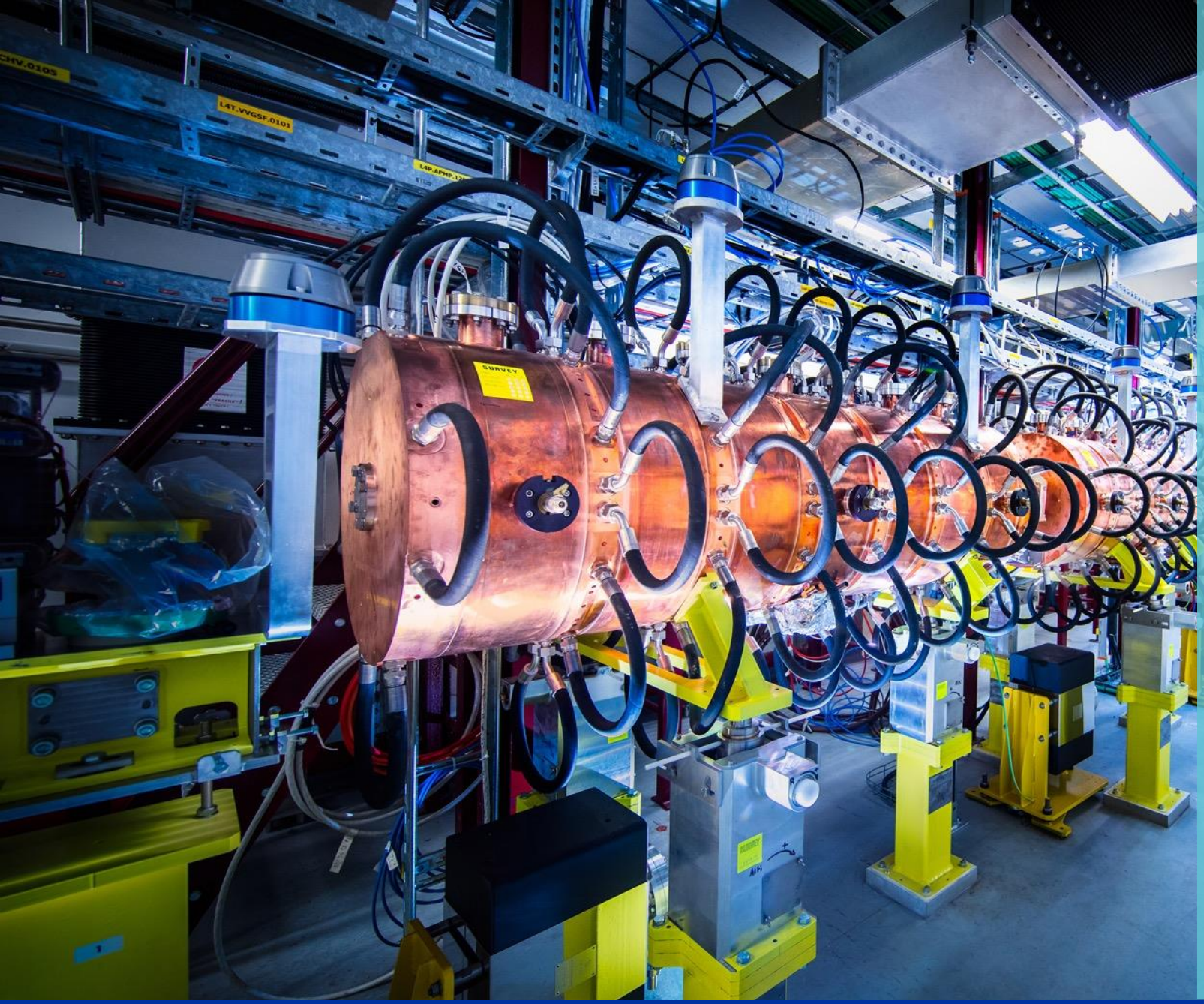
Group meeting (December 2023)

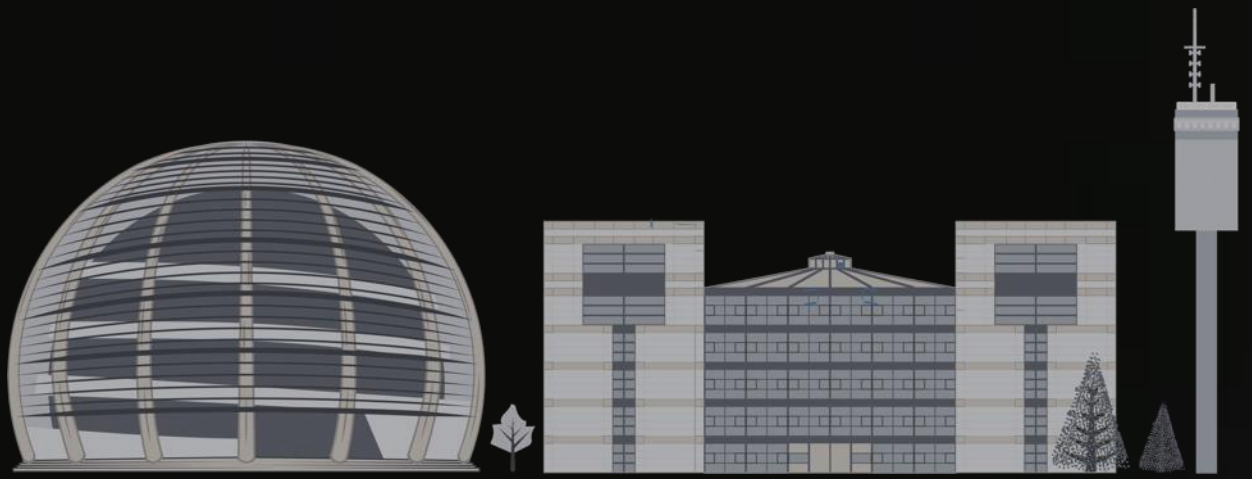
Cristina Lara

Head of Procurement



Agenda:

