



# **The City of Vancouver Ethical Purchasing Policy Task Force's**

## **Ethical Purchasing Policy and Supplier Code of Conduct**

***Final Report***

**November 30<sup>th</sup>, 2004**

## Introduction

On April 8, 2004, Council declared "its intention to implement a Sustainable and Ethical Procurement Policy for the City of Vancouver before the end of the 2004 calendar year", and resolved that "appropriate City staff be directed to report to Council within two months of the passage of this resolution on questions related to implementation of such a policy for City purchases of apparel, coffee and related items".

On June 22, 2004 Council received a report summarizing the implications of developing a Sustainable and Ethical Purchasing Policy. Council approved the following recommendations within the report:

A. THAT Council, as Phase I of the development of a Sustainable and Ethical Procurement Policy, create a task force to prepare and present a draft policy to Council on the purchase of apparel and fair trade agricultural products. The task force shall be co-chaired by Councillors Louie and Louis and be composed of City staff as well as members of the business, labour and NGO's communities. The policy is to be based on best practices of similar organizations and to be implemented by December, 2004. Staff will also report on resources required to implement the policy.

B. THAT Council direct staff to report back by December, 2004 on the resource requirements for developing and implementing a comprehensive Sustainable and Ethical Procurement Policy that incorporates broader environmental and social objectives.

C. THAT Council direct staff in the interim to purchase fair trade certified coffee, at the expiration of current contracts, and where there are no contracts, as soon as is practicable.

### **Report Purpose and Structure**

This Report has been prepared by the City of Vancouver Ethical Purchasing Policy Task Force in response to Council direction to develop a Sustainable and Ethical Procurement Policy.

The report contains six sections. Section One provides some brief background on the issue. Section Two summarizes the mandate and operation of the Task Force. Section Three identifies the guiding principles upon which the policy has been developed and then presents the recommended Ethical Purchasing Policy and accompanying Supplier Code of Conduct. Section Four highlights some of the key issues discussed by the Task Force and notes a few important considerations related to the policy and its implementation. Section Five presents the Task Force's conclusion and final comments. Section Six contains the Task Force's key recommendations to Council.

## 1. Background

Human rights abuses and ecological degradation can sometimes be the unintended consequences of purchasing decisions. Increasingly, organizations recognize that they have a responsibility to account for the full range of impacts associated with their purchasing policies and decisions. City procurement has traditionally focused on evaluating potential purchases by standard criteria such as price and performance. Leading organizations are now developing

more sophisticated procurement strategies that incorporate a variety of desired environmental, social and economic objectives into the specification and evaluation process.

Council has resolved that the City will have a Sustainable and Ethical Procurement Policy on the purchase of apparel and fair trade agricultural products in place by the end of 2004. Council has directed staff, as a subsequent phase, to prepare a procurement policy that includes not only sweatshops and fair trade, but goes much further to integrate a comprehensive range of environmental and social objectives. Such a policy is a considerably more complex undertaking, and will require a coordinated effort with other ongoing City initiatives and organizations.

## **2. The Ethical Purchasing Policy Task Force**

The Task Force was formed in August 2004 through invitation from Co-Chairs Councillors Louis and Louie, and held three meetings between early September and the middle of November 2004. Approximately 20 representatives from the NGO, labour and business community worked with City staff to create a recommended Ethical Purchasing Policy and implementation framework (a membership list of the Task Force is included in Appendix A).

### **Mandate of the Task Force**

The Ethical Purchasing Policy Task Force focused on a recommendation to Council on the development and implementation of a Sustainable and Ethical Purchasing Policy for the City as it directly relates to apparel and fair trade agricultural products. The task force has been advisory in nature and recognizes that Council is the decision making body.

### **Scope of Work & Deliverables**

The Task Force was requested to deliver a report to Council that would recommend:

- Guiding principles
- Ethical Purchasing Policy (EPP)
- Implementation framework & compliance monitoring schemes
- And provide feedback the on staff administrative report.

