

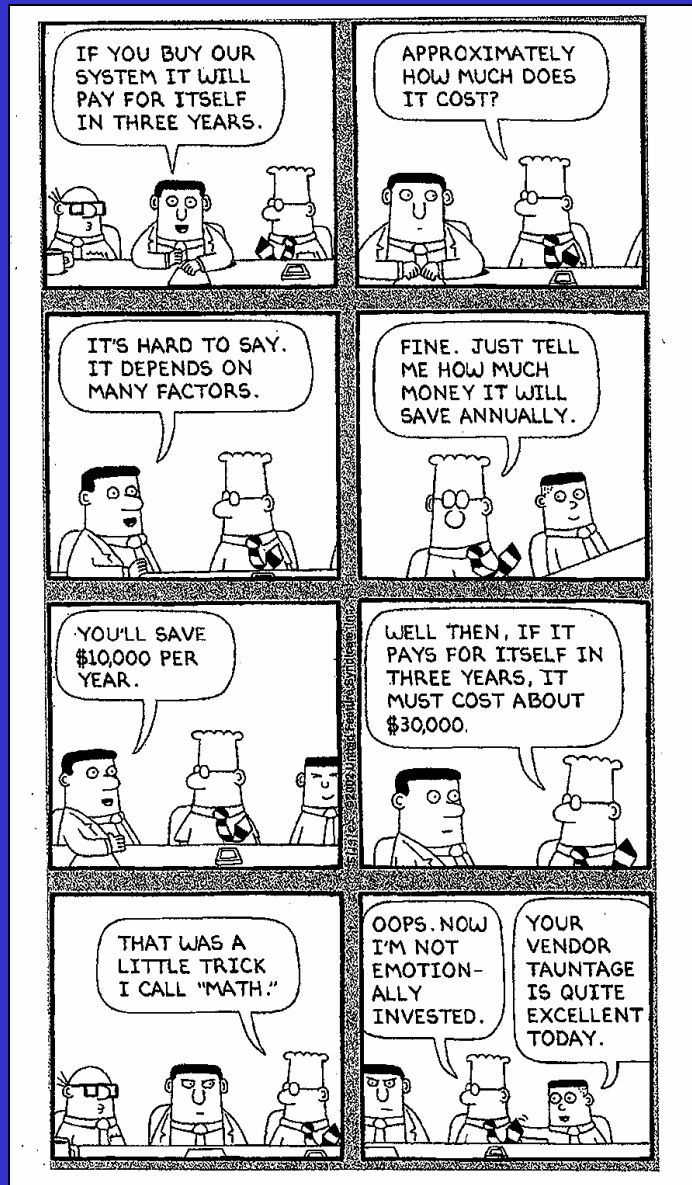


Preferred Supplier Programs for Professional Services

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November 29, 2007



Wachovia Company Background



4 Main Lines of Business

- **General Bank** – 21 states with services to individuals, small businesses, commercial enterprises and governmental institutions
- **Wealth Management** – serves major financial institution and high net worth individuals
- **Corporate and Investment Bank** –services public and private companies, institutional investors, financial institutions and the financial sponsor community. Investment banking, treasury services and the global markets, asset-based lending, global correspondent banking, and principal investing
- **Capital Management** –investment and retirement products to retail and institutional clients, Retail brokerage, diversified asset management, investment solutions to individuals, institutional investors and endowments.

Supply Chain Background

- \$7.5 Billion in annual supplier spend
- Alignment with internal clients, CFOs and COOs
- Category expertise
- Execution of high value negotiations
- Benchmarking terms and pricing, research, seek best practices
- Selection Processes, fair and competitive with view to long-term value
- Negotiations consistent, coordinated (internal clients) and focused

Areas of Commodity Focus

- Corporate Services
- Real Estate
- International
- Software
- Hardware
- Network/Telecom
- Market Data
- ASPs and Payments
- Supplier Diversity
- Professional Services

Categories

- •IT Contingent
- •Non-IT Contingent
- •Management Consulting
 - Offshore IT - ADMO
 - Offshore BPO
 - OEM Services
 - Legal/Insurance/Tax/Audit Services
 - Training