- 9h30-10h20: changes in Procurement Rules (Cristina)
- 10h20-10h25 : Savings (Cristina)
- 10h25-10h40 : Audit Report (Cristina)
- 10h40-11h05 : Green Procurement (Lisa)
- 11h05-11h20: Digital improvements (Simon)
- 11h20-11h30 : AOB: new positions
- 11h30 : Les Loges du Léman



Changes in Procurement Rules

Background: Financial Rules were revised in 2013 and 2017 with main objective to increase return to all MS, BUT

Thresholds in place since 1965;

Some tools (e.g. limited tendering) available aren't used as much as initially foreseen

CERN Procurement Rules may not be attractive to industrial partners:

- Reduces competition and response rates

Some elements (e.g. adjudication to lowest compliant bid) not up-to-date with best practices in Big Science or EU Rules

Some aspects of the rules also lead to additional work for industry and for FC delegates

Target is to focus on real value-added activities

Proposed objectives for the revisions

Adapt existing tools to better balance industrial returns amongst MS/AMS

Consider quality and environmental aspects in CERN adjudications

Increase CERN attractivity and competition

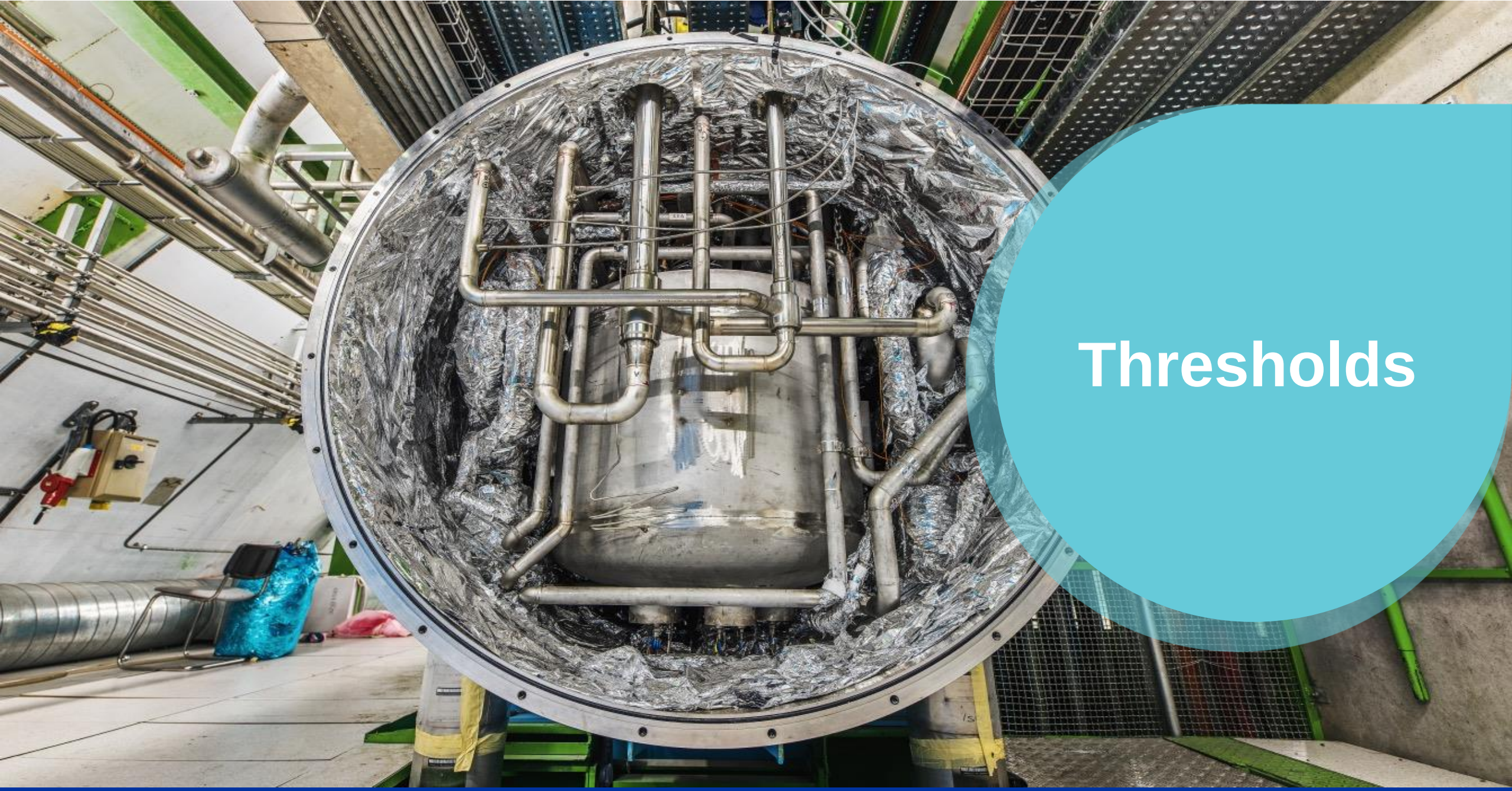
Optimize resources and time usage of the Procurement Service to concentrate on sourcing initiatives and strategies, whilst ensuring reporting and visibility for ILOs

Structure of the document

Old structure (Chapters)	New structure (Sections???)
Definitions	Definitions
Introduction	Introduction
General tendering procedures	General Rules Standard Procurement Procedures Assessment of Bids and Negotiations Award of the Contract
Specific Tendering Cases	Specific Procurement Procedures
Contract Approval and Follow-up	Contract Approval and Follow-up
Procurement Rules for Approved or Recognised Experiments at CERN	Procurement Rules for Requirements non funded by CERN's budget

