Bern, September 4th 2019, Jan-Patrick Willmes, Chief Procurement Officer, Swiss Post, «How to stay relevant in turbulent times?»
GROUP RESULT
KEY FIGURES

Figures
- 7,691 million francs in operating income, down year-on-year
- 119 billion francs represents the level of average customer assets held by Postfinance

Facts
- 1,898 million addressed letters were posted in Switzerland in 2018
- 138 million parcels were processed in Switzerland in 2018
- 156 million PostBus passengers were transported in 2018
- Unchanged high level: 83 points scored for customer satisfaction
- 80 points is the index value for employee commitment, a testament to motivated and committed employees
HOW TO STAY RELEVANT …
STARTING POINTS

Roberto Cirillo: «Dobbiamo darci una mossa»

It’s obvious to him that Swiss Post must become more relevant again – to the people and companies in Switzerland. To do so, the company needs to boldly strike out in new directions. This should be reflected clearly in the new strategy for the years 2021 onwards.
... IN TURBULENT TIMES?
DRIVEN BY OWNER, STAKEHOLDERS, MARKET AND COMPETITON

Winds of change pressures up, Reserves melting away

- The art of the long view is mandatory for postal challenges we are facing ahead

- Small steps not enough to deliver impact – Strategy must address larger changes («Bold Moves»)

- Post has strong assets, with high demand in the future (e.g. trust, last mile, customer base)
PURCHASING LEADERSHIP AND BUSINESS IMPACT
HOW TO STAY RELEVANT IN TURBULENT TIMES …

Procurement as a Business Partner
Creating purpose led, future fit partnerships

Procurement as a Visionary
The Power of Continuous Innovation

Procurement as a Value Driver
Transitioning beyond procurement productivity to value
PROCUREMENT AS A BUSINESS PARTNER
CREATING PURPOSE LED, FUTURE FIT PARTNERSHIPS

Stakeholders assess Procurement expertise as emerging or basic

- Only 40% of stakeholders report a solid understanding of internal business requirements.
- 1 of 3 marketing and HR stakeholders feel that procurement has only a basic understanding of business requirements.
- Only 50-60% stakeholders say solid understanding of external supply market.
PROCUREMENT EXCELLENCE – DELIVERED @ POST.CH
VALUES, VISION, MISSION, PURPOSE, MEANS

Values

Trust

Change

Responsibility

Vision & Mission

Benchmark
of the Swiss procurement market

Best TCO
in competition for the current and future business cases of Swiss Post

Entrepreneur
for the buy side market place
to optimize competitiveness of Swiss Post
WE ARE BOP
(Y)OUR PROCUREMENT BUSINESS PARTNER
NIMBLICITY @ WORK - EASY, FAST, SUCCESSFUL

Swiss Post Ltd

Board of Directors  Urs Schwaller

Executive Management  Roberto Cirillo*

Group Audit    Esther Brändli

Strategy & Transformation  Michel Franzelli

Finance  Alex Glanzmann*
Human Resources  Valérie Schelker*
Corporate Center  Markus Schumacher
Communication  Alexander Fleischer**
Development/Innovation  Claudia
Corporate Accounts  Jörg Vollmer*
Real Estate  Thomas Baur*
Information Technology  Wolfgang

Die Post
Postal-Network  Thomas Baur*
PostMail  Ulrich Hurni*
Post-Logistics  Dieter Bambauer*
Swiss Post Solutions  Jörg Vollmer*

PostBus Ltd  Christian Plüss*

PostFinance Ltd  Board of Directors  Rolf Watter
Executive Management  Harald Küng

* Member of Executive Management | ** Member of Extended Executive Management
SOURCING PERFORMANCE BOOK/ COMPENDIUM GROWING
EACH LEADER ACCOUNTABLE FOR ONE OF THE 10 CHAPTERS

More to come …
PROCUREMENT AS A VISIONARY

THE POWER OF CONTINUOUS INNOVATION

**Expected Impact of Digital Investment**
(% selecting high impact)

- Gaining efficiency: 65%
- Enhancing digital experience: 49%
- Smarter, faster decisions: 48%
- Reducing cost of goods & services: 40%

