

**LafargeHolcim**

LafargeHolcim

Standardizes Supplier Evaluation Processes

With a well-balanced presence in 90 countries and a focus on cement, aggregates and concrete, LafargeHolcim (SIX Swiss Exchange, Euronext Paris: LHN) is the world leader in the building materials industry.

Industry

Building Material Company

Profile

- Founded in 2015
- Based in Jona, Switzerland
- Operating in 90 countries
- Employing 100K employees
- Active Avetta client since 2016
- Over 2,500 plants
- Over 2,300 suppliers (Brazil)
- Annual revenue of \$29.5B

Advantages

- Lower risk due to faster, more consistent prequalification of suppliers
- More efficient use of internal personnel, who could focus on providing value to the company (contracting) and not spend time on operational activities (review of documentation)
- Ability to evaluate suppliers on criteria such as their overall sustainability policies and alignment with LafargeHolcim priorities

The Solutions

- Implement a process for prequalifying suppliers

The Results

- Standardization of supplier evaluation

The Challenge

When a company the size of LafargeHolcim makes a serious commitment to sustainability, quality, the environment and to the health and safety of the people who work at its many plants and job sites around the world, there are significant implications to all processes. Policies must be applied throughout the supply chain to manage the way LafargeHolcim purchases goods and services in every unit. The company set ambitious goals for its global operations, including:

- Follow a “zero harm to people” principle that prioritizes health and safety and reduces lost-time incidents for employees, contractors, and stakeholders.
- Develop innovative and sustainable products to help customers improve the energy efficiency of their buildings and increase materials recycling.

In Brazil, LafargeHolcim employs 2,400 employees and 2,300 contractors in its 80 plants around the country. The high number of contract employees makes it very difficult to manually handle prequalification and other evaluation processes. “Before [the merger], we did the whole process of supplier evaluation through e-mails and Excel spreadsheets,” says Cristiane Oliveira, Procurement Specialist for LafargeHolcim in Brazil. This situation inevitably led to increased risk, including a lack of standardization in the way contractors were evaluated.



Various people performed the evaluations, which created the opportunity for different criteria to be applied.

There was no simple, objective way to measure a supplier's record on social responsibility, human rights issues (bribery, corruption, child labor, and so on), and other issues related to sustainability," said Cristiane Oliveira. These factors impacted supplier onboarding and limited visibility into supply chain risk.

The Avetta Solution

To develop more efficient and objective methods of evaluating suppliers, LafargeHolcim started the process of identifying a vendor to help with supply-chain management. The vendor analysis was conducted at the corporate level with the participation of procurement teams in the various national offices, including those in Brazil, Argentina, and other Latin American countries. The company ultimately selected the platform to support the sustainable procurement process specified for addressing the risks in the supply chain. The platform provides a web tool and services necessary to outsource the administrative activities related to the qualification of suppliers and this allows our employees to focus on risk mitigation and the development of suppliers.

"We evaluated other vendors, other possibilities, other platforms," said Cristiane Oliveira. "However they really listened to our business needs and accommodated our process in their solution to better satisfy our needs. Another important point that contributed to the choice was the flexibility and provision of services in the different regions in which LafargeHolcim operates. Once the decision was made, LafargeHolcim worked with Avetta to implement a process for prequalifying suppliers that focused on sustainable procurement and the health and safety of contractors. The new platform went live in April 2016 and Brazil was a pilot

The Results

"Avetta helped us in the standardization of supplier evaluation processes in Brazil," said Cristiane. Working with the Avetta team to perform supplier evaluations enabled greater objectivity in the process.

This was a vital first step because it helped ensure uniform standards and allowed the company to determine which suppliers met its standards on sustainability and health and safety. Avetta provided "an outside perspective of vendor risk," said Cristiane, recognizing that "our department's know-how

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Cristiane Oliveira, Procurement Specialist
LafargeHolcim Brazil

is in contracting and not in evaluation." LafargeHolcim can rely on and benefit from Avetta's knowledge and experience.

In addition, once a supplier is evaluated and prequalified for one job site or factory, the supplier would not need to be evaluated again for other job sites. This meant less paperwork for the contractor and less work for the staff at LafargeHolcim. It eliminated the need to send pre-qualification forms via e-mail and then manage the various files sent by the supplier with the documentation of proof of delivery. Avetta also provided the ability to assess suppliers based on their human rights record, which LafargeHolcim had not done before. "Our assessment was very much concerned with health and security, and issues of Brazilian law," says Ms. Oliveira, "but it did not have this vision of human rights, social responsibility, or compliance with the LafargeHolcim sustainability guidelines. Those issues are very important but we didn't have enough personnel to do the evaluation of all of the suppliers." Not everything worked well the whole time, but Avetta showed a partnership approach to quickly resolve any problem that came up during the implementation phase (translations, payments, training, direct approaches).

The company also wanted to know how suppliers felt about the new process and working with Avetta, and Ms. Oliveira's team conducted a survey to gauge their perceptions. She says suppliers emphasized the excellent service and friendliness of the Avetta representatives. They liked how easy the platform was to use, often calling it "very intuitive." And they appreciated how quickly Avetta personnel responded to urgent matters and provided support with action plans. Cristiane Oliveira notes that the company recently reached a milestone with respect to the number of suppliers who are fully qualified and approved for contracting, as indicated by a green flag in the system. "It's been a successful implementation, with a satisfactory degree of acceptance by suppliers, employees, and the board of directors."