



National Buyer/Seller Forum



Imperial Oil Limited and ExxonMobil Canada

Richard Betts – March 26, 2008

IOL/EMC Procurement

- Centralized procurement and contracting function for all IOL/EMC businesses in Canada
- Total annual spend of 4.2B\$ - plus requirements for new major projects
- 90% of spend covered by ~ 1700 agreements
 - Limited "spot" buying
 - 2/3 services – 1/3 materials
- Part of ExxonMobil global procurement function
 - 45 B\$ annual spend globally - ~90 countries

IOL/EMC Procurement – Key Strategies

- Longer term agreements with quality suppliers
 - Safety and quality expectations
 - Total system cost focus – mutual improvement initiatives
- Consolidation of supply base – since 2001:
 - Spend growth of 25% but 40% reduction in agreements/suppliers
 - Limited fragmentation of spend
- Exploit EM global procurement strategies & leverage
 - Total System Cost based commodity strategies
 - Multi-country agreements where practical
 - Low-cost global sourcing capability
- Transaction automation
 - Eliminate manual transaction activity – supplier collaboration

What is MRO? – a Variable Definition

Maintenance, Repair and Operating materials that support on-going operations activity

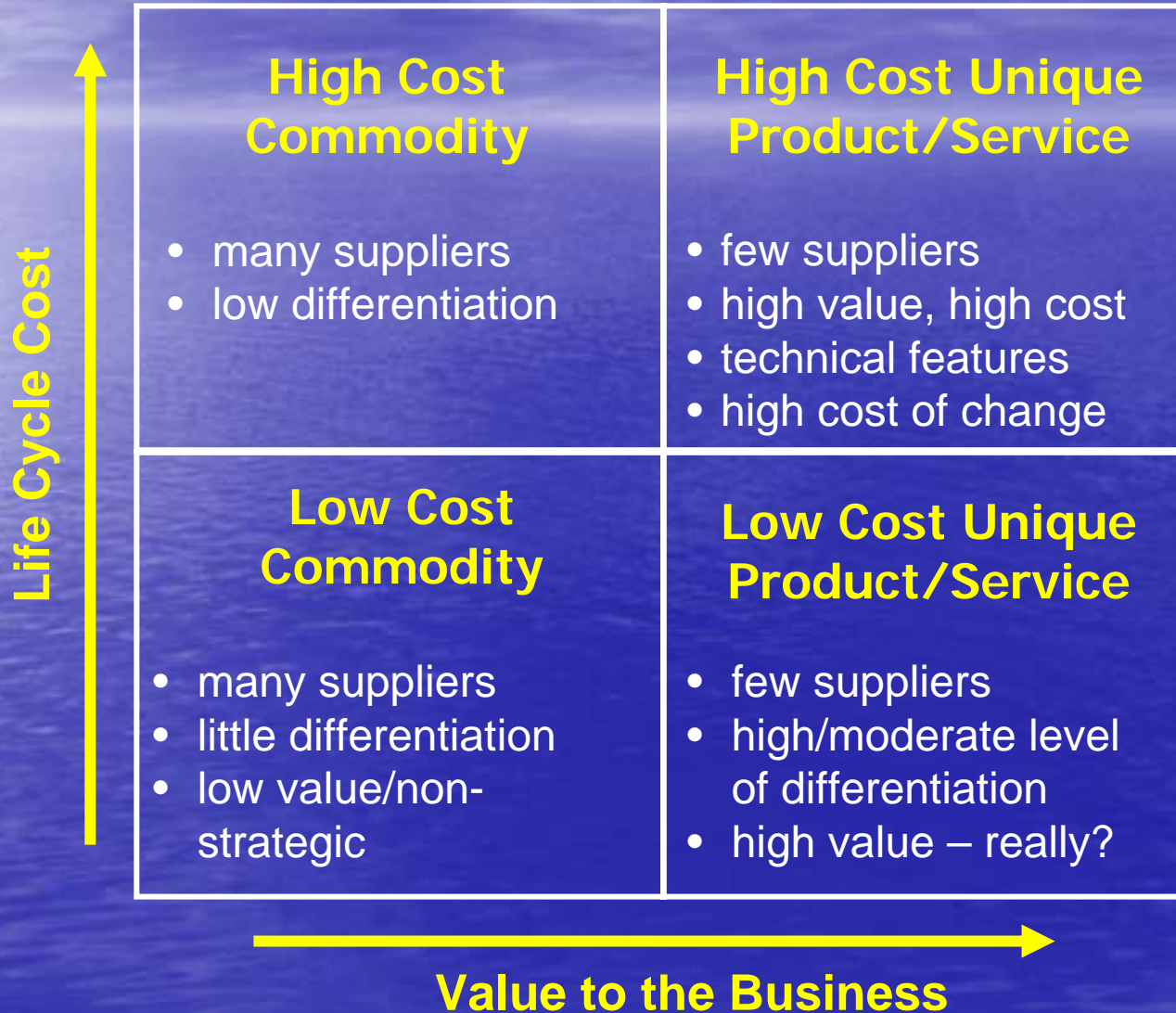
Excludes:

- Maintenance Services that support on-going operations
- Engineering and consultant services
- Project/drilling engineering and construction materials and services
- Other services – transportation, corporate services, travel, computer systems and telecommunications
- Feedstocks, blendstocks, chemicals, additives, packaging

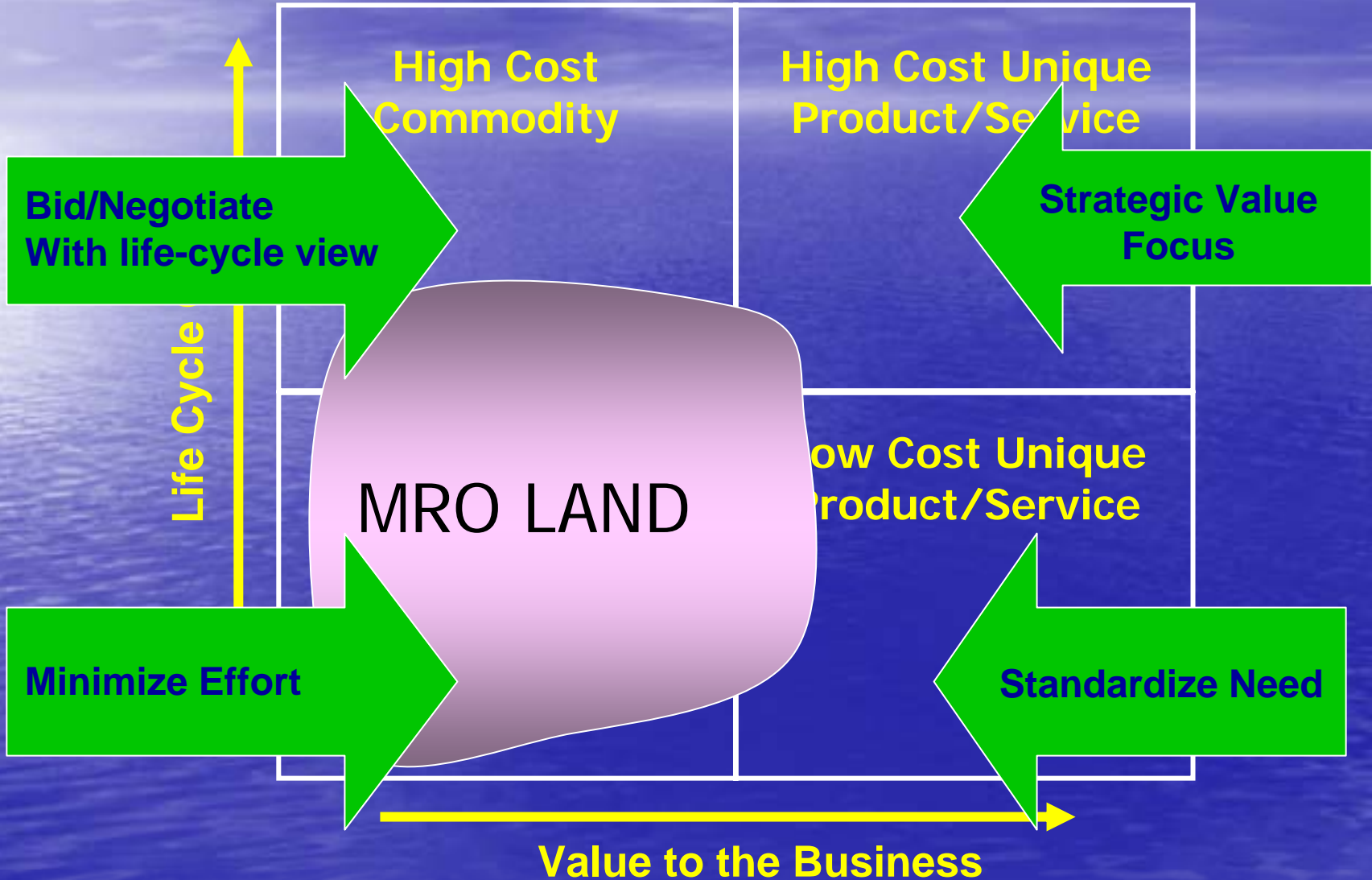
MRO – a Hidden Opportunity?