Definitions

Old version (in the return coefficients sections 8.1.1)	New version (in definitions)
Supply contracts shall cover any contract that is not defined as a service contract within the meaning of section 8.1.1.2. Research and development contracts as well as maintenance and leasing contracts covering data processing, printing and telecommunication equipment shall be considered as supply contracts.	"Supply" shall mean all goods, equipment and material provided by the Contractor. For the purposes of the calculation of the Return Coefficient for Supply Contracts, the term shall also include: civil engineering contracts; services that are not performed on the CERN site; services that require only punctual physical intervention on the CERN site; maintenance and leasing contracts covering data processing; printing and telecommunication equipment.
Service contracts are multi-year contracts concluded between CERN and a contractor for the provision of services to be performed on the CERN site.	"Services" shall mean all services performed by the Contractor at the exclusion of services provided by financial institutions including insurances. For the purposes of the calculation of the Return Coefficient for the Services, only multi-year service contracts concluded between CERN and a contractor for the provisions of services to be performed on the CERN



Thresholds

1 – Thresholds

Benchmark with other organisations (for the purpose of this exercise, 1CHF = 1EUR)

In CHF

	CERN	EMBL	ESA	ESO	ESRF	ESS	F4E	ILL	ITER	SKAO
Competitive tenders subject to FC approval (or equivalent) (a)	750k	1M	2M*	500k	500k	NA	20M	500k	2.5/ 5M**	500k
Single source subject to FC approval (or equivalent)	200k	1M	2M*	250k	500k	NA	20M	500k	1M	250k
MS/IT required as from	200k	As needed	As needed	150k	50k	As needed	2M	25k	As needed	200k
3 bids required as from	5k	12.5k	10k	5k	8k	25k	17k	10k	10k	10k
Average annual expenditure (b)	500M	78M	2.5B	120M	50M	130M	200M	50M	350M	115M
% of (a) wrt (b)	0.15 %	1.28%	0.08%	0.41%	1%		1%	1%	0.71%	0.43 %

* 4 different thresholds depending on the supply (studies, technological programmes, non-MS, other contracts). The thresholds mentioned here refer to 'other contracts'.
** Construction contracts

1- Threshold: Competitive tender subject to FC approval

Current	Proposal	Impact	Advantages	Comments
750 000 CHF	1.5 MCHF	~19% of FC adjudications (~8.6 documents/ year) will not be presented	Tendering process will last ~3 months less (it is good for bidders and CERN) Time saved for about 15 persons involved in the preparation of documents	• Technical auditing for procurements >200kCHF will remain • ILOs will receive tables I (no. of firms contacted), II (list of firms invited to the IT) and III (Prices at the opening) before the contract is placed. ILOs will have 2 weeks for questions.

1- Threshold: DO procedure up to 400kCHF (no MS needed below 400kCHF)

Current

200 000 CHF

Proposal

400 000 CHF

Impact

In 2022, this represents 24% of all MS (17/72)

Advantages

- ✓ Reduces tendering process time from 9-12 months to 3 months in average
- ✓ Increases competition
- ✓ Decreases work for the PS

Comments

- Forthcoming needs could be announced in the same page than today (some technical development will be needed) https://forthcoming-ms.app.cern.ch/#!/ Only for needs > 200kCHF
- Eligibility criteria could be introduced in the tendering documentation, if deemed necessary
- ILOs will continue to receive all DO/MS/IT launched
- The information available in the ILO Info will remain (for every DO above 50kCHF)
- Whenever possible, 6 weeks for bidding will be granted

1- Threshold: 3 bids requested as from

Current	Proposal	Impact	Advantages	Comments
5000 CHF	10 000 CHF	in 2022 CERN sent 1353 orders of this range for a total value of 9.6MCHF	Allows PS to concentrate its time in higher value procedures and identifying possible future contracts	PS will reinforce the “a posteriori” checks to: • avoid abuses; • identify products that can be standardized or for which a blanket order contract can be placed following tendering process The final objective is to reduce the number of low-value orders.

1- Threshold: Small orders made by the users without the intervention of the PS

Current	Proposal	Impact	Advantages	Comments
1000 CHF	2000 CHF	in 2022 CERN sent 3000 orders btw 1k-2kCHF for a total value of 4.2MCHF	Reduces the work for the Procurement Service on low value orders	Objective is to continue decreasing the number of small orders (with more standardization, placing blanket order contracts following tendering process). Reporting and analysis of data will be necessary to detect possible patterns

Automatic signature of release orders up to 5kCHF

Country of origin for orders below 1kCHF

Table 7: Individual orders < 1 000 CHF in 2014

Year: 2014

Country		Number of orders	Paid in CHF	Percentage
Switzerland		4 975	1 849 949	39.53
France		3 365	1 313 132	28.06
Germany		1 431	558 421	11.93
Other countries		1 206	495 235	10.58
United States		599	206 844	4.42
United Kingdom		469	171 470	3.66
Italy		191	84 514	1.81
	Total	**12 236**	**4 679 565**	

Note: Excluded for the calculation of Industrial Return.

