

The Partnership Advantage

Reducing risk through supply chain partnerships in international mega projects

EIC Conference

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CB&I
Rutger Theunissen
Director of Procurement Oil & Gas
Europe, Middle East, Asia, Australia



Energy infrastructure – Technology, Projects and Equipment

Technology



- Licensed Technology
- Engineering services
- Proprietary catalysts

Engineering and Construction



- Engineering
- Procurement
- Construction

Fabrication



- Module Fabrication
- Fabrication
- Erection

Government Solutions



- Program Management
- Waste Management
- Emergency Response

54.000
employees

\$ 13 billion
revenue

\$ 31 billion
project backlog

CB&I Core Values

Safety



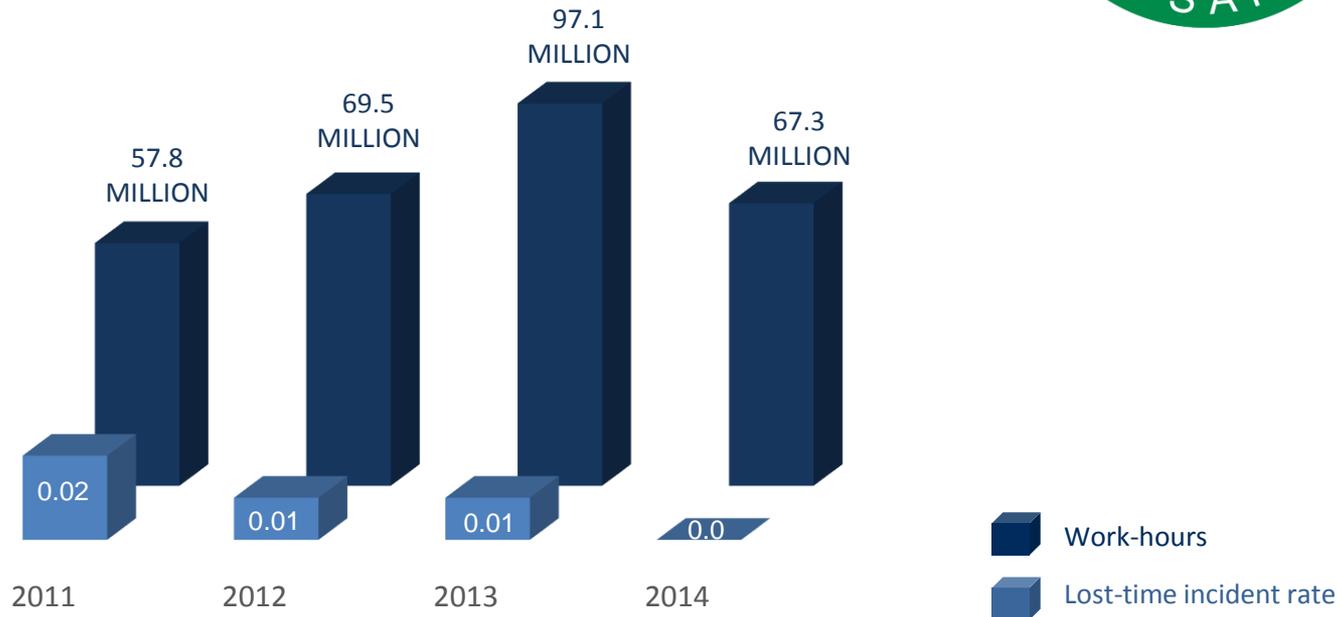
Ethics



Team
work



- Safety is a core value at CB&I, embedded in our culture
 - Safety in design of facilities
 - Safety in ALL phases of execution
 - Safety training courses
 - **Zero** incidents







- Role of Owner and EPC Contractor
- Projects are tendered competitively often on price only – can sustainability be a differentiator?





Sourcing



Supplier Qualification



Focus on
Supply Chain Responsibility

Compliance Screening

- Safety
- Environmental
- Conflict Minerals
- Anti bribery
- Dual use of Goods
- Trade sanctions
- Denied persons