**Key Challenges**
(% selecting high barrier)

- Slow pace of change: 37%
- Lack of investment: 34%
- Multiple concurrent initiatives: 29%
- Limited talent: 26%
INNOVATION MANAGEMENT
INTELLIGENT SOLUTIONS FOR THE NEEDS OF TOMORROW

Postidea
- The company suggestions scheme harnesses the innovative strength of 58,180 employees

PostVenture
- Through its PostVenture programme, Swiss Post specifically seeks out fresh ideas to help drive forward its range of products and services in its strategic business development areas

Early
- New products, services and product features are tested and developed as early as possible in cooperation with customers

Start-up screening
- To identify new business ideas at an early stage, Swiss Post operates its own start-up screening programme
DEVELOPMENT
GETTING NEW IDEAS OFF THE GROUND

- Swiss Post actively and systematically monitors developments, business opportunities and trends, as well as developing business models with a disruptive character. It tests innovative technologies such as drones, delivery robots and self-driving shuttles.
- As a result, Swiss Post learns at an early stage what its customers’ requirements might be in the future, and how it needs to develop its core business.
DEVELOPMENT
DIGITAL SOLUTIONS – FROM DEVELOPMENT TO MARKET READINESS

SwissID
- In the near future, SwissID will provide easy and secure access to a wide range of online services.

E-voting
- Through its e-voting service, Swiss Post allows eligible voters to cast their votes electronically in elections and referendums.
- The solution was introduced in the Canton of Fribourg in autumn 2016. To date, the Cantons of Neuchâtel, Basel-Stadt and Thurgau are also using the Swiss Post solution. Further cantons have made the decision to cooperate with Swiss Post.

E-Health
- Thanks to its modular E-Health platform, Swiss Post dovetails treatment and logistics processes by enabling the secure exchange of electronic patient data between stakeholders in the healthcare sector.

IncaMail
- Whether it’s payslips, contracts or court submissions, sending sensitive information by e-mail saves time and money.
- IncaMail enables secure e-mail communication.
DEVELOPMENT
GETTING NEW IDEAS OFF THE GROUND

Delivery robots
- Swiss Post was one of the first companies in Europe to test self-driving delivery robots
- Delivery robots are suitable for consignments that need to be delivered flexibly, quickly and inexpensively in a local neighbourhood

Drones
- Swiss Post is one of the first companies to use autonomous drone logistics commercially
- For Swiss Post, the use of drones for special items over short distances and over the last mile is of particular interest

SmartShuttle
- The automated shuttle buses have been on the road as part of a pilot project since June 2016 and could in the future offer new public transport options in remote regions, car-free villages or city centers
- The findings collected during testing are evaluated continuously
- The vision: self-driving shuttles which carry passengers directly to their front door

Smart buttons
- The “Service on demand” programme has been running on 100 devices at Swiss Post headquarters since 2017, and other applications such as “Post Home Button” are being tested
- The devices enable users to request assistance at the touch of a button
OUTLOOK AND OPPORTUNITIES
TRANSFORMATION DRIVERS FOR SWISS POST

- Swiss Post is in a very good starting position for developing its core business in the communication, logistics, financial services and passenger transport markets
- To tap into this potential, Swiss Post must explore new forms of cooperation in-house and with its partners and customers
OUTLOOK AND OPPORTUNITIES
READY FOR TOMORROW

Smart city
- Swiss Post can enable cities to become more efficient and sustainable thanks to innovations such as the self-driving shuttle bus, car sharing services and PubliBike

Internet of things
- The digital networking of things can be used in many different ways. Swiss Post is a pioneer in this area, creating added value through use of new technologies, including sensors in parcels, at letter boxes or on postal vehicles

Blockchains
- Swiss Post is testing the use of blockchains in areas such as logistics and finance. This might allow Swiss products abroad to be traced back to their origin with no possibility of forgery, to name one potential application of this technology

Circular economy
- With selected partners and reusable materials, Swiss Post is testing new models for reuse, sharing and modern recycling in Switzerland
NEXT STEPS
WHEN ALL EYES TURN TO SOURCING!

