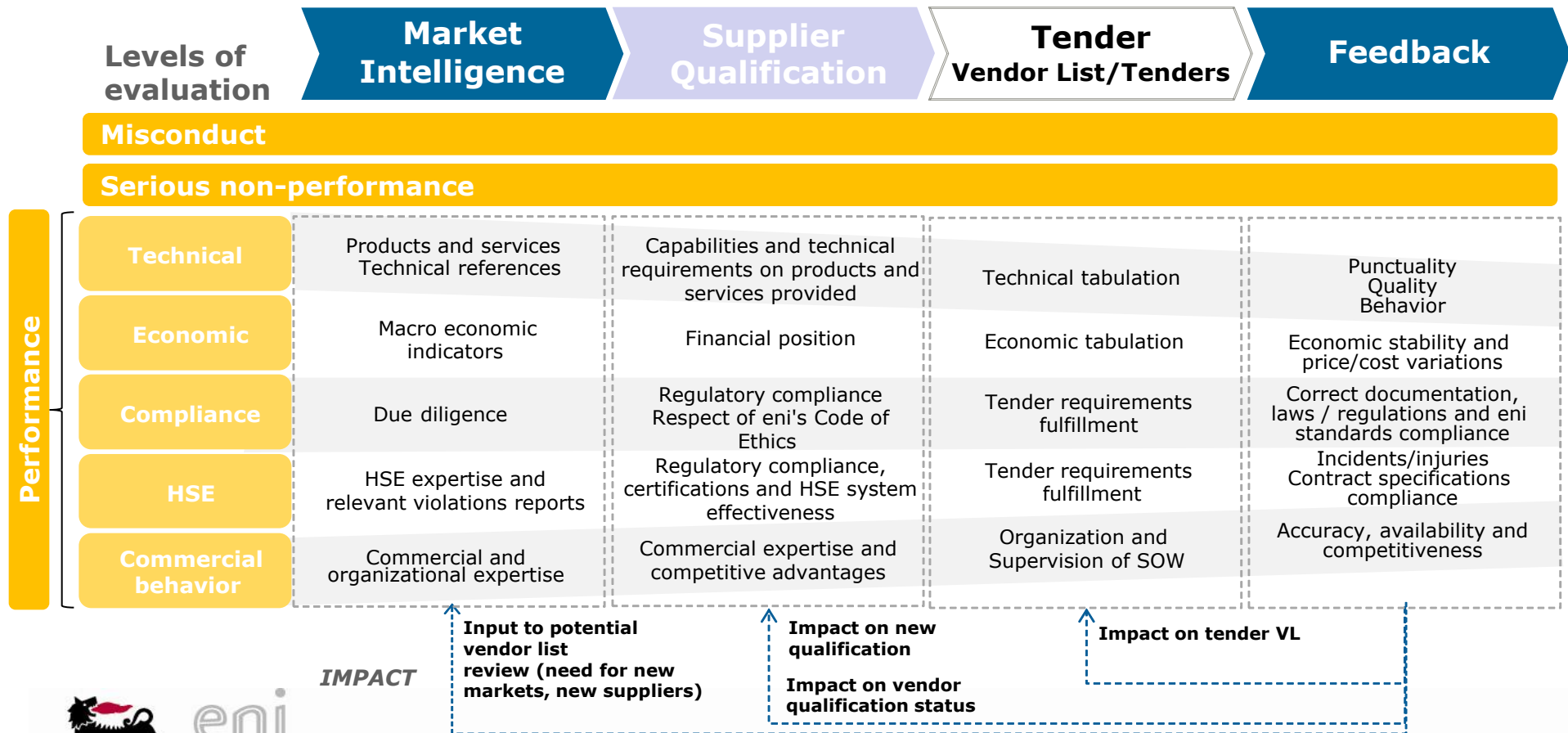
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- 1 Model description**
- 2 Focus on performance feedback management
- 3 Focus on serious non-performance and misconduct feedbacks management



# The new Integrated Vendor Management model

- The new **Integrated Vendor Management** model introduces:
  - suppliers evaluation through **increasing level of depth** and **reliability** along the "vendor life cycle"
  - **three levels** (performance, serious non-performance and misconduct) **and five areas** of evaluation
  - **feedback loops with impact on other procurement processes**



# Feedback model: AS-IS vs. TO-BE

- The new feedback and Vendor Rating model allows to **significantly improve performance evaluation completeness and vendor list quality**

## As-is model: main criticalities

## To-be model: main benefits

### Evaluation completeness

- **Not-specific technical evaluation**
- **“Custom” feedback questionnaires** (specific division/unit) **not integrated** with procurement model

- **Objective evaluation model**, through questionnaires with binary responses (yes/no), and **comparable** for all services, through **custom feedbacks’ integrations**
- Performance analysis based on **5 areas of evaluation**
- Supplier assessment **all along the relationship with eni**

### Feedbacks loops on VM processes

- Feedback loops limited to **specific supplier** (qualification status) and provided only for **critical situations**

- **Feedback loops** based on all evaluation levels (performance, serious non-performance and misconduct) with impact on:
  - **Supplier**: qualification status and rating
  - **Vendor Lists**: market intelligence and tender

### Process management and information flows

- Centrally managed process with **non-dedicated resources**
- Information locally provided

- **Central management** by VEMA and **intermediate coordination** by Feedback Technical Managers or supported by Focal Points
- **Widespread participation** of business units
- Information locally provided and **centrally processed**
- **Selective dissemination of information**

### Scope

- **Feedbacks detection required for all contracts** and **limited application of the model** (historically VEMA has received only 5% of required feedbacks)

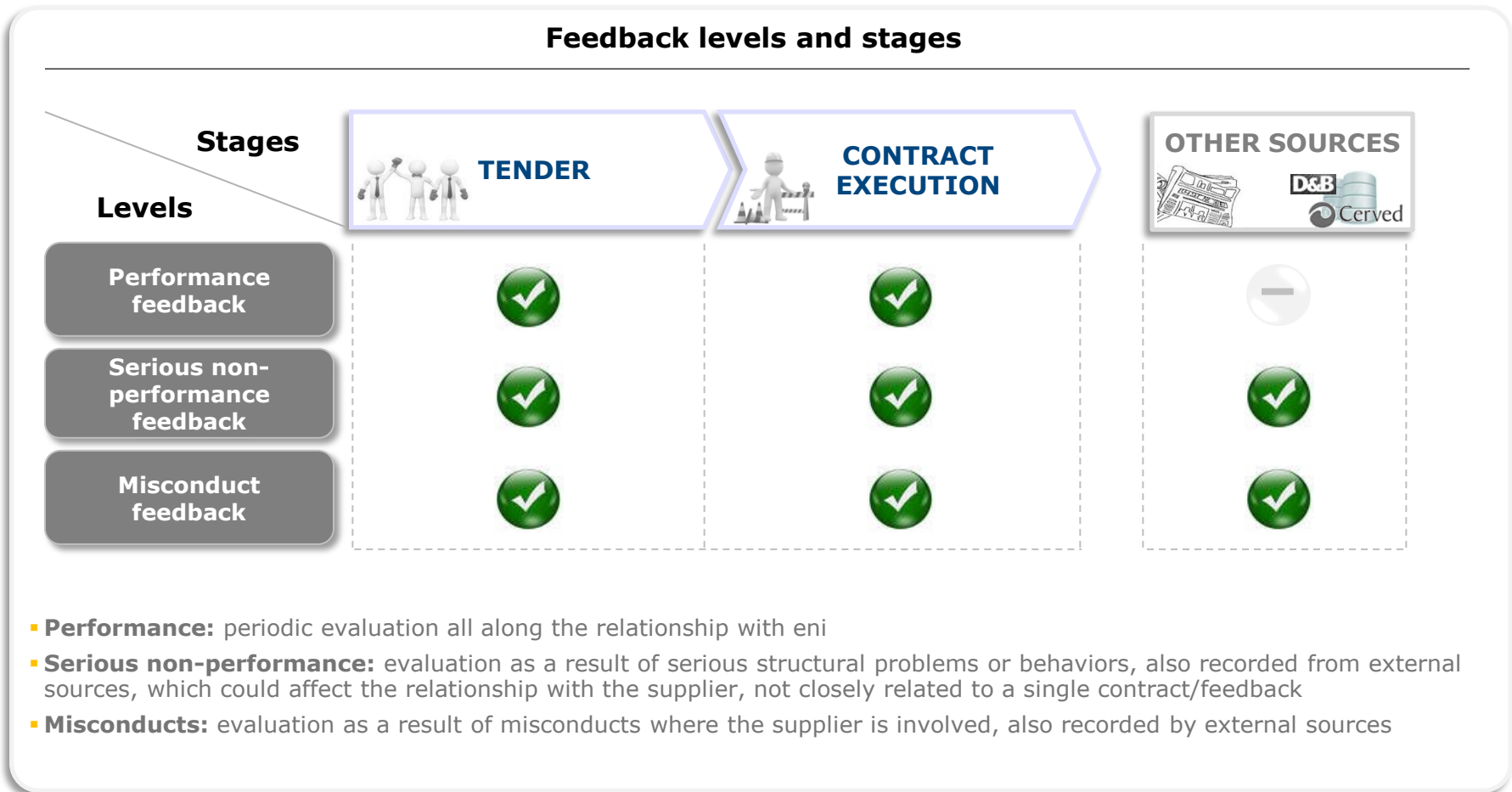
- **Selective approach**, prioritizing feedback needs **on critical CCs and relevant contracts**, in order to guarantee model sustainability and significance