Competitive Selection



Contracting



BEST VALUE

- Cost
- Quality
- Delivery Time



Execution

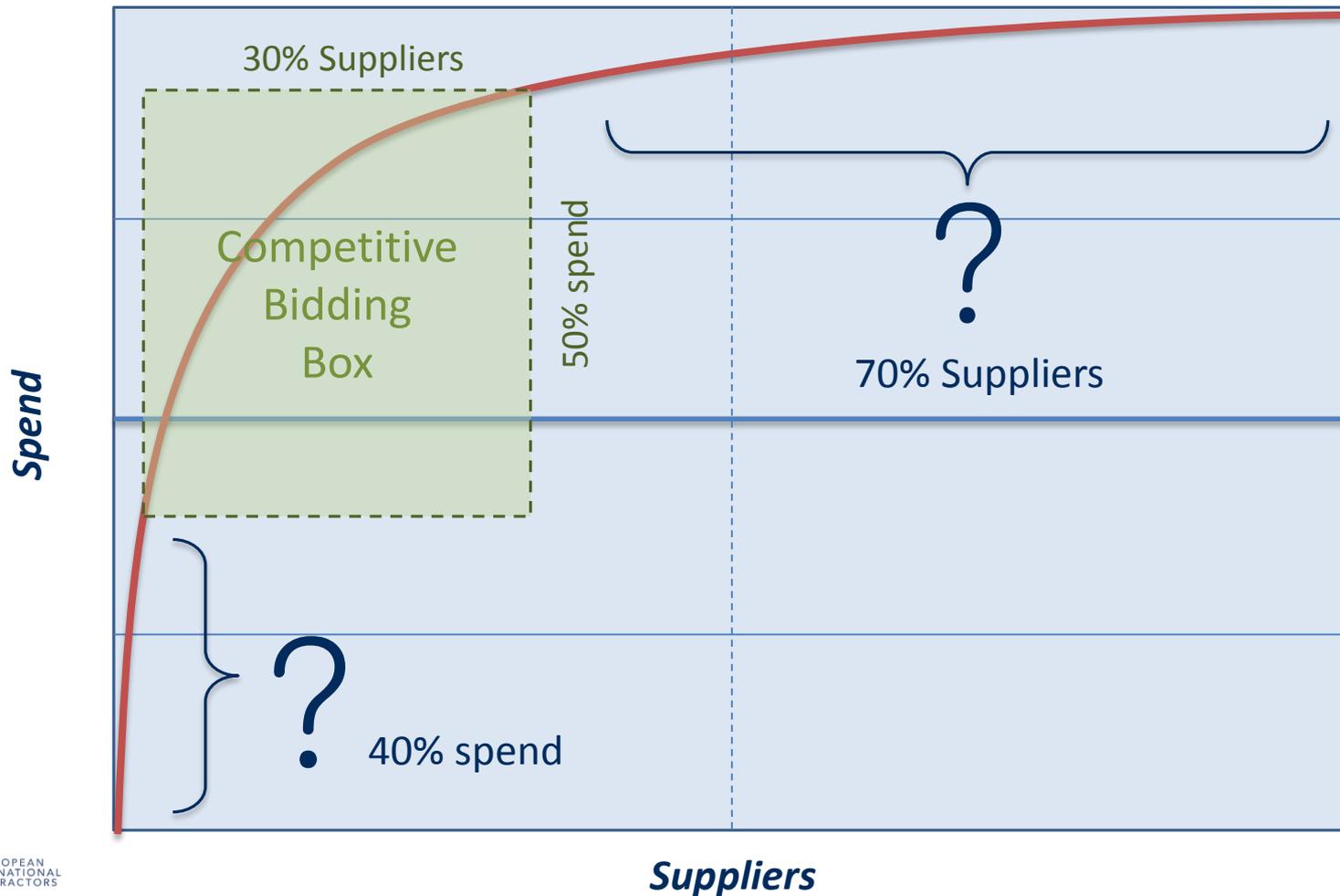


- Safe execution
- Multi tier supply chain management
- Continuous improvement



Competitive bidding and.....?