City staff will provide analysis of implementing the EPP in a separate administrative report.

### **Summary of Methodology**

The Task Force was managed by an external project consultant who assisted in the coordination of the group, development of background materials and played the role of facilitator at each of the three meetings. The consultant worked on behalf of the Task Force to draft and refine the policy, implementation framework and their report to Council. The Task Force operated on the basis of consensus decision-making and starting by approving a series of guiding principles. Based on this initial set of principles a recommended policy was created and then refined over a period of several weeks.

A key element of the refinement process involved retaining the services of an internationally respected labour and human rights organization, Verite Inc., to provide an independent review of the policy and implementation framework to assess the completeness of the work. Their review was positive and helpful in guiding the final refinements to the policy and highlighting considerations relating to implementation.

### **3. Recommended Ethical Purchasing Policy & Supplier Code of Conduct**

#### **Guiding Principles used in Developing the Policy**

A number of guiding principles relating to both policy development and implementation were initially developed by staff and presented at the first meeting of the Task Force for refinement and ratification. These principles set the stage for the initial drafting of the policy and implementation framework and primarily focused on ensuring that the policy would be based on:

- International Labour Organization's core labour conventions for workplace practices
- Best practices gleaned from other organizations and municipalities
- A spirit of engagement, cooperation and continuous improvement of supplier practices
- Credible and meaningful mechanisms for compliance and monitoring.

It should be noted that through discussions with both the Task Force, Verite Inc. and other stakeholders it has become apparent that there are few, if any, municipal examples from which to draw upon.

#### **Recommended Ethical Purchasing Policy**

Appendix B presents the recommended Ethical Purchasing Policy for the City of Vancouver. The policy is comprised of two key components; a general 'front end' and a specific 'back end'. The general front end of the policy outlines the purpose, scope, guiding principles and presents the framework for implementation, compliance and monitoring. It also includes provisions for regularly reviewing the policy and reporting on implementation progress. The back end of the policy is a separately presented Supplier Code of Conduct which sets out the specific performance standards that suppliers are expected to meet when conducting business with the City of Vancouver. Together these two documents comprise the recommended Ethical Purchasing Policy (EPP).

It is important to note that the original council directive calls for the development of both a 'Sustainable and Ethical Purchasing Policy', though it then clearly specifies that the focus is to be on ethical issues related to apparel and fair trade certified products. The Task Force has come forth with a recommended Ethical Purchasing Policy for the key following reasons:

- In recognition that many of the elements of a 'sustainable' purchasing policy (broader social and environmental considerations) will be addressed in another phase of policy development work scheduled for 2005.
- To simplify presentation.

Accordingly, the recommended policy is titled: Ethical Purchasing Policy.

### **4. Key Issues Relating to the Policy and Supplier Code of Conduct**

During the course of policy development a number of key issues arose relating to both the development and implementation of the policy. In some (but not all) cases they represent areas where the Task Force could not come to complete consensus on recommended elements and components of the policy. They are noted and described here for Council's information.

### ***Alignment with ILO Standards***

The Task Force felt that it was critical that the EPP and specifically the Supplier Code of Conduct be aligned with the core labour conventions of the ILO. There was extensive discussion about the need for there to be a minimum and internationally recognized benchmark upon which to base supplier performance expectations. However, the Task Force also recognized that in some instances suppliers or subcontractor practices may fall below the requirements of the ILO but nonetheless might still be quite acceptable to workers. To address this issue the task force agreed to a Guiding Principle related to 'flexibility' of application that is intended to address such instances, so long as the spirit and purpose of the policy is always upheld.