Table 7: Individual orders < 1 000 CHF in 2022

Year: 2022

Country		Number of orders	Paid in CHF	Percentage
Switzerland		3 954	1 067 091	31.4
France		2 473	801 021	23.6
Germany		1 913	552 971	16.3
Other countries		878	277 154	8
United States		641	184 348	5.4
United Kingdom		576	187 200	5.5
China		278	63 267	1.9
Italy		272	93 082	2.7
Czech Republic		177	53 292	1.6
Netherlands		157	51 534	1.5
Belgium		121	43 057	1.3
Spain		84	26 223	0.8
	Total	**11 524**	**3 400 240**	

1 – Thresholds (Summary)

	Current thresholds in CHF	Proposed change in CHF
Competitive tender subject to FC approval	750 000	1 500 000
MS/IT required as from	200 000	400 000
3 bids required as from	5 000	10 000
Price enquiry (DO) handled by the Procurement Service as from	5 000	10 000
Users can make their own orders	< 1 000	< 2 000

All thresholds will be reviewed periodically (every 5 years) according to CVI

3- Use of BVFM for supplies

Situation

- ✓ BVFM can be applied for service contracts w/o prior approval from FC.
  - ✓ Reminder: CERN definition of services: pluri-annual service on the CERN site.
- ✓ CERN is the only entity that cannot opt for BVFM for supplies w/o prior approval from FC;
- ✓ BVFM rarely used at CERN, although potentially relevant for consultants, services performed outside CERN site, artistic projects, software (all currently considered as supply contracts)

Proposal

2 ways of adjudicating contracts (Procurement decides):

- ✓ Lowest compliant basis (alignment rule applicable)
- ✓ BVFM (no alignment possible)

2- Extension of Limited Tendering (ELT)

Current Text	Proposed
"contact only firms from MS with a return coefficient below 0.4"	Contact firms manufacturing in the 12 least balanced Member States (1/3 of MS in 2024) If an AMS reaches its annual ceiling, it will be replaced by the next least favourable MS

Additional text to add

- ✓ CERN can select firms from one or several of the 12 least favourable MS at the discretion of the Head of Procurement
- ✓ In case 2 ITs in parallel, if the price of the LT IT is more than 30% higher compared to the IT open for all MS, CERN reserves the right not to place a contract following LT IT (TO BE DISCUSSED)
- ✓ The status of MS could be: countries with an IR>1 and <1 (sub-category: MS entitled to LT) under the definition of industrial return coef

Procurement with external funds

Chapter 5: procurement with external funds

Procurements concerned:

- **those funded by donations (case B)**
- **those funded by the EU (case B)**
- **those funded by Openlab (?)**
- **those funded by external institutes (case B)**
- **those funded by an external requestor (to be delivered at CERN or not) (Case B)**
- **those funded by a mixture of CERN money and external funds (Case C)**
- **those paid with the “Common Fund” of a CERN Collaboration (Case D)**

Chapter 5: can be divided in 4 cases

Case A: cases which do not involve Member States contributions and where contracting parties intend to act independently of CERN

Similar text than today

Case B: cases which do not involve Member States contributions and where the procurements are done by CERN Procurement Service

Case C: cases which involve Member States contributions (mixed funding cases: external + CERN) excluding cases D

Case D: cases which involve procurements funded by the “Common Fund” established by the collaboration (and to which CERN makes a contribution)

Case B: cases which do not involve Member States contributions and where the procurements are done by CERN Procurement Service e.g.: procurements financed through donations or funds coming from external parties or on behalf of external institutes

The Procurement Rules and GGCC shall be applicable except:

- **in case CERN carries out the tendering procedure:**
  - *firms coming from the country(ies) funding the procurement can be added*
  - *the alignment shall not be applicable as no taken into account for the calculation of IR*
- **For experiments only:**
  - *if the external institute select the contractor, certifying that the applicable laws have been complied with (shall we be more restrictive on the person that can sign the Proof of correctness? Only director of the institute?)*
  - *No FC approval is necessary in case a transfer of risk and liability or an MOU (transferring the risk to the contributor) is signed by CERN and the contributor. (TO BE DISCUSSED: see diagram)*
  - *For approved or recognised experiments: mention at least 50% COO coming from the same country that the contributor (to be removed?)*

Case C : cases which involve CERN funds, excluding cases D

No exceptions to the Procurement Rules.

Comment: the Head of Procurement can allow to contact firms outside MS.

Case D: cases which procurements funded by the “Common Fund” established by the collaboration (and to which CERN makes a contribution)

The Procurement Rules and GGCC shall be applicable except:

- ***CERN can contact firm outside MS during the tendering procedure in case those firms producing from the contributor’s country.***
- ***Alignment rule is not applicable***
- ***FC for CERN money only***

Other minor changes

Remove obsolete procedures

- *e.g. days before opening paper bids, max. number of firms to contact for DO/IT, obsolete links, list of criteria that may be used for BVFM adjudications, contract-follow-up procedure, etc.*
- Objective to simplify documents and to only have rules not procedures.

AMS

- Only consider their status on the 5th year of membership
- Once the annual contribution is reached, exclude the country from the list of poorly/well balanced country as we no longer can place any order with that country (change naming convention)

TBC

Accept insurances guarantees instead of bank guarantees, etc. NOT DONE YET

Savings

	Estimated (CHF)	Fixed (CHF)
Alvaro		579,175
Andrea		265,824
Aneta		25,662
Bjorn	883,509	485,560
Charles C	613,918	746,783
Charles P		12,573
Daniel	532,381	150,740
Josephine		27,493
Josh	89,150	3,931,992
Julia		46,363
Mihaela		4,461
Nordine		409,336
Sandrine		570,724
Sebastien	414,000	
Simon	88,715	13,173
Total	**2,621,673**	**7,269,859**

Audit report on high value contracts

Scope

Contract	Description	Supplier	Total commitments in MCHF
U014	Electricity	EDF	190.1
B1130A	Siemens automation	Siemens	30.7
F776	Cryostat	Horta Coslada	12.5
F766	Steel plates	Industeel	5.4
S145	FSU	Serco/Ineo	98.9
S264	DSS BE	Intertec	5.9
T136	SWG	ICM	65.4
KE1608	All Property insurance	Mobilière	42.1
TOTAL			451

Observations considered as major risks

- Formalise a strategy for M/L term and develop KPIs to assess progress
- Draft a set of key policies to support strategy

Update existing IPT risk register, ICS sharepoint on our website

Procurement response

- ✓ Strategy will be drafted in 2024.
- ✓ KPIs (e.g. no more than x% of single source…)
- ✓ Policies to be drafted in 2024:
  - ✓ Supplier's management
  - ✓ Contract management
  - ✓ Communication
  - ✓ Personnel development
  - ✓ Sourcing?