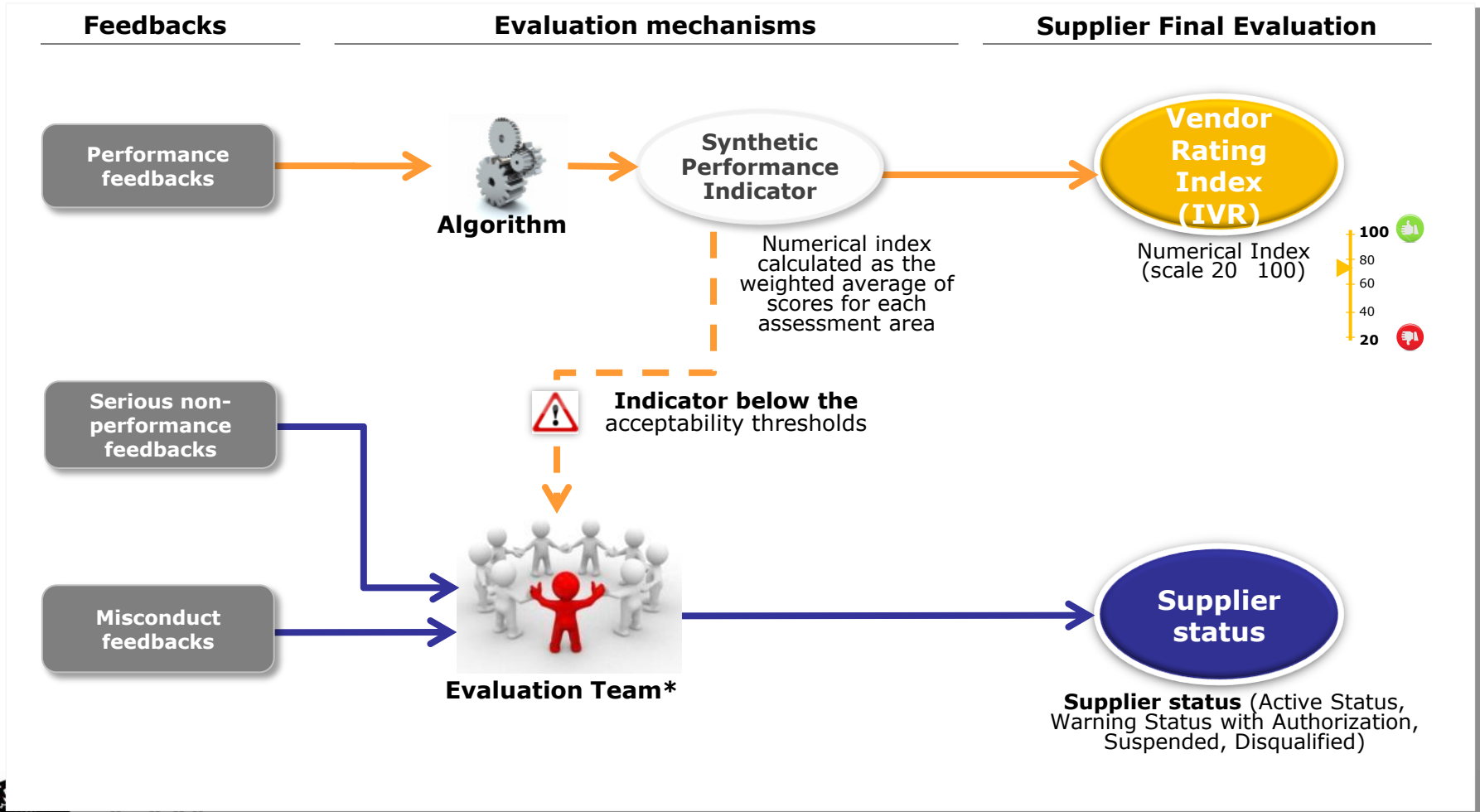
# Supplier evaluation method

- The new model provides a structured supplier analysis on multiple stages and levels, in order to have **a complete and meaningful evaluation**