### ***Adequate Resources to Implement Policy***

Several members of the Task Force suggested that the recommended EPP include specific direction to Council that there be sufficient resources allocated for successful implementation and management of the EPP. After substantive discussion it was deemed inappropriate to include this kind of specific direction within City policy. However, the Task Force felt it was important for Council to acknowledge that adequate resources will be required to build the internal capacity to implement the recommended policy in a meaningful way. Additional administrative staff resources with the technical expertise will be required to implement the policy and monitor compliance on an ongoing basis. Financial impacts may also include additional potential costs relating to pricing premiums for Fair Trade certified agricultural products, etc..

### ***"Living Wage"***

Some members suggested inclusion of statements regarding a requirement for suppliers to pay a "living wage" to workers in addition to legally mandated minimum wages. 'Living wage' means meeting 'basic needs' by local standards to provide for food, clothing, housing, child care and transportation needs. This is a controversial issue due to the difficulty in determining what is a "living wage" or "industry standard". This issue was discussed in-depth within the Task Force and with the review group Verite, who suggested that inclusion of this kind of provision presents difficulty in determining compliance and enforcement of contracts. It was determined to encourage suppliers to provide wages that meet basic needs but to NOT require such a provision at this time. However, the issue has been earmarked for discussion in the annual review process.

### ***Environmental Considerations***

The Task Force acknowledges that Phase I of policy development has focused on ethical purchasing as a component of an overall sustainable purchasing policy or program. Several members of the Task Force felt strongly that more explicit language needed to be included within the EPP relating to environmental considerations. It was agreed broader sustainability issues would be more fully addressed within a Phase II future work program to develop a Sustainable Purchasing Policy. The Task Force understands from City staff that a Phase II work plan is being drafted and is scheduled for presentation to Council before the end of 2004.

### ***Integration with other City Policies and Initiatives***

The Task Force reinforced that the ultimate scope of an Ethical Procurement Policy is very large, potentially affecting all City operations and affecting purchasing decision of all goods and services. The development of an Ethical Purchasing Policy must be aligned with values of other initiatives such as the 2010 Olympics Sustainability Objectives, the City of Vancouver Sustainability office objectives and the Vancouver Agreement's DES revitalization program.

## 5. Conclusion

The Draft Ethical Purchasing Policy and Supplier Code of Conduct represent a strong policy and implementation framework for ensuring safe and healthy workplaces for the people who make products for the City of Vancouver, where human and civil rights are respected. The Task Force believes the policy is ready for approval and implementation.

The development of this policy is an important signal to the marketplace that the City of Vancouver is committed to working with and giving a preference to suppliers and their subcontractors whose workplace practices conform to the core labour conventions of the International Labour Organization and, where applicable, are Fair Trade certified through recognized certification agencies. This policy and pricing signal will greatly assist in creating market demand for products and services that are ethical and sustainable.

The Task Force believes that this policy represents an important first step along the journey to a robust sustainable purchasing program for the City. It positions the City to be seen as pursuing a path of responsible leadership, at a time when concerns about labour rights within the supply chain are being examined more closely than ever. It strongly encourages the City to integrate the desired outcomes from this policy into its partnerships and initiatives with other key partners such as VANOC as well as other regional and municipal partners.

## 6. Recommendations

The following are the recommendations of the EPP Task Force:

1. *THAT* Council approve the recommended Ethical Purchasing Policy and accompanying Supplier Code of Conduct.
2. *THAT* sufficient resources to be allocated to build internal capacity to manage the policy including a program for staff training.
3. *THAT* Council approve a Phase II work plan to be conducted in 2005 to develop additional sustainable purchasing policies.
4. *THAT* the EPP be copied directly to the other municipalities in the GVRD, the GVRD, the Vancouver Parks Board, the Vancouver School Board, and the Vancouver 2010 Olympic Committee and with encouragement from the City that these groups to adopt an EPP of their own, offering this one as a model.
5. *THAT* the staff who worked on this policy continue to provide advice to other interested parties upon reasonable request.
6. *THAT* staff revisit the issue of "Living Wages" as a potential future component of the EPP during the annual review process.
7. *THAT* the City of Vancouver continue to call upon the group as an advisory body during the policy implementation phase.