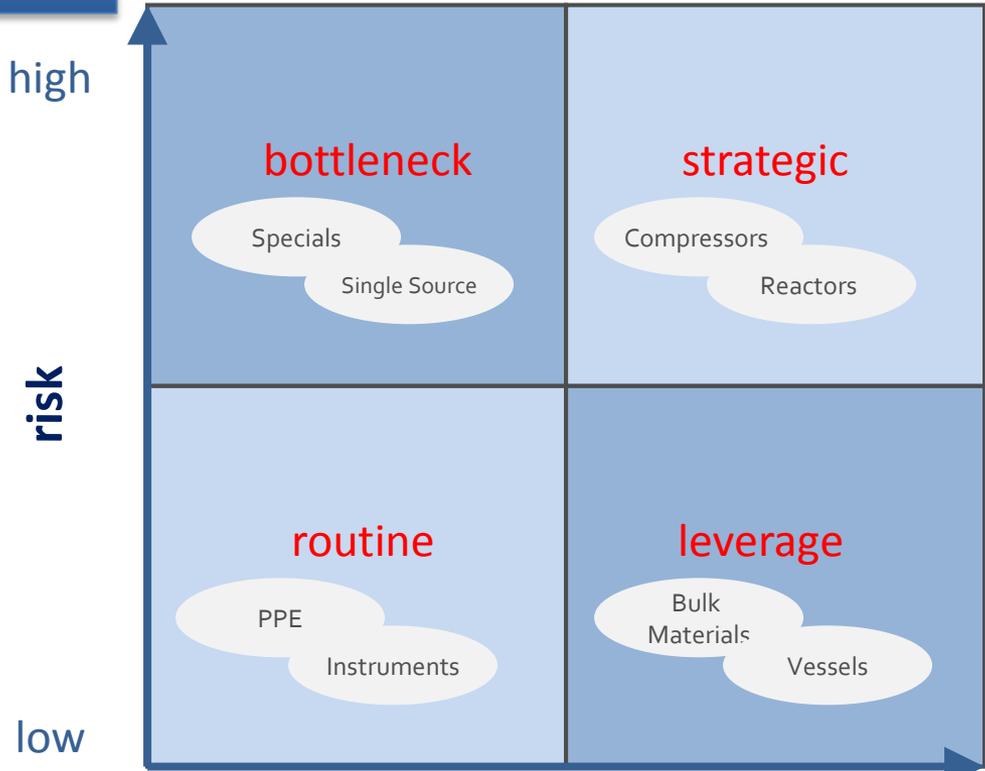
20% suppliers provide 80% of value



Differentiated procurement strategies

- Strategy**
- Secure supply to reduce risk
 - Single source
 - Supplier relationship

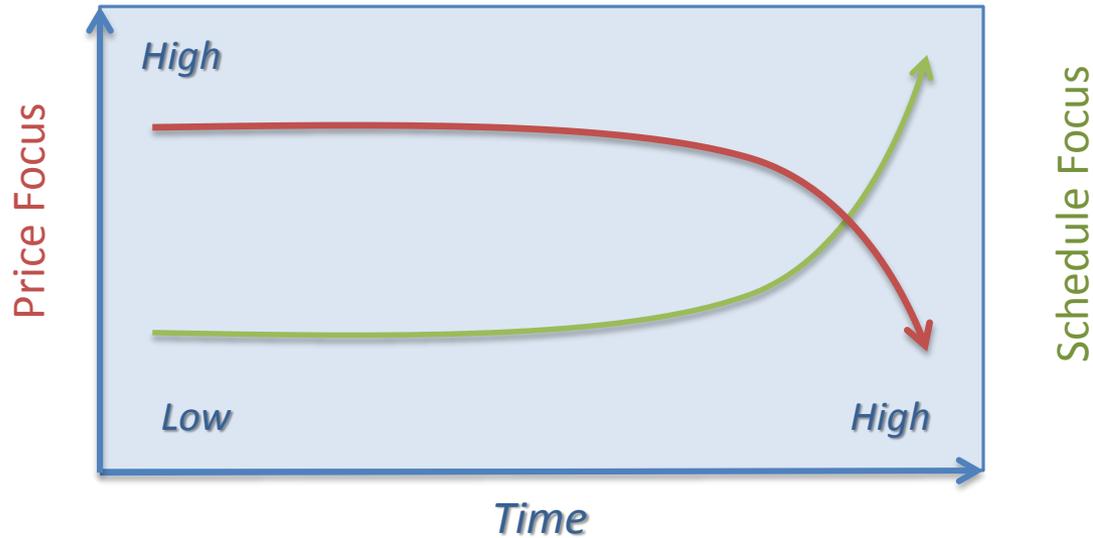
- Strategy**
- Early supplier involvement
 - Strategic alliances and partnerships
 - Multi level relationships
 - Cooperation on the longer term