# Vendor rating and feedback loops

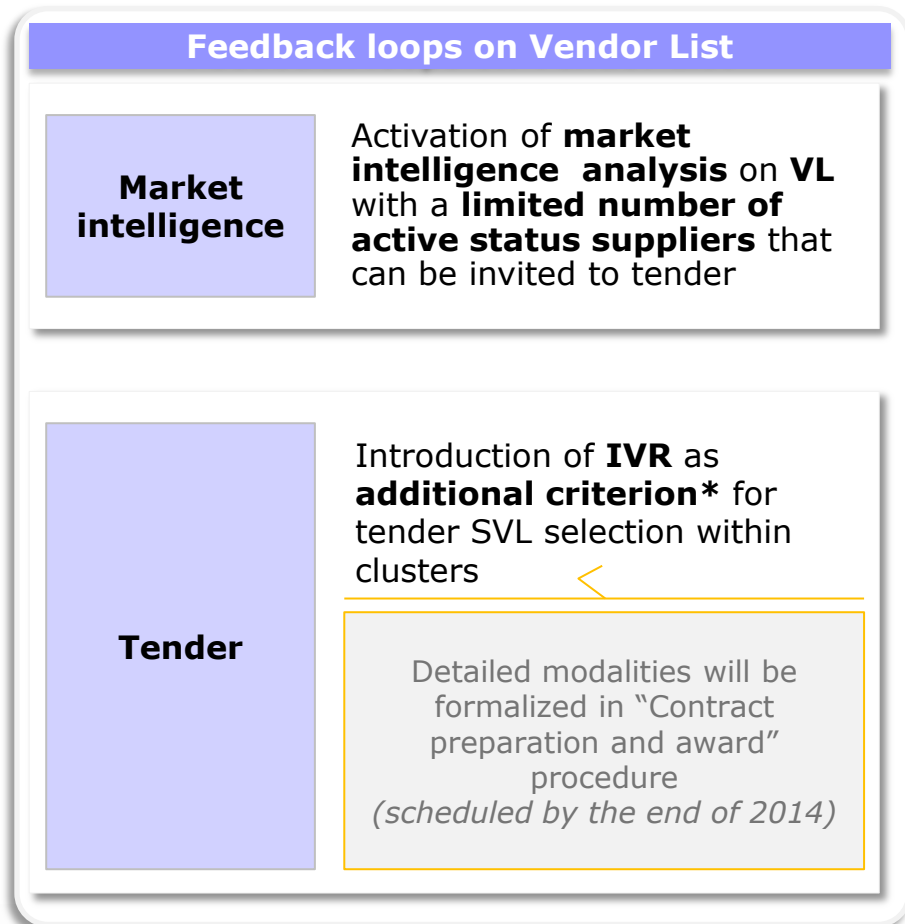
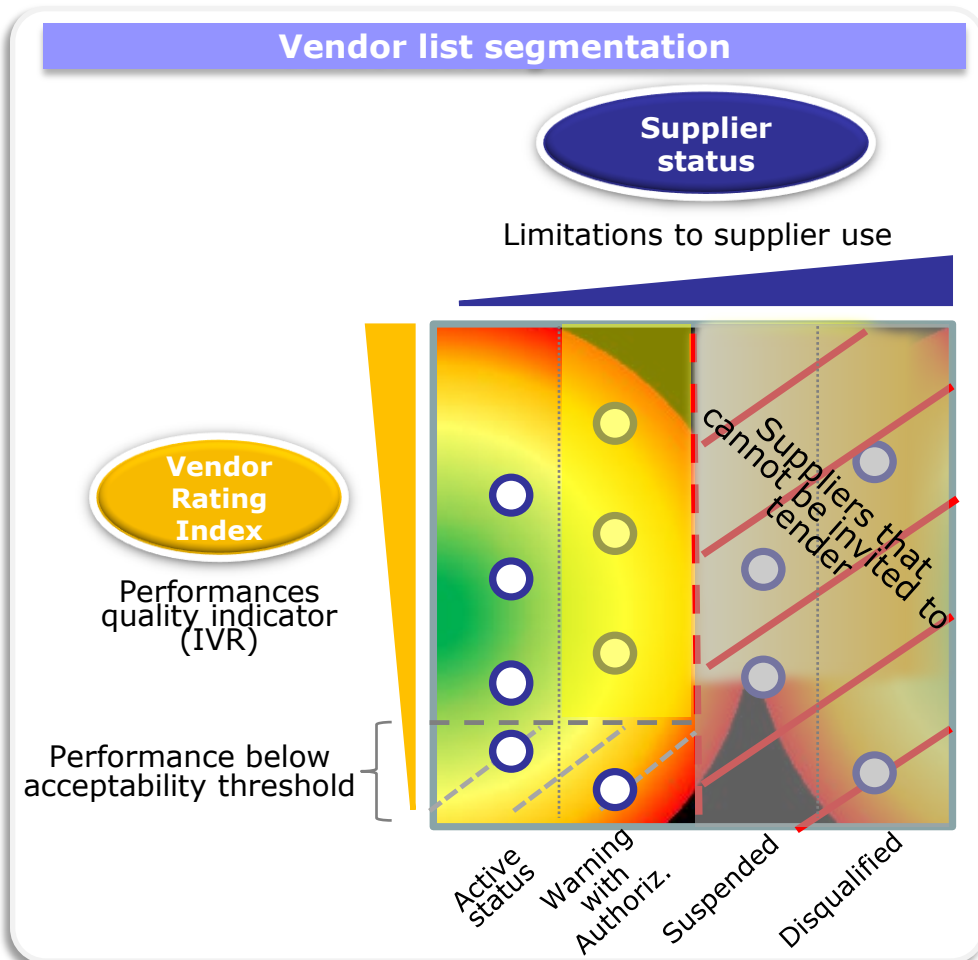
- Collected feedbacks are used to **give a rating to the supplier performances** and to **trigger actions** on his **qualification status**, in case of negative performances, serious non-performance or misconducts



(\* ) The evaluation Team may also evaluate the application of penalties on Vendor Rating Index based on performance and non-performance feedbacks

# Feedback loops on Vendor List

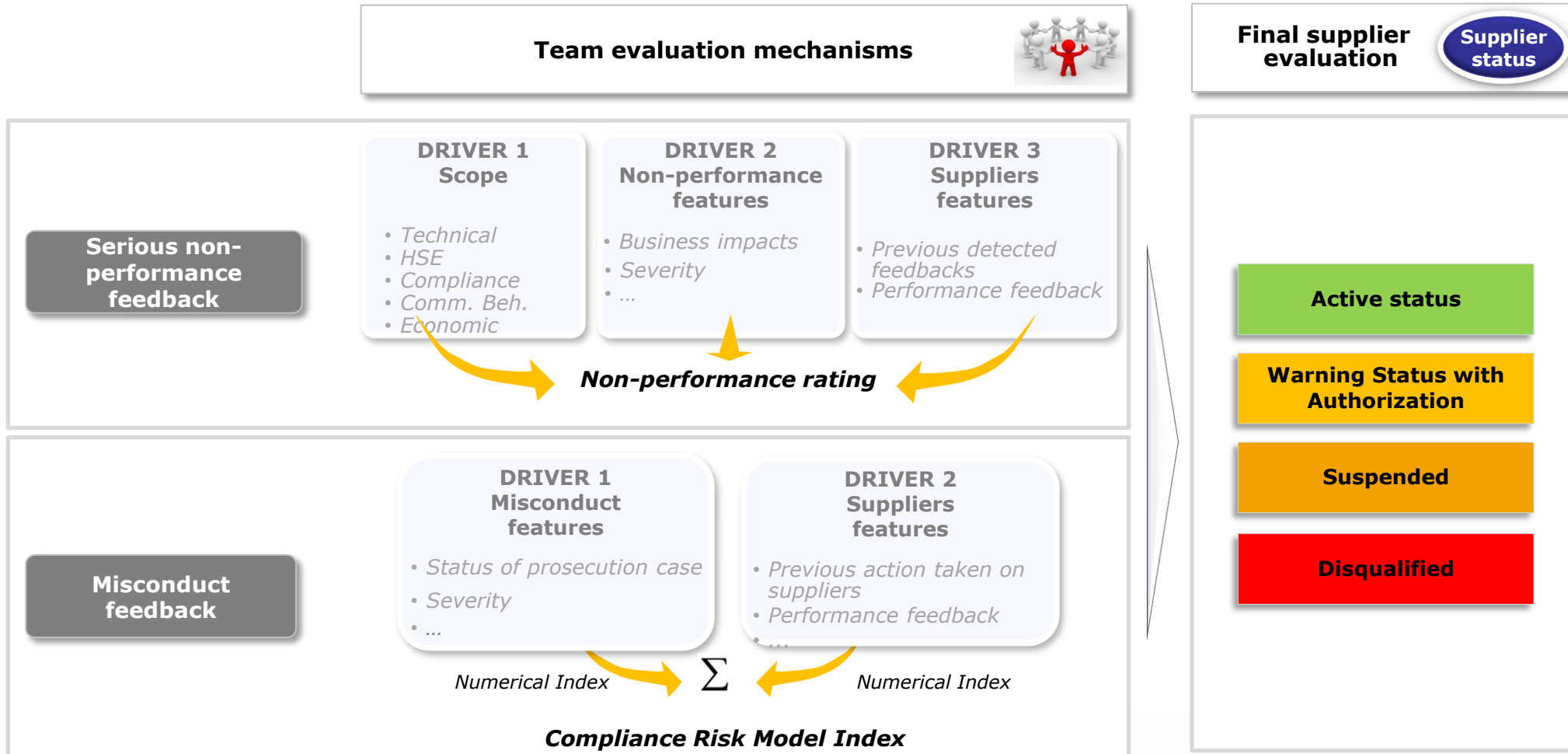
- **Positioning suppliers in the Quality-Status matrix** allows to **assess the suppliers list quality** and to take proper actions
- IVR use for tender processes will be described in "Contract preparation and award" procedure (on going)



(\* ) In addition to standard criteria, such as consistency between the contract and company's activities etc.

