Presentation of DB Procurement

Deutsche Bahn AG | Uwe Günther | Chief Procurement Officer | December 2016
With DB2020 we want to achieve sustainable business success by bringing all three dimensions into harmony with each other.

**Vision**

We are becoming the world's leading mobility and logistics company
Sustainable business success and social acceptance

**Sustainability dimension**

<table>
<thead>
<tr>
<th>Profitable market leader</th>
<th>Top employer</th>
<th>Eco-pioneer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic</td>
<td>Social</td>
<td>Environmental</td>
</tr>
</tbody>
</table>

**Strategic directions**

- Customer and quality
- Cultural change/employee satisfaction
- Resource conservation/emissions and noise reduction

- Top 1
- Top 10
- Top 1
**Zukunft Bahn** is our map for the future of rail transport in Germany

---

**Eliminate annoyances**
- Better traveller information
- Clean, functioning rolling stock
- Clean stations

**Quality that persuades**
- Reliable travel chains and information
- Top-quality rolling stock, stations, staff and service

**Service that inspires**
- Rail service = first choice: reliable, high-quality and reasonably priced
- Stable live timetables
- Active intermodal travel planning
If we are to drive progress and shape the future, we must place a greater focus on quality and carry out the necessary change processes – that is what DB2020+ stands for.
We ensure the supply. With quality. With innovation. With reliable suppliers!

We guarantee that the business units worldwide are supplied with materials, capital goods and services – economically, on time and with the right quality. In doing so, we ensure DB's innovative capability and sustainable market success.
With its eight business units DB is active in all segments of the transport market

**Passenger Transport:**
Domestic and European-wide mobility services

- **DB Long Distance**
  Long-distance rail pass. transport
- **DB Regional**
  Regional/urban pass. transport (GER)
- **DB Arriva**
  Regional/urban pass. transport (EU)

**Transportation and Logistics:**
Intelligent logistics services via land, air and the sea

- **DB Cargo**
  European rail freight transport
- **DB Schenker**
  Global logistics services

**Infrastructure:**
Efficient and future-oriented rail infrastructure in Germany

- **DB Netze Track**
  Rail network
- **DB Netze Stations**
  Traffic stations
- **DB Netze Energy**
  Traction current

---

1 The former business unit DB Services has been dissolved and its activities assigned to different divisions; 2 Within Germany as well as cross border traffic; 3 In UK with Arriva-affiliate ‘CrossCountry’ also long-distance passenger transport;
Central Procurement is part of the Board Division Finance/Controlling

Organisational anchoring of Procurement

DB Group Management Board

Chairman and CEO (G)
Dr. Rüdiger Grube

Human Resources (H)
Ulrich Weber

Finance/Controlling (F)
Dr. Richard Lutz

Economic, Legal and Regulatory Affairs (C)
Ronald Pofalla

Traffic and Transport (V)
Berthold Huber

Infrastructure, Services and Technology (I)
Dr. Volker Kefer

Central Procurement

Procurement Principles and IT-Systems
Rolling Stock and Parts
Infrastructure
General requirements and services

1 Deputy Chairman
In 2015 Central Procurement had a total Spend of about € 9 billion

Overview Central Procurement 2015

<table>
<thead>
<tr>
<th>Central Procurement</th>
<th>Procurement Principles and IT-Systems</th>
<th>Rolling Stock and Parts</th>
<th>Infrastructure</th>
<th>General requirements and services</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees</td>
<td>66</td>
<td>323</td>
<td>407</td>
<td>168</td>
<td>964</td>
</tr>
<tr>
<td>Spend (EUR million)</td>
<td>885</td>
<td>6.035</td>
<td>2.043</td>
<td></td>
<td>8.963</td>
</tr>
<tr>
<td>Number of suppliers</td>
<td>1.200</td>
<td>4.500</td>
<td>12.100</td>
<td></td>
<td>16.300</td>
</tr>
</tbody>
</table>

1 Full-time staff (excl. trainees), 31.12.2015
2 Overlap possible (total no. of FE suppliers)

approx. 800 suppliers ± 80% spend
Procurement Principles and IT-Systems develops and secures the safeguards for Procurement within the Group