ISSUES

- Need for **rationalization** of categories and relationships
- Need to refresh understanding of industry **best practices/benchmarks**
- **Discipline** in management of supplier relationships
- Need for **objectivity** and **partnership**
- **Compliance** and regulatory support
- Need to **reduce** number of suppliers and drive more **efficiencies**

Scope of Services

- Strategy and business consulting
- Process consulting
- Accounting advisory (but not audit and assurance)
- Tax consulting

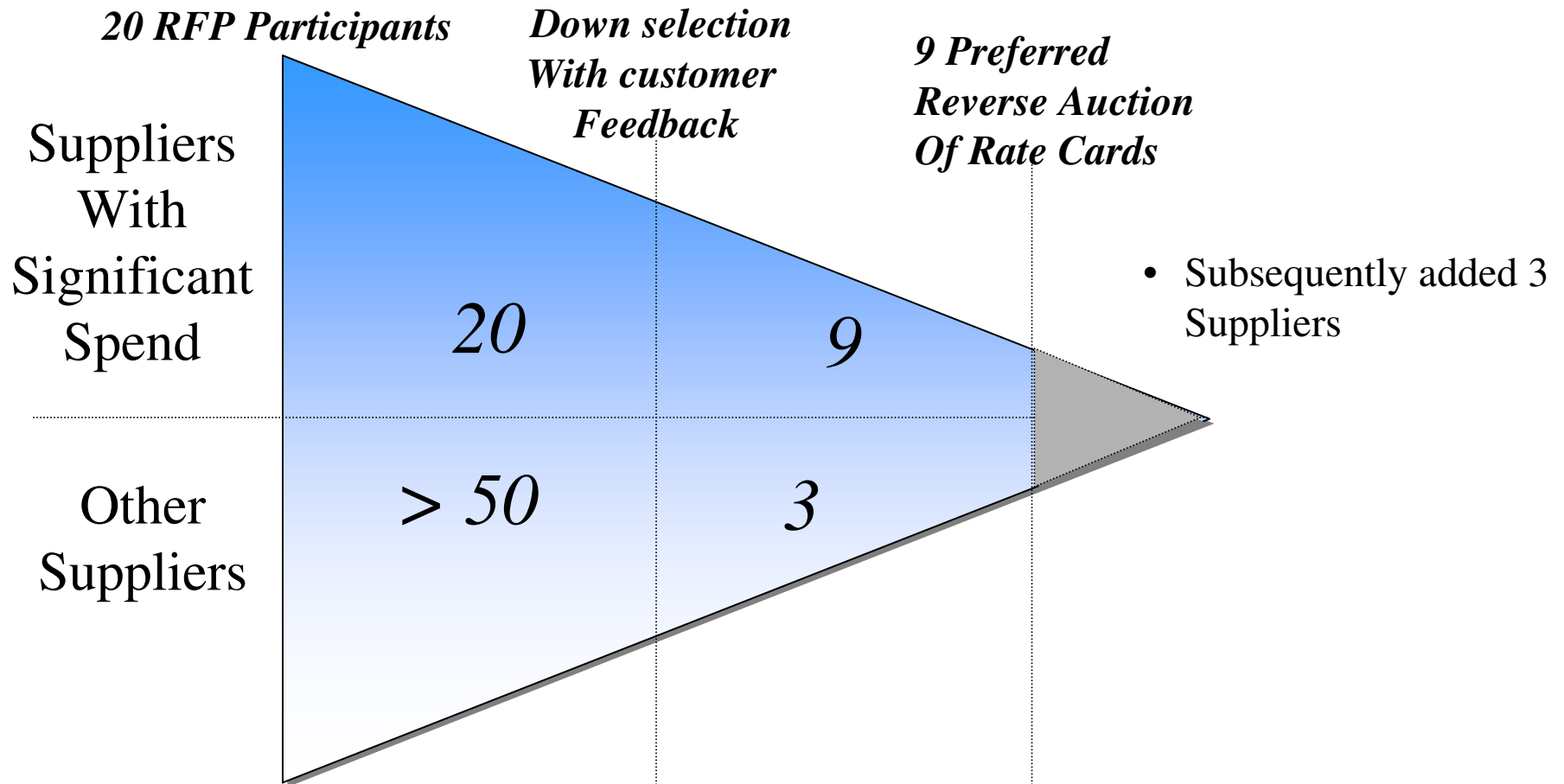
Background/Challenges

- **Fragmented** supplier base with no real “preferred” relationships
- 100+ providers
- Need for standards within the **SOWs** (requirements/deliverables)
- **Inconsistent** terms and conditions
- Ineffective management and **leverage** of total spend
- Lack of **fee consistency** and transparency
- Lack of visibility into **deal flow** from internal customers (from initial need to full deliverable)

New Program

- **Consolidate** provider base, limited preferred suppliers
- Utilize limited **niche** providers in true specialty areas
- Incorporate internal customer **feedback** into selection process
- Achieve **total cost** efficiencies
- **Consistent** master agreements
- **Pipeline** view across entire Wachovia enterprise
- Monthly partnership **reviews** with providers

Project Progression



Results

Value/Fees

Fee consistency with each provider and clear ability to compare resource levels

Reduced supplier base

9 approved providers and 3 niche

Contracting Practices

- Consistent Master Service **Agreements**
- Standardized Statement of Work (**SOW**) templates
- Visibility into on-going and **pending** transactions