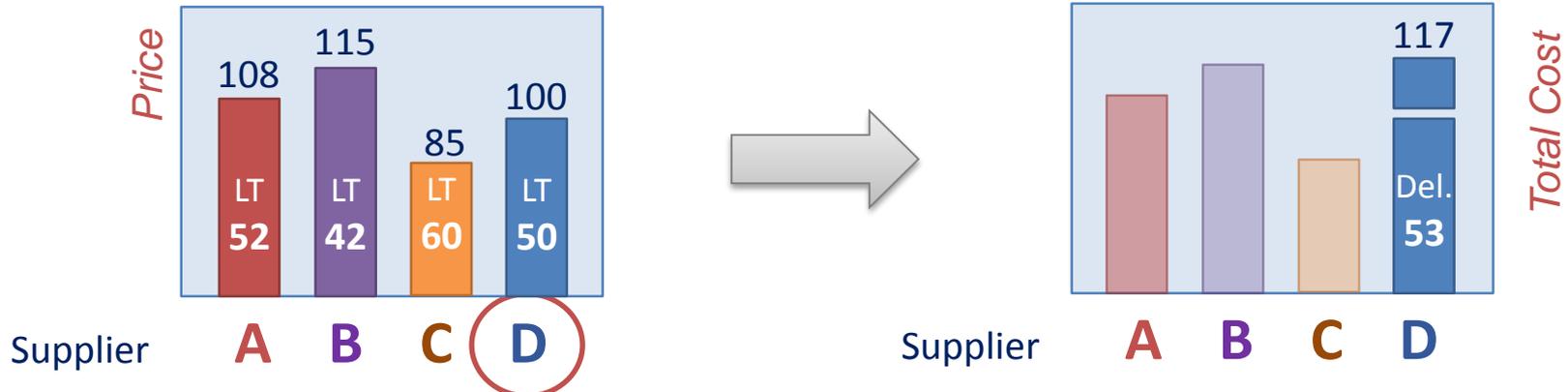
- Strategy**
- Standardized ordering
 - Minimize transactional costs

- Strategy**
- Competitive bidding
 - Select on price/lead time
 - Volume leverage

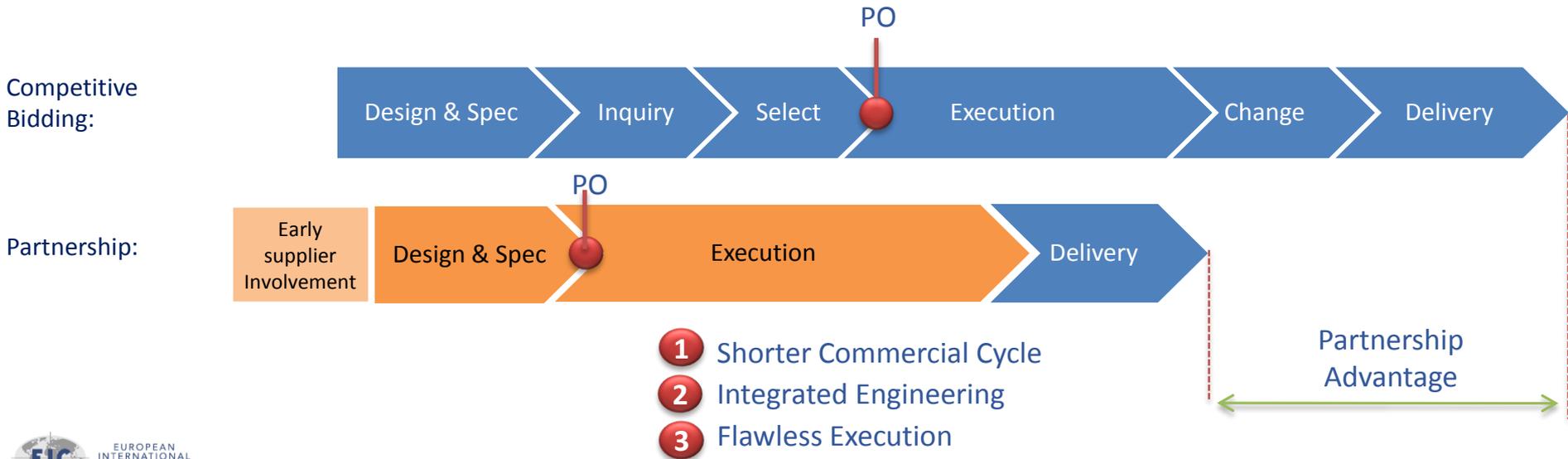
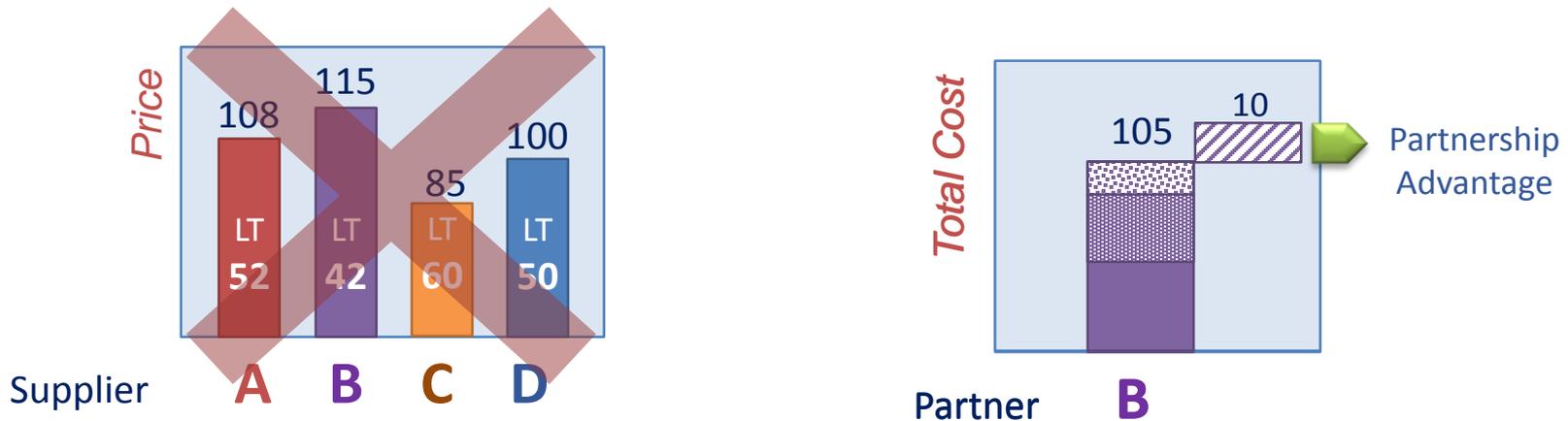
Over time the focus of goods supplied shifts from **Price** to **Schedule**...