# Feedback loops on supplier status

- To ensure the adoption of **uniform measures** on **suppliers qualification status**, the **Team** can apply the **compliance risk model** for the evaluation of detected **misconducts** and it can evaluate serious non-performance feedbacks according to **default drivers**



# Performance feedbacks: rules of application

- The new feedback and Vendor Rating model requires:
  - feedback elaboration **for all contracts/tenders in case of serious non-performance or misconducts**
  - performance feedback elaboration only for **contracts/tenders on critical services** in order to **guarantee model sustainability and significance**

## Rules of application

**Contracts/tenders** on which feedbacks elaboration is required are selected taking into account the following criteria:

- **CC HSE criticality**
- **CC business criticality**
- **Tender/contract economical value\***

### Rules of application during tender

The compiler detects performances of:

- **Awarded contractor**
- **all tenderers** in case that at least for one participant a **criticality or a non-sufficient performance** has been detected\*\*



### Rules of application during contract execution

The compiler detects supplier **performances annually and at contract close-out**



Tender/ contract **selection** ensures **strategic suppliers** and **strategic Vendor List** assessment

Rules allow to **reduce** the effort related to **feedback management**



(\*) More than 450 k€ for open contracts and more than 150 k€ for closed contracts

(\*\*) Criteria to detect non-sufficient performance are posted on the information system

# Agenda

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- 1 Model description
- 2 Focus on performance feedback management**
- 3 Focus on serious non-performance and misconduct feedbacks management



# Feedback application scope and roll-out

- **Roll-out for the first year requires:**

- **Serious non-performance and misconduct feedbacks collection for every contract and tender**
- **Mandatory collection of performance feedbacks** on a limited perimeter of Commodity Class (CC) and contracts\*

CC	Description
LL04AC07	Epc Central Processing Oil / Gas Sep Sum Up To 40 MI €
SS01AA10	Industrial Type Basic/Feed Engineering - High Power
SS01AB02	Detailed Engineering Polymer Industrial Plants High Potentia
SS01AB12	Plant Engineering
SS01AD02	Services Management, Supervision, Care Work On Projects
SS02BA01	Seismic Surveys
SS04BC01	Software Packages Services
SS05AA01	Offshore Drilling With Jack-up
SS05AA02	Offshore Drilling With Drilling Ship And Semisub
SS05AA05	Onshore Standard Environment Well Drilling
SS05AB02	Ass Drilling Muds/Completion Fluids With Products Supplied/Surface Equip. Hired
SS05AB11	Deviated Drilling Service With Or Without Mwd And Lwd
SS05AB19	Well Testing Service Via Surface Production Equipment
SS05AB23	Key Clamping Service With Or Without Pick-up And Lay-down Machines
SS05AB24	Cementing And Pumping Service With Products And Equipment Supplied
SS05AB25	Coiled Tubing Service, Fluids And Nitrogen Pumping
SS05AB33	Run In Line Hanger Service With Products Supplied
SS06AC01	Civil Works Maintenance (Onshore)
SS06BA01	Maintenance Machinery
SS06BA02	Maintenance Mechanical Systems And Equipment
SS06BB01	Minor Maintenance/Repair Electric Instruments
SS08AA03	Radiocommunication Infrastructure And Services
SS08AA04	Tlc Network Services - Network Services
SS12AA01	Special & Global Maintenance Service Industrial Plants

For tenders and contracts on these 24 CC feedbacks collection will be mandatory if the contract value is above (= >) the defined thresholds:

- **150.000 € for closed contracts**
- **450.000 € for open contracts**

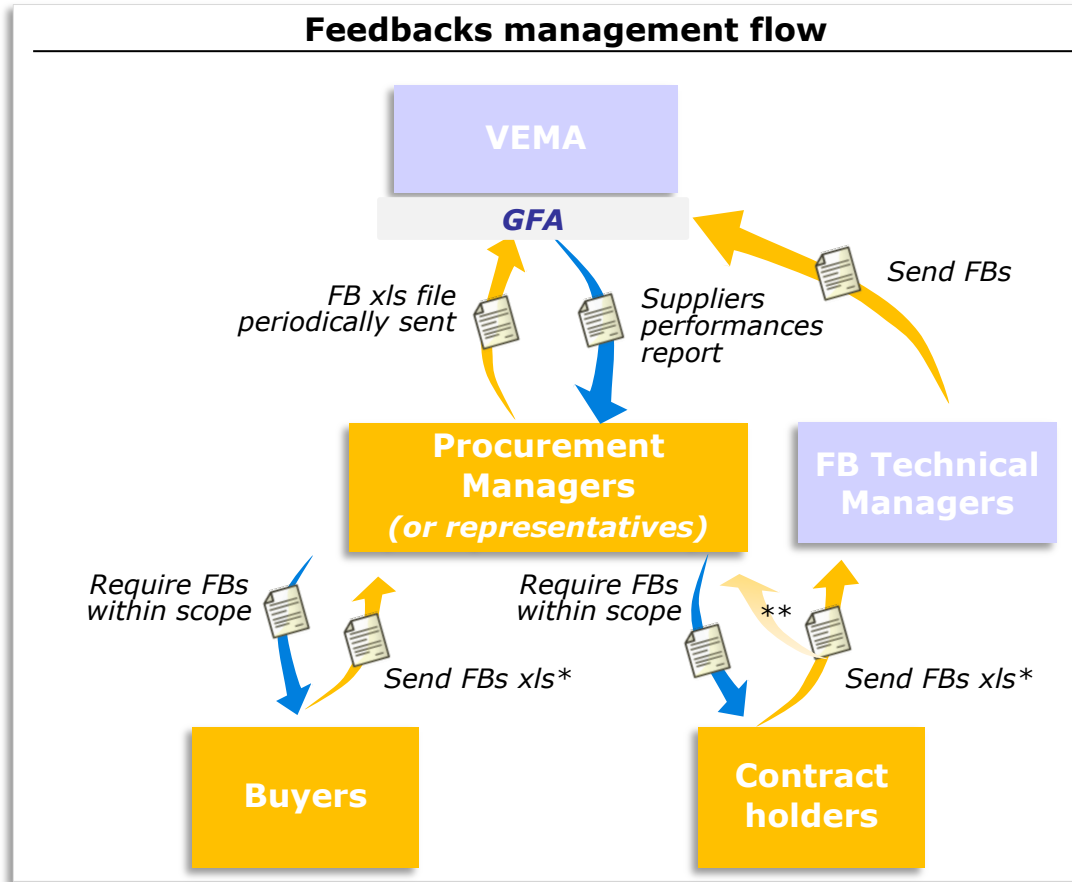
For Vendor Rating definition and feedback loops application, VEMA will process only feedbacks related to **italian, international and mega supplier**



(\* ) Selected by several criteria such as Commodity Class HSE and business criticality and pre-defined value thresholds; the final list of CC will be posted on the information system when the new procedure will be issued

# Performance feedbacks: management

- According to the MSG *Procurement*, **Procurement Managers** abroad **actively manage** local suppliers **feedbacks** and are **responsible for collecting and communicating** to VEMA those feedbacks included in the mandatory scope



## PROCUREMENT MANAGER

### Manages foreign feedback process

- Supports contract holders** in identifying contracts within scope, **collects** approved **xls FBs**, and, when needed, manages FB transmission to VEMA for international, italian and mega suppliers
- Identifies **tenders within scope** and **collects** approved **xls tender FBs**, managing FB transmission to VEMA for international, italian and mega suppliers
- Promptly sends **serious non-performance and misconduct feedbacks** for international, italian and mega suppliers (see further slides)
- Periodically receives a report with suppliers performances

The **new information system** (VMS) abroad will allow for an **easier feedback management by automating some manual activities**



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\* Due to limited system access, for 2014 feedbacks shall be managed manually

\*\* For services handled by FB Technical Managers (e.g. SPEAP, AESI, SMECO, SMESIN), feedbacks are also sent to PMs in order to guarantee a complete overview on suppliers performances. Feedbacks will be lately sent to VEMA by FB Technical Managers.