IT Hourly Program

Scope of Services

IT Infrastructure
LOB Applications
Operations

Background/Challenges

- Annual spend \$240 Million
- Preferred Suppliers - 17 Preferred suppliers including internal staffing group in HR
- Exception Suppliers - 100+ “exception” suppliers
- Niche suppliers - not defined
- OEM suppliers - not defined
- 600+ hiring managers

Approach

- Significant internal customer **feedback**
- Concern around “**exceptions**”
- Address the **concern** that a disciplined program might diminish the quality of candidates
- **Target** 4-6 Preferred suppliers (with minimum of 2 MWBE)
- Define **Niche** and **OEM** providers for the Program
- Large **geographic** coverage area
- Lack of consistent definition of **skill sets**
- Mark the market to confirm **competitive** rates
- Consistent **SLAs** and other quality/relationship measures
- Rationalization of **tenure**, and contractor to **FTE ratios** and targets

Non-IT Hourly (Business Skills)



Scope of Services

Financial Analysts
Business Analysts
Customer Service
Administrative
Data Entry

Background/Challenges

- \$135 Million in annual spend
- 1100+ hiring managers
- Inconsistent **geographic** coverage for current demand
- Non-rationalized **skill set definitions** based on many ad hoc exceptions
- Duplicate skills across program groups allowed for **rate-shopping**
- Limited **tracking** of individual contractors
- Rates **not benchmarked** to the market
- Managers **not hiring** to skills definitions
- No consistent **Service Level Agreements**
- Majority of providers were rated by internal customers as **unacceptable** or borderline unacceptable from a service perspective