Will be done

Observations considered as major risks

- ✓ Formalise and implement a policy for contracts subject to high market volatility (e.g. electricity)
- ✓ Ensure adequate training, if applicable

Procurement response

- ✓ We will draft a policy on managing the electricity contract, clearly defining risk appetite, hedging strategy,
- ✓ A RACI model on electricity contract management has been drafted
- ✓ 2 LOIs for solar PPA initiatives covering btw 10%-30% of electricity needs sent this month
- ✓ Bi-weekly newsletter done by Bjorn

- ✓ Establish a list of high-value contracts subject to inflation risk
- ✓ Stablish clear guidelines on how to proceed
- ✓ Update templates

- ✓ The 30 major contracts start-up meeting memo will include a question concerning possible risk of inflation
- ✓ The template of risk matrix will also be updated
- ✓ The Procurement Officer will provide an annual executive summary for the 30 major contracts
- ✓ Presentation made in March 2022 of how to deal with cost inflation and price revision will be repeated
- ✓ FAQ will be updated accordingly

Observations considered as major risks

- ✓ Establish a procedure which defines roles and responsibilities for the coordination of financial CFU
- ✓ Define and implement a process to improve the forecast of payments (updating delivery dates/consumption)

Procurement response

- ✓ FAP + IPT will define a procedure to enable the financial CFU from a budgeting, forecasting and cost-monitoring point of view, involving tech dept. On a quarterly basis, the main stakeholders will update the future expenses for the 30 major contracts (electricity, F and S mainly)
- ✓ FAP-BC should analyse the best technical solution to record changes in future deliveries (ticket to create)

Observations considered as moderate risks

- New reports need to be created
- Create new statistics on small orders trend to identify potential savings or potential frauds

Clean-up supplier's DB

Procurement response

- ✓ Power BI already in place
- ✓ FAP-BC is working in improving CET data
- ✓ IPT-PI-OE is monitoring small value order in order to increase:
  - ✓ blanket order contracts
  - ✓ Punch out catalogues
  - ✓ Fraud detection
  - ✓ Possible "saussissonage"

- ✓ Supplier's DB policy will be established
- ✓ Clean-up of supplier's DB
- ✓ Assess to supplier's DB will be reviewed

Observations considered as moderate risks

Procurement response

- ✓ Ensure that insurances policies are submitted to FC for approval

- ✓ Property insurance is being retendered by the broker
- ✓ The insurance portfolio will be presented to FC by FAP
- ✓ The overall procurement strategy for CERN insurances will have to be discussed with FAP

- ✓ Update the delegation of Signature rights to include “clicks” for the electricity contract

- ✓ done

Green Procurement

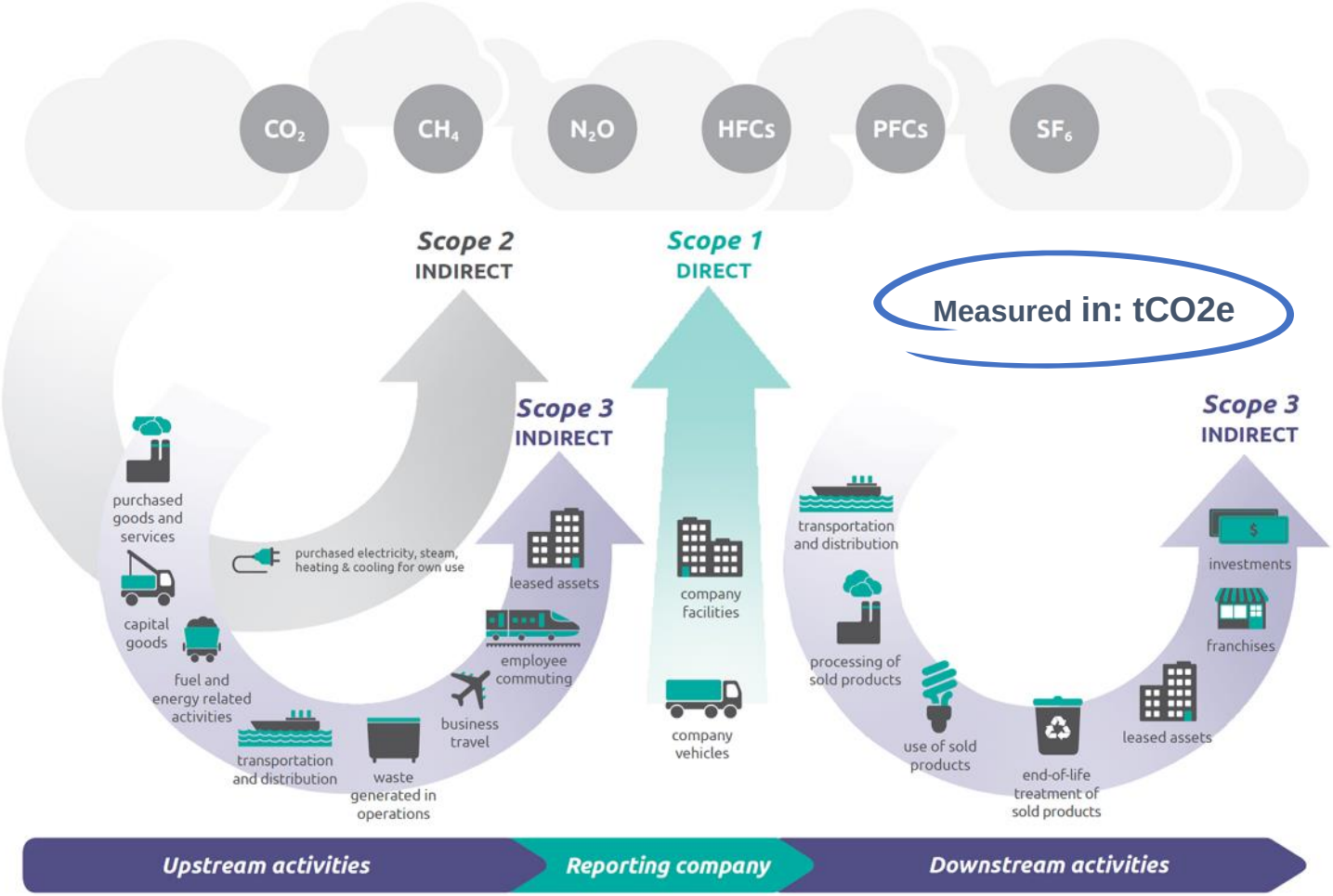
Preamble - CERN Environment Protection strategy