1. Combined Budget/ Goals Alignment for business partners and commodity Teams
2. Management operating system installed tiered structure, management operating reviews
3. Champions to coordinate & cultivate best-in-class behaviors
   - Working Capital, E-Auctions, best value analysis, M&A, cycle time,
   - OS, CE/ VE, BAE, HGR, Supplier Performance
4. Business expects us to deliver our Plan

Fulfilment of connected Procurement and Logics Potential stronger together!
RESPONSIBLE SOURCING
WHAT ARE WE CURRENTLY DOING? WHEN DOES RESPONSIBILITY END?

CR-Charta Post

Owner expectations
(public procurement laws/ reqs)

Strategic Supplier Assessment by EcoVadis

SEK (Social- und Ethical codex)

Member
UN Global Compact

Current state

- By 2018 we have signed 2208 signed SEK
- Use Findings/ Experience from ISO 20400 GAP-Analysis
- Add measures and consolidate to one programme
- Organisation check/ adjustment (accountabilities)
- Realisation (potentially) deep substantiation

«Associated» requirements
(ISO 9001/14001)
PROCUREMENT AS A VALUE DRIVER
TRANSITIONING BEYOND PROCUREMENT PRODUCTIVITY TO VALUE

Your results

Team Excellence

Category Excellence

Supplier Excellence

Your AEP Score is 1.9 out of a range of 0-3

This is what supply management excellence looks like in 2019

1. Seat and voice at the table influencing enterprise strategy and accountable for industry-leading cost and growth across one of the company’s largest cost elements
2. Strategic business partner with strong credibility and brand recognition and 10% y-o-y increase in end user satisfaction
3. Broad array of value generated including cost (price and quantity reduction) and value beyond cost
4. Majority (65%) of team focused on strategic activities and best talent with whole-brain thinking
5. End to end visibility through automated Requisition to Pay (R2P) for majority of spend
6. Visibility into 95% of spend with systematic data capture and integration; 70% of spend influenced and 75% actively sourced each year and 7% yield
7. Effective sourcing process using more methods of The Purchasing Chessboard® than previous years and advanced analytics capabilities
8. Multi-year category strategies continuously updated for supply-demand shifts and connected with PPM to provide multi-year improvement plan

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TEAM EXCELLENCE SUMMARY

• **Seat and voice at the table** influencing enterprise strategy and accountable for industry-leading cost and growth across one of the company's largest cost elements
  – Report to C-level executives
  – Broad array of value generated including cost (price and quantity reduction) and value beyond cost

• **Strategic business partner** with brand recognition and 10% y-o-y increase in end user satisfaction
  – Strong relationships with BUs/ functions in leveraging supply market opportunities and shaping impact
  – CFOs and stakeholders agree procurement gets more investment than other functions

• **Strong credibility** in the organization
  – Performance metrics aligned with stakeholders, real time dashboards for visibility
  – Significant improvement in CFO understanding of procurement, 60% CFOs are confident in numbers

• **Majority (65%+) of team focused on strategic activities** and best talent with whole-brain thinking
  – Talent magnet through proactive recruiting strategies, mentoring process and culture of recognition
  – High-impact sustainable capability building program

• **End to end visibility** through automated Requisition to Pay (R2P) for majority of spend
  – Automated system to direct users to compliant purchases, reducing need for corrective action
  – Procurement technology is an investment area with regular scanning for digital/ disruptive technologies
CATEGORY EXCELLENCE SUMMARY

- **Top quartile spend influenced, actively addressed and yield**
  - Visibility into 95%+ of spend with systematic data capture and integration
  - 70%+ of spend influenced and 75%+ actively addressed each year through proactively scheduled and planned events and 7% yield

- **Effective sourcing process using more methods of The Purchasing Chessboard® than previous years and advanced analytics capabilities**
  - Full Transparency into cost drivers with periodic sensitivity analysis
  - View analytics as a key strategic differentiator and use anticipatory analytics (should-cost, TCO, scenario modeling)