- Coordination and provision of processes, guidelines and master data which are revision-safe and compliant with procurement law.
- Procurement controlling
  - Strategic purchasing projects and methods to maximise results
  - Securing and verification of the benchmark capability
  - Supplier management
- Provision and development of a stable, performant and user-friendly IT-system for Procurement within the Group
- Support for employees, internal requisitioners and suppliers via phone, email and Procurement-Wiki
- Established qualification concept with mit differentiated specialist careers - DB Institute of Procurement (IoP)

Together with the internal requisitioner and the suppliers - Procurement you can rely on!
Rolling Stock and Parts Procurement offers a wide service portfolio

- Project Management
- Supplier Management
- Verifications and Requirements Management
- Procurement Quality, Vehicle Inspection and warranty management
- Contract, Procurement and Tender Management
- Worldwide sourcing
- Claim Management
- Material Supply Management and Obsolescence Management
- ...
Infrastructure Procurement purchases goods and services in eight different technology fields

1. Track
2. Construction Engineering
3. Building, Construction, Passenger Train Facilities
4. Telecommunication/Train Formation Facilities
5. Electrical engineering
6. Control Command and Signalling Technology
7. Architectural and Engineering Services
8. Safety and Construction Services
General Requirements and Services Procurement ensures the supply of various products and services.
Central Procurement is developing from a conventional Group Purchasing department to international procurement organisation

“World Class Procurement” Organization

- **DB Procurement Network**
  - Sustainability
  - International Procurement Teams

- **Commodity Group Management**
  - Global Value Sourcing
  - Life Cycle Cost analysis

- **Supplier Management 2.0 and innovation**
  - Digitalisation
  - Emphasis on Supplier Development

- **Customer management**
  - Procurement as business partner
  - Further development of cross-divisional exchange
International DB Procurement is developing rapidly

bundles demands globally to achieve the best conditions by sourcing from the best suppliers world-wide with a significant benefit for all Business Units.

Global Value Sourcing worldwide and in all commodities

Procurement Network (incl. Arriva, Schenker Logistics, Cargo)

Established IPO Asia

CSR Initiative Railponsible
DB main expectations on international suppliers: innovative, high quality products and services at competitive prices

General expectations on international suppliers (Abstract)

- **Reliability** and **availability** of materials and services
- **Competitive price** levels including Life Cycle Costs of products
- **Engineering ability** for development & optimization of products for **innovation**
- Capability to **manage the homologation process** with DB and their authorities
- **Financial sustainability** and convincing **business model**
- **Flexibility** for business changes
- **Long term partnership** approach
- Compliance with the **Code of Conduct**
Supplier Management comprises four interlinked phases

Core activities in each phase

**Supplier Qualification**
- Verification of technical and commercial adequacy
- Impulse for Supplier development if not verified

**Supplier Development**
- Supplier development in the qualifying phase
- Independent from contract development of supplier

**Supplier Adjustment**
- Supplier adjustment as a consequence of malperformance in a contract or project

**Supplier Appraisal**
- Systematic assessment of deliverables
- Impulse for Supplier adjustment if indicated
Different documentation needs to be provided depending on the requirement category of the range of deliverables

Documentation required of suppliers and scope

- We assign all deliverables to a requirement category
- No registration is necessary for the low requirement category; data is recorded as part of the award process
- For the categories normal and high, suppliers begin the minimum eligibility check through the supplier portal
- Suppliers that meet all of the criteria are usually added to the supplier pool for 48 months

<table>
<thead>
<tr>
<th>Requirement category</th>
<th>Verification modules</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>Basic data*</td>
</tr>
<tr>
<td>Normal</td>
<td>Basic data ¹, Expertise, efficiency, reliability</td>
</tr>
<tr>
<td>High</td>
<td>Basic data ¹, Expertise, efficiency, reliability, QCC², MPQ³, FAI⁴</td>
</tr>
</tbody>
</table>

1 including Code of Conduct | 2 Quality Capability Classification (Q1, Q2, Q3) | 3 Manufacturer-related Product Qualification | 4 First Article Inspection
We appraise suppliers along the supplier chain according to quality, costs and punctuality