I believe CERN should become a role model for an environmentally-aware scientific research laboratory.

3rd environment report published on 6 Dec 2023
For the first time reports on Scope 3 CO_2 emissions

The Greenhouse Gas Protocol is the most established greenhouse gas accounting standard which divides emissions into three “scopes”

Scope	Definition
Scope 1	GHG emissions directly from operations that are owned or controlled by the reporting company.
Scope 2	Indirect GHG emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by the reporting company.
Scope 3	All indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.



Why an Environmentally Responsible Procurement Policy?

Procurement Impact on CO_2 emissions

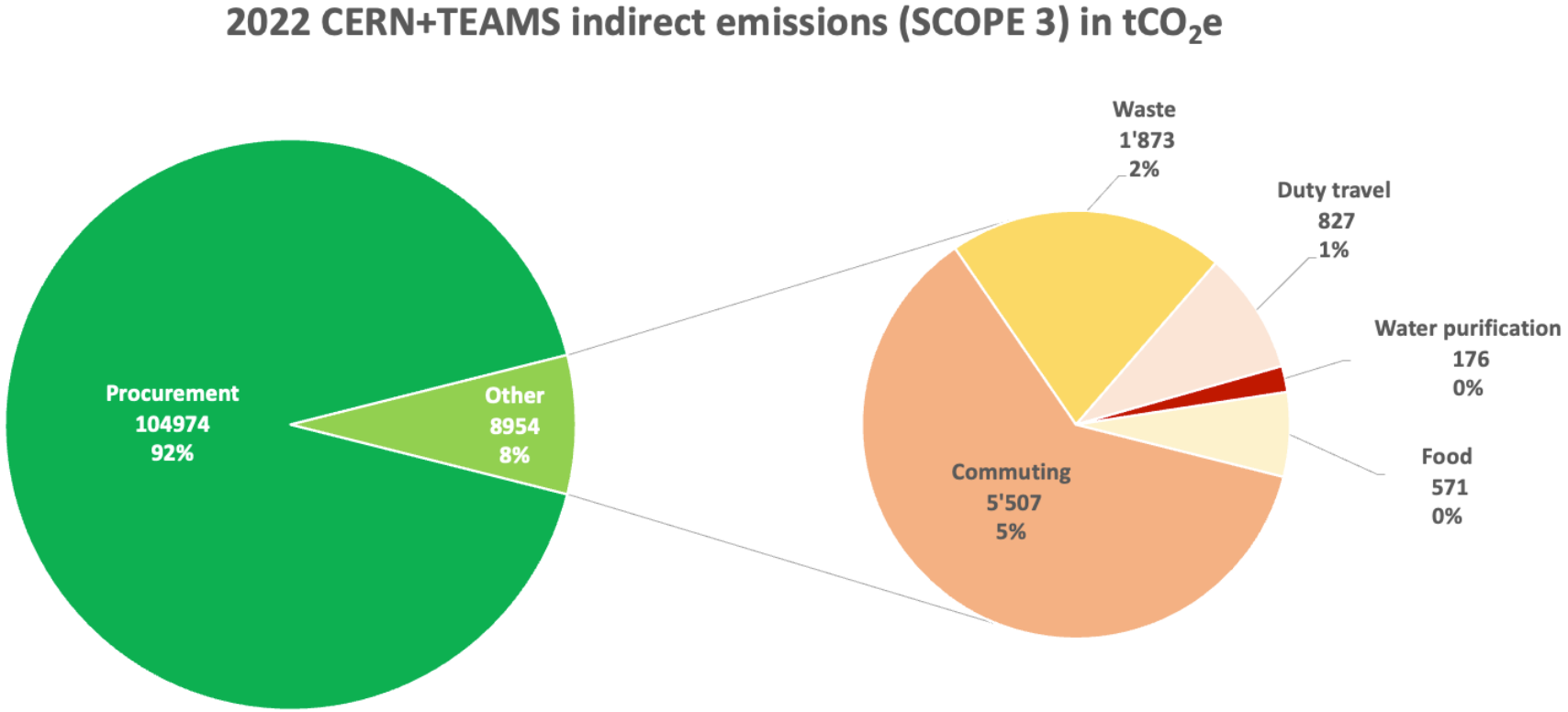
40% of global emissions are driven from organisations through their purchases.

~35% at CERN

Approx 40% of CERN's annual funding is spent with its suppliers.