- MRO opportunities traditionally de-emphasized
 - Geographically dispersed and organizationally fragmented
 - High number of suppliers, low value, high transaction volumes
 - MRO often less than 10-15% of total budget for goods and services
 - Transactions often manual/paper based
 - Lack of spend visibility
 - Often represents high spot purchasing volume
- Procurement functions currently focused on:
 - Critical services with high spend and potentially high leverage
 - Labour availability, quality concerns and escalating costs
 - Major capital projects - schedule slippage, escalating costs

Strategy Choices - a function of value and cost



MRO Strategy Choices - a function of value & cost



MRO – The Hidden (total system) Costs

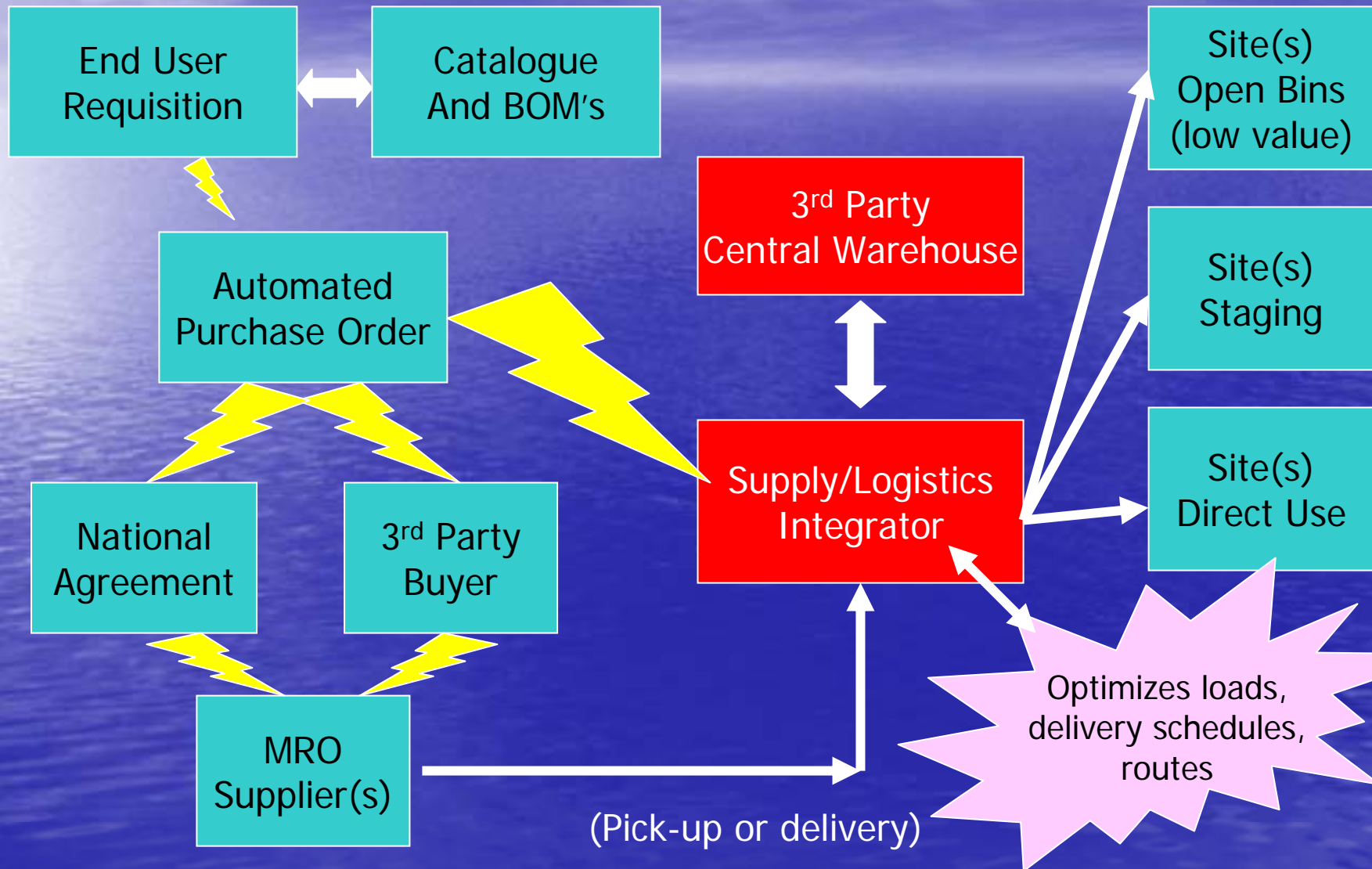
- High inventory levels/costs
 - Storage costs, obsolescence, inventory tracking and reconciliation
- High transportation costs
 - Partial loads, multiple deliveries from various suppliers/locations
- High agreement admin and supplier relationship management costs
 - Many agreements, many suppliers, many line items and prices
- High Maverick spend – fragmented leverage, excessive “shopping”
- Poor quality control leading to poor operational reliability

MRO – Key Strategies

“maximum value from minimum effort”

- Standardize requirements - minimize supply base
- Supplier consolidation – national agreements with manufacturers but local distribution
- “Third-party” buyers for low value/high volume items
- Integrated supply – link procurement, logistics and on-site handling
- Automate transactions and payment processes

Possible MRO Supply Model



MRO Procurement – Summary

- MRO procurement may not be strategic but it is important!
- Commodity segmentation supports focus on higher value purchases
- Principles of integrated supply key to maximizing value at lowest cost
 - Supplier consolidation
 - 3rd party buyer for low value, repetitive items
 - Integrated ordering, optimized delivery and warehousing
- Automation of high volume transactions
- Organizational discipline to exploit process