# Agenda

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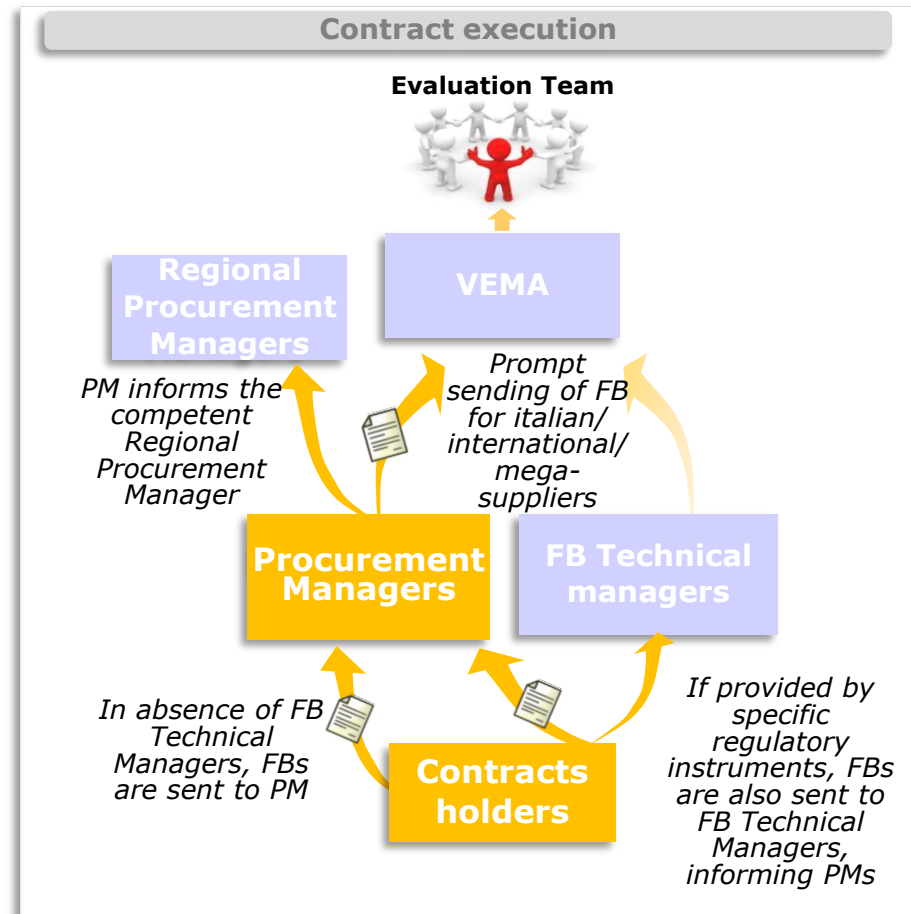
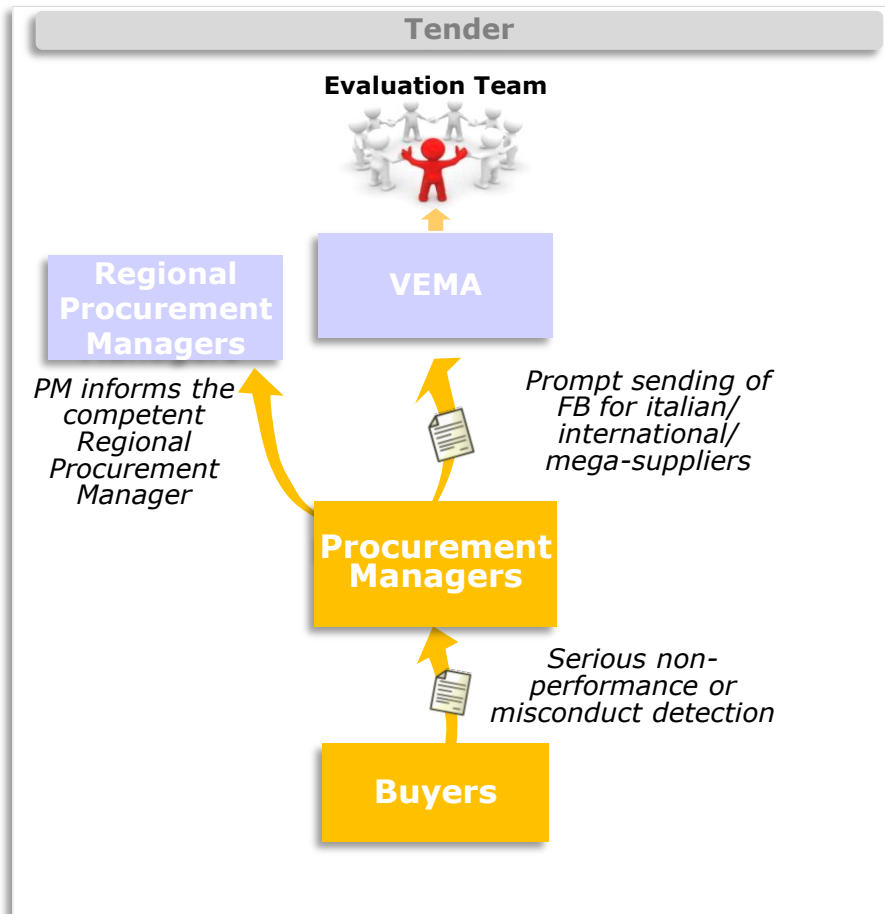
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# Serious non-performance and misconduct feedbacks collection and compilation processes

- In line with MSG's Annex C, **serious non-performance and misconduct feedbacks related to italian, international and mega suppliers shall be sent to VEMA** for potential Team evaluations\*

## Serious non-performance and misconduct feedbacks management



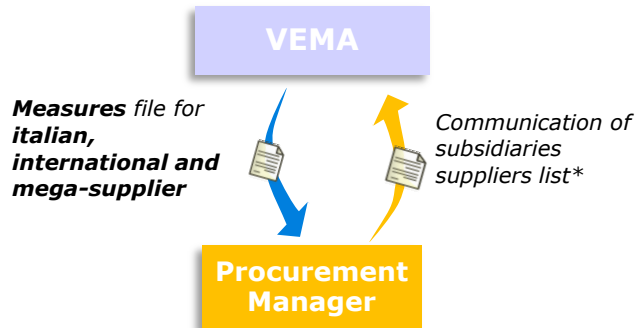
(\*) Serious non-performances or misconducts related to local suppliers are managed by subsidiaries

# Measures sharing and derogations management

- **Measures** centrally defined **and related to italian, international and mega suppliers** are periodically communicated to subsidiaries
- **Authorizations** for suppliers with “**warning status with authorizations**” are handled **by local functions**
- **Derogations** from measures of suspensions and disqualifications are **locally handled with the exception** of cases for which **concurrences** are required