Dimensions and phases used to determine the rating

<table>
<thead>
<tr>
<th>Offer phase</th>
<th>Supply and service phase</th>
<th>Product in practice phase</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Quality</strong></td>
<td>Offer quality (as requested)</td>
<td>Supply and service quality</td>
</tr>
<tr>
<td><strong>Costs</strong></td>
<td>Price level</td>
<td>Costs in compliance with contractual agreements</td>
</tr>
<tr>
<td><strong>Punctuality</strong></td>
<td>Compliance with requested deadlines</td>
<td>Compliance with contractual deadlines</td>
</tr>
</tbody>
</table>

- Which suppliers we appraise depends on their **strategic relevance** to Deutsche Bahn
- Our appraisals are always **prompt** and take place during the entire business relationship
- The result is a **rating** for quality, costs and punctuality
- We inform suppliers of their rating at **least once a year**
Supplier adjustment aims to improve the performance of our suppliers

Our basic strategies for supplier adjustment

<table>
<thead>
<tr>
<th>Supplier category</th>
<th>DB activity</th>
<th>Rating</th>
<th>Supplier category</th>
<th>DB activity</th>
<th>Rating</th>
<th>Supplier category</th>
<th>DB activity</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>High</td>
<td>High</td>
<td>Outstanding</td>
<td>Commit long term</td>
<td>High</td>
<td>High</td>
<td>Commit long term</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>Middle</td>
<td>Middle</td>
<td>Good</td>
<td>Cultivate and strengthen</td>
<td>Middle</td>
<td>Middle</td>
<td>Cultivate and strengthen</td>
<td>Middle</td>
</tr>
<tr>
<td></td>
<td>Low</td>
<td>Low</td>
<td>Restricted</td>
<td>Adjust</td>
<td>Low</td>
<td>Low</td>
<td>Adjust</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Poor</td>
<td>Phase out</td>
<td></td>
<td></td>
<td>Phase out</td>
<td></td>
</tr>
</tbody>
</table>

Explanations

- The rating and strategic importance of the supplier are used to apply one of four main strategies
- Each individual case determines how intensely and actively Deutsche Bahn presses ahead with the process
- Measures are agreed on, documented and followed up on together
We set clear requirements on the product and the cooperation and expect innovation capability as well as CSR¹

Requirements to suppliers

- Quality products
- Punctual deliveries
- Trustful cooperation
- Innovative impulses
- Sustainable Supply chain, CSR¹
- Competitive prices

¹ Corporate Social Responsibility

Deutsche Bahn AG | Uwe Günther | Chief Procurement Officer | December 2016
The industry initiative Railponsible aims to improve the sustainability in the supply chain

### Cornerstones of Railponsible

<table>
<thead>
<tr>
<th>1</th>
<th>Mission and goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Continuously improve the sustainability practices of railway industry suppliers</td>
<td></td>
</tr>
<tr>
<td>• Share <strong>best practices and processes</strong>, driving a shared understanding across the industry</td>
<td></td>
</tr>
<tr>
<td>• Use and share <strong>common tools</strong>, to efficiently <strong>assess suppliers</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>2</th>
<th>Assessment criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Assessments use the established standard(^1): human rights, labor standards, environmental protection and anti-corruption</td>
<td></td>
</tr>
<tr>
<td>• The internet <strong>platform from EcoVadis</strong> is the <strong>common tool</strong> used</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>3</th>
<th>Added value for suppliers</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Reduces multiple assessments from different customers</td>
<td></td>
</tr>
<tr>
<td>• Systematically <strong>demonstrates commitment</strong> to sustainability</td>
<td></td>
</tr>
<tr>
<td>• Option to compare yourself with other companies in the industry (<strong>benchmarking</strong>)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4</th>
<th>Members of the initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>• <strong>Seven companies involved</strong>: DB, Bombardier, Alstom, SNCF, Nederlandse Spoorwegen (NS), Knorr Bremse and new member Svenska Kullagerfabriken (SKF)</td>
<td></td>
</tr>
<tr>
<td>• The initiative has been <strong>open to other members</strong> of the international railway industry since it was launched on March 4, 2015</td>
<td></td>
</tr>
</tbody>
</table>

---

1 Defined in “United Nations Global Compact”

Deutsche Bahn AG | Uwe Günther | Chief Procurement Officer | December 2016
Together with the internal requisitioners, Central Procurement ensures the sustainable success of Deutsche Bahn

Get the customer with reliable suppliers!