Overall RFX Approach for Both Programs

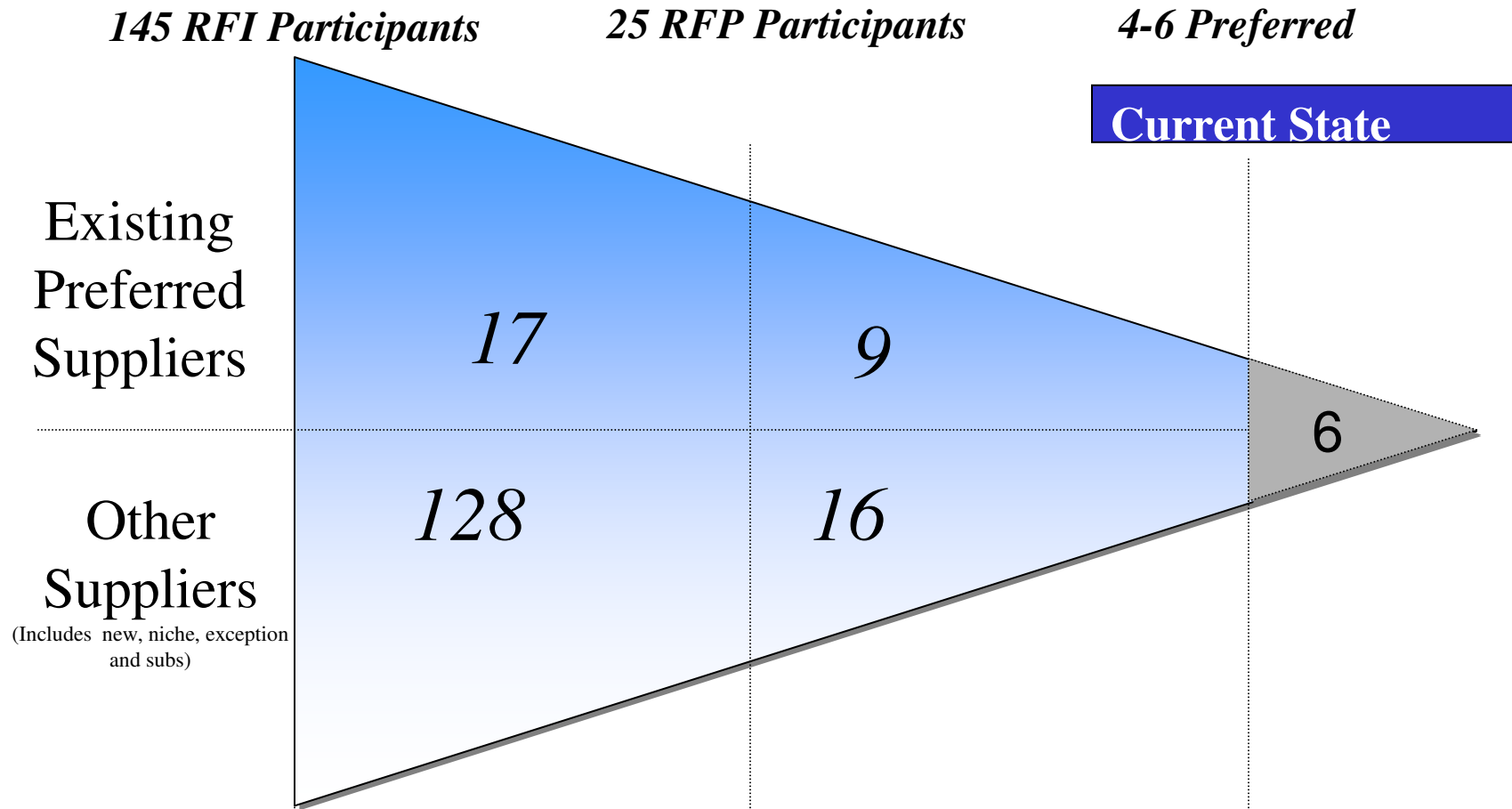
Approach

- Current program providers were **assessed**
- Industry **research** on best-in-class providers
- **Survey** of hiring managers and relationship managers
- Supplier **diversity** view applied
- Assessment and definition of **Niche** and **OEM** providers
- Disciplined approach for **limited exceptions**

Key Selection Elements

- **Financial strength** and structure of providers
- **Geographical** coverage for Wachovia footprint
- Years of **experience**
- **Skill set** capabilities of employees
- **Percentage** of revenue represented by Wachovia business
- Approach to **sub-suppliers**
- **Percentage** of 1099 to W-2 resources

IT Hourly Project Progression



IT Hourly & Non-IT Hourly (Business Skills) Program



Results

New Model:

Small group of suppliers providing national coverage

Limit subcontracting in programs

Supplement program with niche suppliers to meet specialty needs

Decision Factors:

- Provider **options** to hiring managers with true Preferred suppliers
- Broad pool of **talent**
- Full **geographic** coverage of Wachovia's footprint
- **Market-based** pricing with not to exceed parameters
- **Flexible** options for mergers and transitions

Projected Savings:

- Both programs saw P&L benefits of approximately 10%