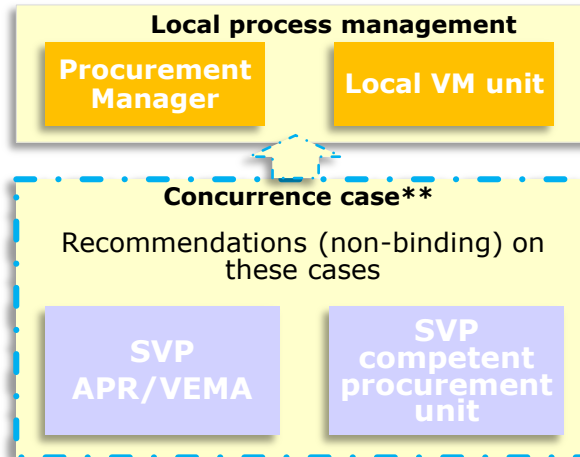
## Reports

Periodically sharing of the list of measures (Active status restored – warning status – suspension, disqualification) issued by VEMA and subsidiaries



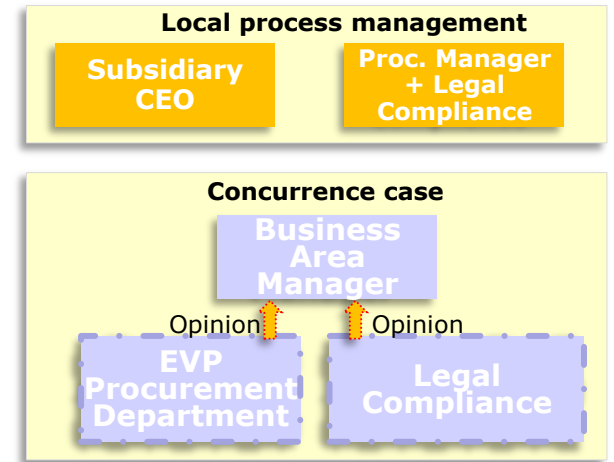
## Authorization for suppliers with “warning status with authorizations”

Authorizations are always locally handled, regardless of supplier type, following the process reported in the Annex E of MSG Procurement for **Yellow DDC**



## Derogations from suspensions and disqualifications

Derogation from measures of suspension and disqualification are locally handled, with the exception of concurrence cases that are handled as APR ones, as reported in the Annex E of MSG Procurement for **Red DDC**



- Described flows will be soon incorporated in **MSG Procurement and attachments**, currently being reviewed



(\*) This communication must include any authorization and derogation for italian/international/mega suppliers

(\*\*) Within the request for concurrence, if any, cases of suppliers subject to any measure that are considered appropriate to invite to tender should be reported

# Backup

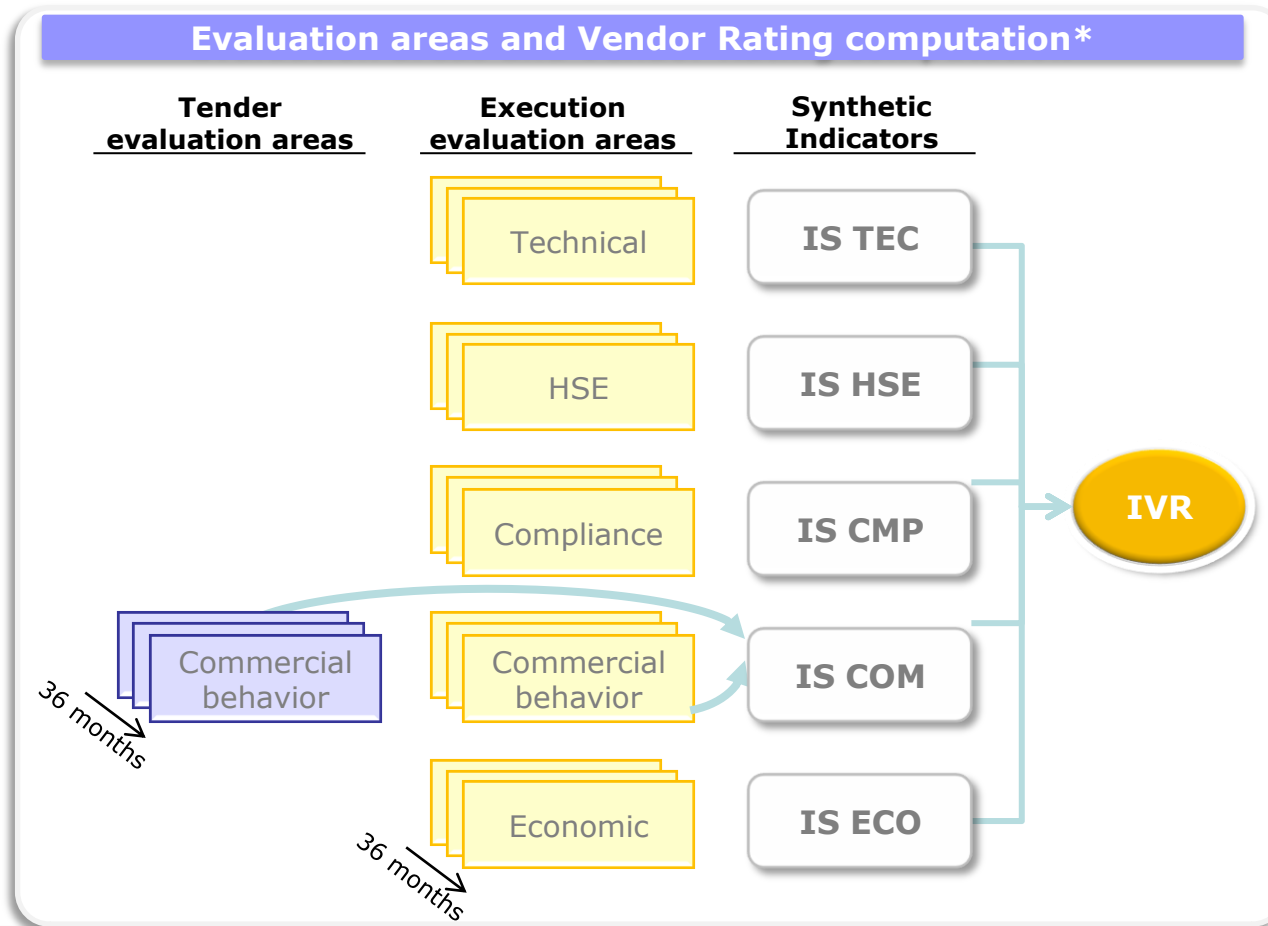
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- Evaluation areas and Vendor Rating computation
- Feedbacks forms and notifications
- Performance feedbacks
- Serious non-performance and misconduct feedbacks compilation process



# Evaluation areas and Vendor Rating computation

- Tender feedback evaluates **suppliers commercial behavior**
- Commercial behavior is averaged with the other indicators recorded during execution phase **to calculate Vendor Rating**






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(\* ) To calculate Vendor Rating, each feedback remains effective for 36 months; it will be necessary a minimum of 3 feedbacks to have a significant Vendor Rating

# Feedback forms and notifications

- Performance, serious non-performance and misconduct feedbacks **compilation could be done directly through the information system** \*, where are dedicated forms for each type of feedback
- Tender officers/Contract holders** notify feedback realization to suppliers

	Performance feedbacks	Serious non-performance and misconduct FBs
Feedbacks questionnaires	 <p>TENDER PHASE</p>  <p>EXECUTION PHASE</p>	 <p>SERIOUS NON ANCE AND MISCC</p>
Notifications	<ul style="list-style-type: none"> <li>Feedback performance notifications is done by sending main results of the evaluation to suppliers</li> <li>The templates for feedback notification to suppliers will be available on information systems</li> </ul>	<ul style="list-style-type: none"> <li>If detected during the execution of a contract (or tender process), the feedback must be notified to the supplier</li> </ul>



# Performance feedbacks (1/4)

## Tender performance feedback

- **Performance feedback** provides a compulsory evaluation on **Commercial Behavior** area for all tenders within the defined scope \*

### “Tender feedback form”

#### Commercial behavior evaluation:

- **Availability**  
*Extensions request, contract clauses negotiation*
- **Accuracy**  
*Completeness and precision of the documentations and promptness in clarifications providing*
- **Tender performance**  
*Score awarded in technical and economical evaluation*