- **Multi-year category strategies** continuously updated for supply-demand shifts and connected with PPM to provide multi-year improvement plan
  - Award sourcing decisions based on balanced scorecard fully integrated with business objectives, as opposed to only price and security of supply
  - Procurement initiatives staffed with cross functional teams for stakeholder alignment and benefits validation
SUPPLIER EXCELLENCE SUMMARY

- **Full supplier life cycle is monetized** by a defined SRM process and team accountabilities that yield 90-100% contractual compliance and value beyond
  - Proactively manage supplier footprint to have the right number of suppliers with right capabilities
  - Supplier segmentation based on spend, performance and potential - frequently refreshed

- **Comprehensive SRM agenda** and multi-year collaboration programs with key suppliers
  - Clear governance process and cross-functional resourcing for strategic supplier relationships – Procurement drives the business agenda
  - Documented risk management framework – employ a range of methods to anticipate and track supplier related risks

- **Share of value growing from 30% to 40%** based on innovation targets becoming more important than cost in 3 years
  - Speak your stakeholders’ and suppliers’ language – address their concerns and build relationships
  - Formal process to integrate suppliers into innovation efforts, define targets and measure impact
### The Purchasing Chessboard®

<table>
<thead>
<tr>
<th>Methods</th>
<th>Change Nature of Demand</th>
<th>Manage Spend</th>
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<td>8</td>
<td>High</td>
<td>11</td>
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<tr>
<td>4</td>
<td>High</td>
<td>6</td>
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</table>

#### Key:
- 90% of All 2019 Leaders

#### Methods
- **Methods**
  - High: 9
  - Low: 6

#### Leverage Competition
- **Methods**
  - High: 10
  - Low: 6

#### Supply Power
- **Methods**
  - High: 4
  - Low: 6

#### Sources
- **Sourcing Community**
  - Leaders
  - All Others

**Your Response for Methods used with high or medium impact**
- **Demand Power**
  - High: 4
  - Low: 6

**Average # of methods being used with medium or high impact**

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NEW ORGANIZATION WILL INCREASE VALUE CONTRIBUTION AND EFFICIENCY

VALUE PROPOSITION

Value contribution

- As-Is: 47
- Additional: +25
- To-Be: 72

% of total spend: 2.9 BCHF

~3% in MCHF

Value proposition

- As-Is: 180
- Less: -45
- To-Be: 135

Organizational efficiency

+76% organizational effectiveness
## SYSTEMATIC OPPORTUNITY MANAGEMENT

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<th>Projektnummer</th>
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<th>Beschreibung</th>
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<td>Projekt RPZ - 3 Regionale Paketcenter</td>
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**Vertragslaufzeit**
- 48 Monate
- 10 Monate
- 60 Monate
- 48 Monate
- 48 Monate
- 12 Monate
- 12 Monate
- 12 Monate
- 12 Monate
- 24 Monate

**Einkaufserfolg**
- 0.5 MCHF
- 0.0 MCHF
- 0.5 MCHF
- 0.0 MCHF
- 0.3 MCHF
- 0.6 MCHF
- 0.2 MCHF
- 0.2 MCHF
- 5.7 MCHF

**EBIT Wirkung**
- 0.6 MCHF
- 0.6 MCHF
- 0.6 MCHF
- 0.4 MCHF
- 0.3 MCHF
- 0.3 MCHF
- 0.2 MCHF
- 0.2 MCHF
- 0.2 MCHF

**Vertragsdaten**
- April 2019
- Februar 2019
- April 2019
- April 2019
- April 2019
- Februar 2018
- April 2019
- April 2019
- Februar 2019

**Anmerkungen**
- Dieses Dokument ist vertraulich.
- CIPS.ORG & PROCURE.CH event #2 | confidential | 2019-09-04 | JPW
1. Leaders constantly raise the bar – and celebrate success!
2. IQ & EQ = The Ying and Yang of success!
3. Nobody is perfect – but a team can be!
4. Have courage – stick your neck out! Be a self-starter!
5. Aretha Franklin got it right: treat everyone with R-E-S-P-E-C-T
6. Manage energy – not time!
SWISS POST
THANK YOU
QUESTIONS?