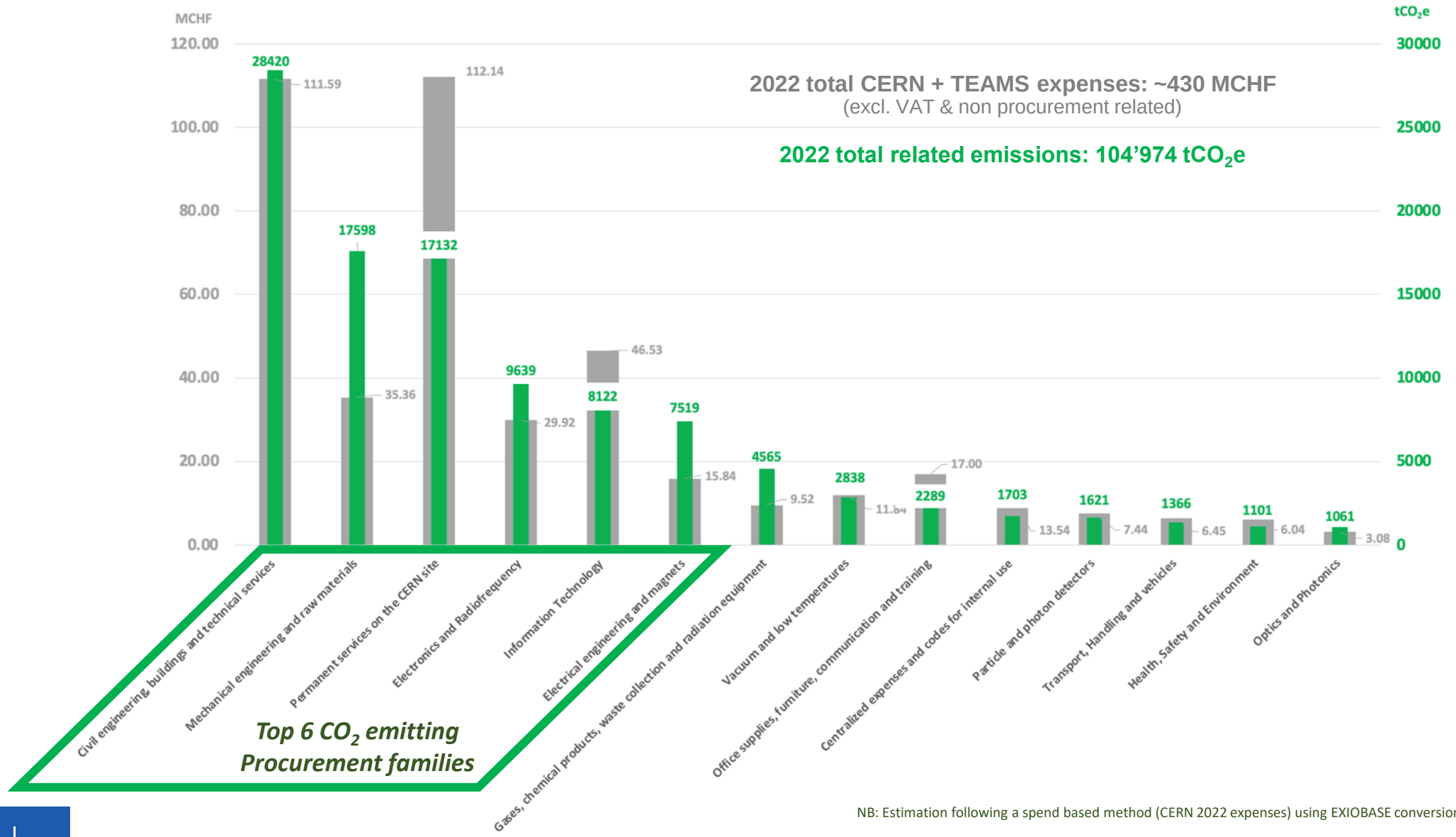
In 2022, > 90% of CERN's indirect (Scope 3) emissions resulted from purchases of goods & services.

Suppliers' sustainability maturity significantly impacts CERN's ability to be "an environmentally aware scientific laboratory".



REDUCTION OBJECTIVES ARE ALREADY SET FOR SCOPE 1 AND 2 FOR NOW

2022 Total CERN+TEAMS Procurement expenses and associated tCO_2e emissions



NB: Estimation following a spend based method (CERN 2022 expenses) using EXIOBASE conversion factors.

CERN Environmentally Responsible Procurement Policy (approved by ED-June23)

❖ **The Policy states that:**

[…] ***CERN will embed environmental responsibility where appropriate throughout all phases of the procurement process, including at the design phase.*** […]

[…] ***Careful and reasoned attention will be given to the need for the procurement, the specificities of the goods or services being procured, the choice of the supplier, the terms of procurement and the principle of continuous improvement.*** […]

[…] ***This Policy commits CERN to environmentally responsible procurement and to achieving sustainable results both internally and throughout its supply chains.*** […]

[…] ***The Organization undertakes to:***

- ***Integrate environmentally responsible procurement practices into current and future supply chains;***
- ***Measure the impact of environmentally responsible procurement;***
- ***Communicate with, and give guidance to, the CERN community on implementing, monitoring and reporting on environmentally responsible procurement;***
- ***Demonstrate and share, where appropriate, best practice for environmentally responsible procurement with its Member States and other organisations, particularly other research laboratories.*** […]

Environmentally responsible procurement Policy – A phased implementation

End 2023 - Kick off (12 months)
Assess, train, challenge

During the Kick off, <u>whenever possible</u>, plan is to:

- Identify Scope 3 procurement emissions reduction objectives.
- Challenge the implementation of best practices.
- Assess/check existing suppliers' sustainability maturity.
- Start engaging existing and potential/new suppliers on the disclosure of their CO_2 emissions.

End 2024
Review

Lessons learnt
Feedback
Proposals
Requirements

As of 1st January 2025
Deploy

During the deployment, <u>where defined after the review</u>, Departments are expected to:

- Define and Achieve Scope 3 procurement emissions reduction objectives.
- Apply the practices decided/approved during the review.
- Ensure continuous improvement through training, reviews and feedback from stakeholders.
- Conduct supplier assessments wrt the objectives defined.