#### • Number of questions:

- First level questions: 12
- Second level questions: 12 (available only in case of negative response to first level questions)

#### • Applicability:

- One questionnaire for all eni's Commodity Classes

#### • Questions:

- objectives question validated by eni legal functions

#### • Answers:

- binary responses (YES/NO), with the possibility to attach supporting documentation

#### • Supporting information system:

- questionnaires available on GFA

(\*)For the awarded contractor or all tenderers in case at least one participant showed non-sufficient performance in one or more of the followings:

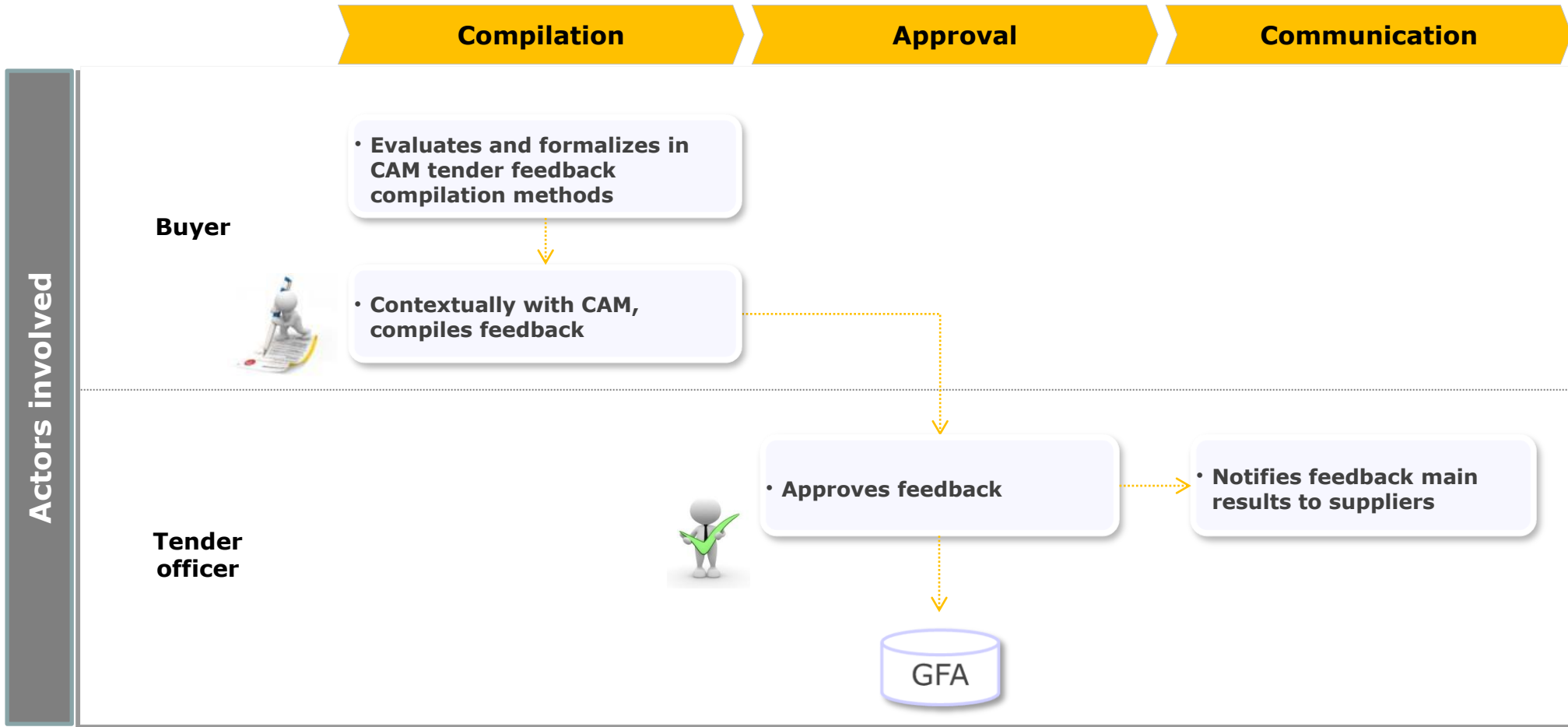
- Availability, for example, the supplier requested an extensions of 30% beyond the allowed time and negotiated contract terms
- Accuracy, for example, the supplier failed to provide correct documentation and this has resulted in a lengthening of the tender more than 30%



# Performance feedbacks (2/4)

## Tender feedbacks compilation process

- Buyers shall **compile feedback** after tender ending and submit it to **tender officer acceptance**



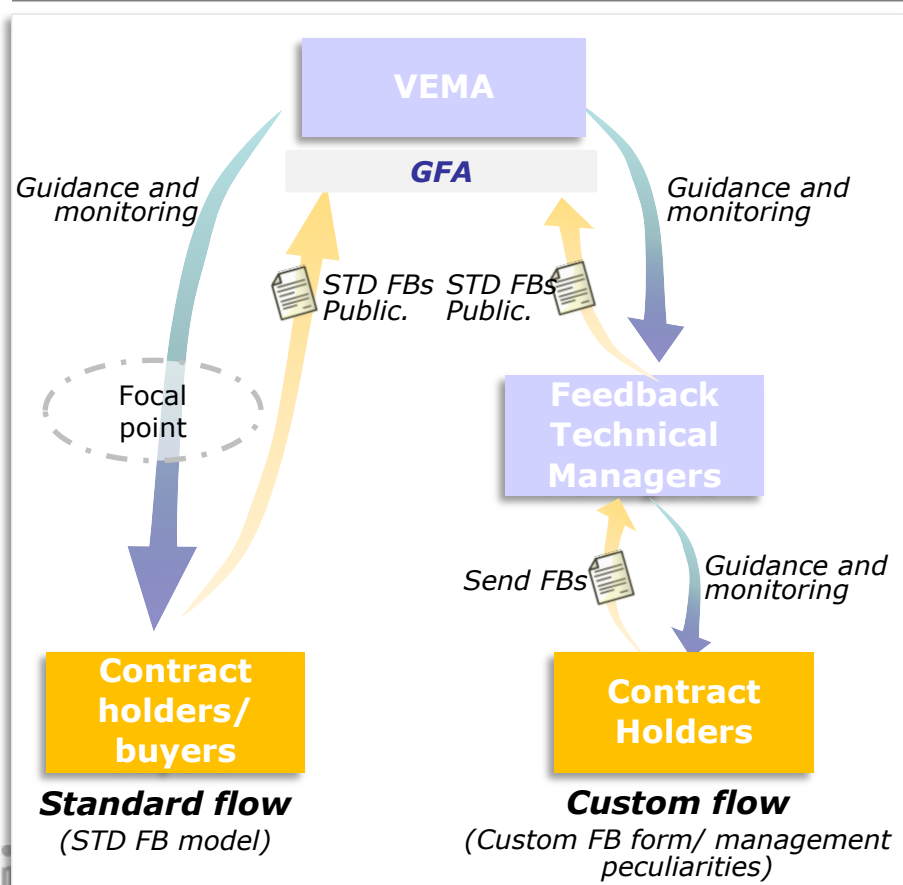


# Performance feedbacks (3/4)

## Focus on Feedback Technical Manager role

- The new model introduces the “**Feedback Technical Manager**” role for those **units that collect custom feedbacks** or that have **management peculiarities**
- The Technical Manager **will ensure execution feedbacks collection for selected CCs, either in Italy or abroad, coordinating with VEMA** for performance monitoring

### Feedbacks management flows



### FEEDBACK TECHNICAL MANAGER

- Is the **interface** between feedbacks compilers and VEMA
- Promotes and **monitors feedbacks collection** supporting compilers
- **Ensure feedbacks publication**, managing custom forms conversion
- Collaborates with VEMA, **monitors performances** and **manages** meetings with **suppliers**