..... Leading to an increase of total cost



Rationalized supply chain leads to lower total cost and shorter schedule



- **Safety risks**

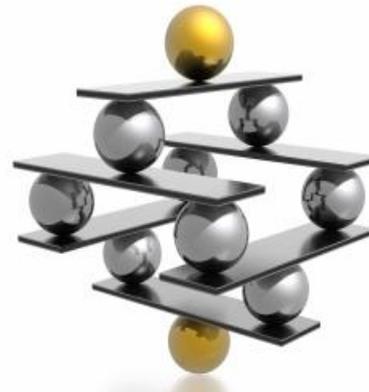
- Qualified Suppliers
- Frequent presence

- **Schedule risks**

- Progress payments
- Expediting: managing supplier progress

- **Quality risks**

- Quality of specifications
- Verification of supplier & product quality



- **Performance risks**

- Liquidated damages
- Performance guarantees

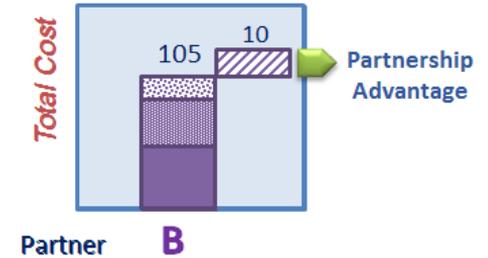
- **Financial Risks**

- Bank guarantees
- Cash flow management: payment milestones

- **Compliance Risks**

- Environmental
- Ethical

- Partnership - Not a goal per se
- Total Cost and transparency
- Mutual trust
- Strategy to reduce **risk**
- Partnership can drive responsibility in the supply Chain



Shouldn't clients join supply chain partnerships too?

A hand-drawn message in cursive script that says 'Thank you'. The text is written in black ink on a white background, with a grey marker tip visible at the end of the word 'you'.



This presentation may contain forward-looking statements regarding CB&I and represents our expectations and beliefs concerning future events. These forward-looking statements are intended to be covered by the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995. Forward-looking statements involve known and unknown risks and uncertainties. When considering any statements that are predictive in nature, depend upon or refer to future events or conditions, or use or contain words, terms, phrases, or expressions such as "achieve", "forecast", "plan", "propose", "strategy", "envision", "hope", "will", "continue", "potential", "expect", "believe", "anticipate", "project", "estimate", "predict", "intend", "should", "could", "may", "might", or similar forward-looking statements, we refer you to the cautionary statements concerning risk factors and "Forward-Looking Statements" described under "Risk Factors" in Item 1A of our Annual Report filed on Form 10-K filed with the SEC for the year ended December 31, 2012, and any updates to those risk factors or "Forward-Looking Statements" included in our subsequent Quarterly Reports on Form 10-Q filed with the SEC, which cautionary statements are incorporated herein by reference.