Environmentally responsible procurement Policy implementation through:

Tool

Supplier' sustainability due diligence tool

responsibly

Skills development

1 Training module

Pilot projects

On-going examples

Isostatic graphite for beam dumps
Cast-resin transformers
Air separation units
Electric component supply
Building 777
IT indirect emissions – CERN cloud
…

Implementation guidelines

Decarbonization strategies
Sourcing guides
Update of procurement templates

Communication

Internally
Externally

Process development

Procurement Strategy Definition of objectives
Supplier Engagement, Industry Outreach Events

Environmentally responsible procurement Policy implementation – Process

At earliest possible stage of Procurement Process:

- Challenging procurement strategy (Start up meeting)
- Challenging the implementation of environment protection criteria
  - MS & IT
  - Adjudication
  - Contract follow up
- Decision: Yes / No
  - Request for information at MS stage
  - Case by case or Systematic ?
    - If it does not significantly limit competition OR impact the balanced industrial return OR price, then mandatory/desirable environment criteria should be included in MS for prequalification and in the technical specification at tender stage or included in adjudication basis
    - Contract performance : SLA, energy monitoring (ISO50001 compliance), CO2 emissions disclosure improvements etc…)
  - Collect Data /share lessons learnt eventually update/develop objectives and guidelines.

- Market maturity
- Best practices & guidelines
- TCO analysis

Mimimum level of action

Replies from suppliers are mandatory/collected/reported

Typical actions and Pilot Projects (on-going)

Procurement and Technical Officers engagement to support pilot projects

Name	Opportunities	PF	Current Stage
Electronic Component Supply Service	1. PCB Water Stewardship Requirements: Understanding if Bare PCB manufacturers carry out Water Audits in Market Surveys and, if this does not significantly limit competition, make this a requirement in Tenders. 2. Environmentally Responsible Packaging Requirements: To be tested and then rolled out across all procurement Families	3	Requirements Definition
Power Transformer Forthcoming Procurements	1. Embed Environmentally Responsible procurement principles into the forthcoming tender for 45 18 kV cast-resin rectifier power transformers (Ref: IT-4821/SY) 2. Embed ER principles into forthcoming procurements for other power transformers	2	Market Engagement
Carbon-Fiber-Reinforced-Carbon (CFRC) Plates Forthcoming Procurement	1. Embed Environmentally Responsible procurement principles into the forthcoming tender for CFRC Plates for HiLumi-LHC beam dumps (Ref:MS-4858/SY/HL/LHC)	5	Market Engagement
Isostatic Graphite Blocks Forthcoming Procurement	1. Embed Environmentally Responsible procurement principles into the forthcoming tender for Isostatic Graphite Blocks for HiLumi-LHC beam dumps (Ref:MS-4857/SY/HL/LHC)	5	Market Engagement
Procurement Family 1 Decarbonisation Action Plan Support	1. Analysis of availability and price benchmarks for alternative "green" building materials among CERN member states 2. Develop environmental requirements for the Building 777 construction phase 3. Draft an initial specification that outlines minimum environmental responsibility standards for all CERN construction tenders	1. N/A (Research) 2. Requirements Definition 3. Requirements Definition	
Procurement Family 9 Decarbonisation Action Plan Support	1. Support the review of a previous Air Separation Unit feasibility study for CERN's Nitrogen requirement with economic and environmental impact analysis 2. Engage Industrial Gas suppliers to understand feasibility and impacts of utilizing hydrogen powered delivery vehicles 3. Develop a Supplier Relationship Management process that embeds Environmentally Responsible Procurement Principles (to be tested in PF9 and then rolled out across all families)	1. N/A (Research) 2. Market Engagement 3. Contract Management	
Material Specification Guidance	Environmentally Responsible Procurement guidance for raw materials that are found across CERN supplies contracts including; Steel, Copper, Timber, Plastics…	All Stages (Guidance)	

already ongoing

already ongoing

Nexts Steps

- **Dedicated Training Session(s) for Procurement Officers**
- **Update MS template for Information purposes**
- **Participation to Start Up meetings**
- **Update list of pilot projects**

SEE YOU NEXT YEAR

BCO news

- K and X contract reference via EDH
- Supplier Database improvements
- Rework of the texts in the DAIs
- New Punchout (Sonepar)

- Résumé du Dossier (EDH)
- Market Survey on iValua
- Signature workflow check (DAI and OSVC)
- Two new punchouts
- DR funding information to be displayed
- DAI «single source approved by FC» : new field
- iValua improvements (by Alvaro)

- 488 cards created in **MS/IT/DO** in the last 6 months
  - 148 cards already archived
  - 340 active procedures
    - 4% iValua
    - 33% DO
    - 30% MS
    - 33% IT

- 325 card created in **Contracts** in the last 6 months
  - 154 cards already archived
  - 171 active cards
    - 32 new contracts
    - 106 amendments
    - 33 without information

Trello

CONTRACTS

MANDATORY FIEDS BY PROCUREMENT OFFICER

- Name of the Contract «Bxxx/yyy»
- Member : PO or PL or SL or PS
- Labels : mostly automatic. «with PO» or «with TO»
- Procedure : New Contract or Amendment
- Status : automatic
- Department
- Section
- Supplier Name
- PO : should be automatic
- FC : Yes No
- Checklist

Trello

MS/IT/DO

MANDATORY FIEDS BY PROCUREMENT OFFICER

- Name of the Procedure «ITxxxx/yyy»
- Member : PO or PL or SL or PS
- Labels : mostly automatic. «with PO» or «with TO»
- Due Date : the potential date for the next step : Dispatch, Opening, Award
- Status : automatic (based on checklist)
- Department
- Section
- FC : Yes No
- PO : should be automatic
- TO : name
- DR number : add the full link
- Checklist