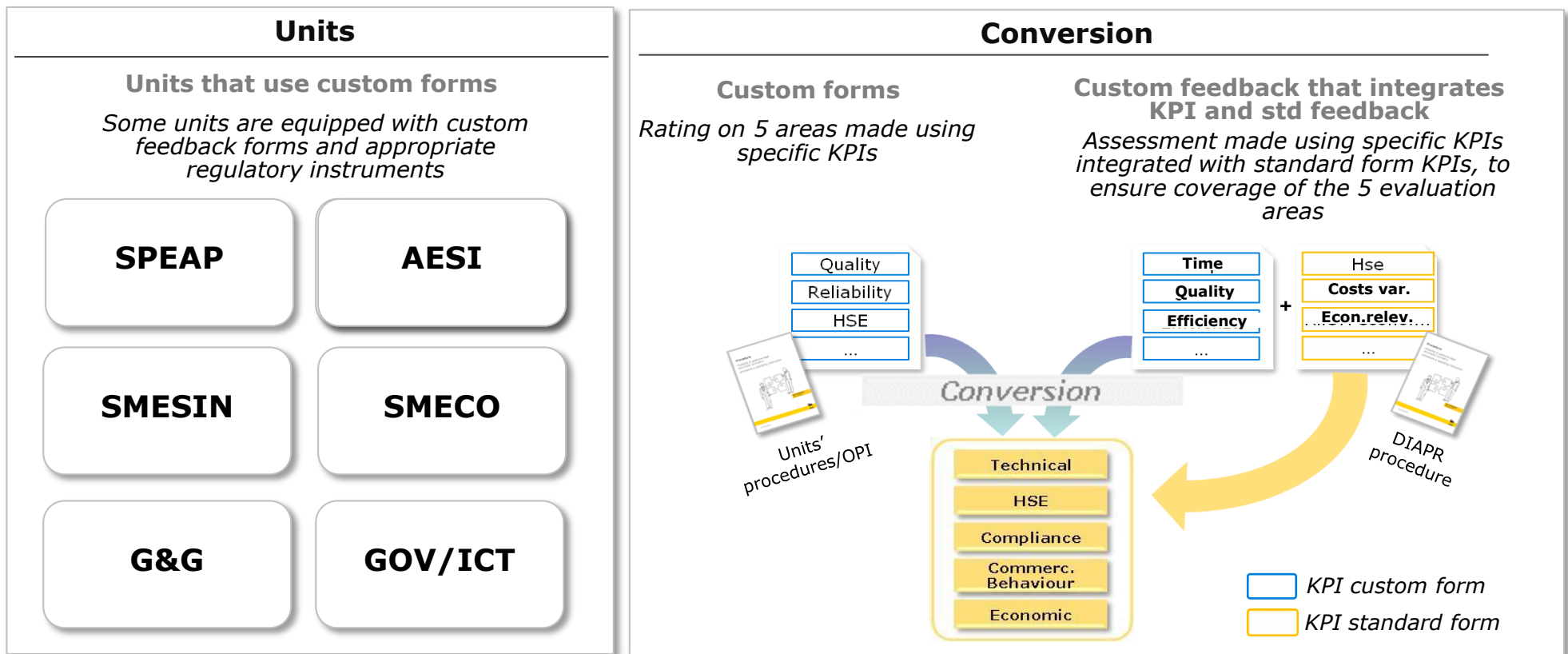


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# Performance feedbacks (4/4)

## Feedback Technical Manager and custom feedbacks

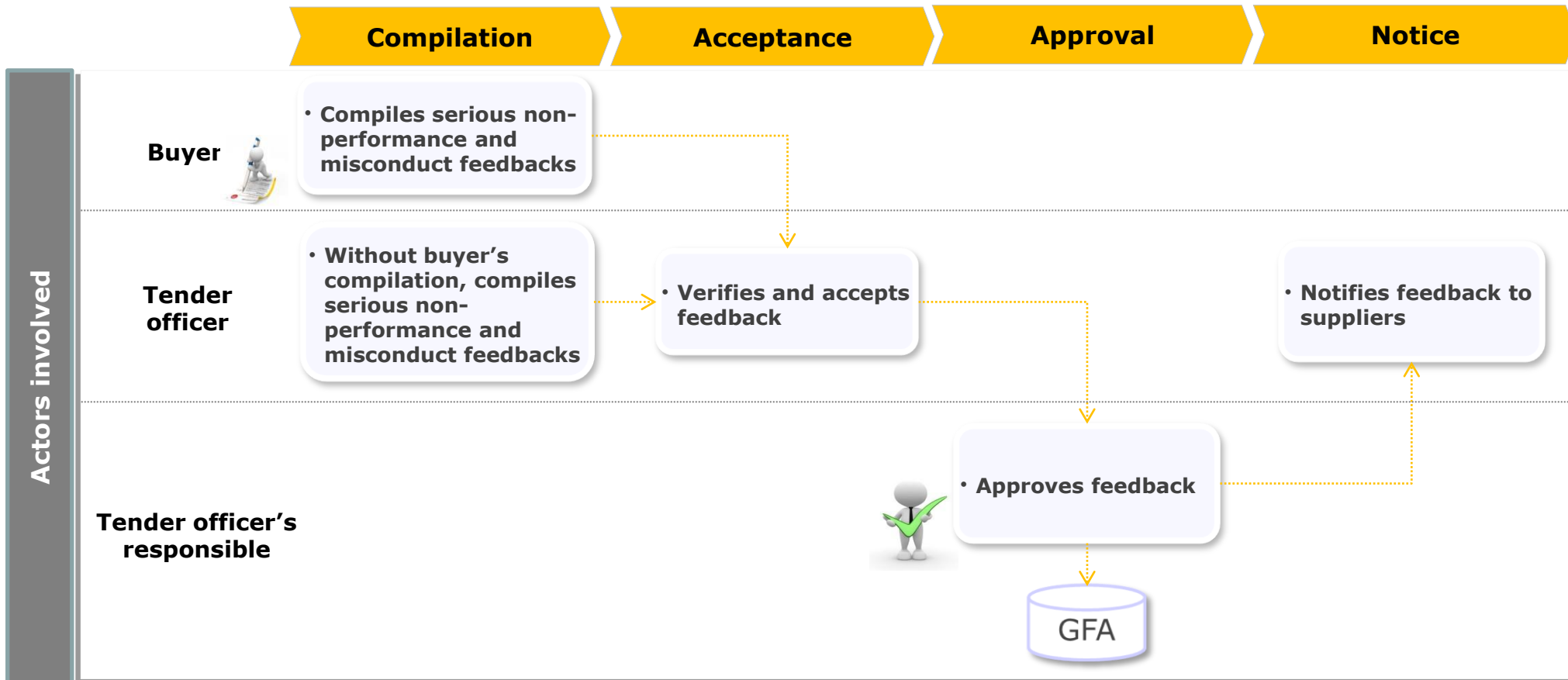
- Some units evaluate suppliers performances with **custom feedback forms\***, to assess **specific business features**
- In order to ensure **consistency of the evaluations made with custom feedback forms**, the feedback model provides the **possibility to convert all or part of the custom assessment** according to pre-determined conversion criteria, shared between technical units and VEMA



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# Serious non-performance and misconduct feedbacks compilation process

- For serious non-performance and misconduct feedbacks, a **double acceptance level is required**



### ***Today speaker***

Gianfranco Importuna Vendor Management Planning & Market Analysis

### ***Reference document***

- eni best practice procedure “Suppliers performance evaluation and vendor rating”, to be issued in september 2014.

### ***Supporting tools***

- Webinar video footages and presentation available for viewing on e-procurement portal:  
internal users section>training>webinar