

## SUSTAINABLE ENVIRONMENTAL AND ETHICAL PROCUREMENT POLICY

### **SUMMARY/ISSUE**

This report provides the proposed Sustainable Environmental and Ethical Procurement policy for Council approval, as well as, the related Supplier Code of Conduct and the Policy implementation plan.

### **PREVIOUS COUNCIL DIRECTION/POLICY**

On 2004 September 13, Council carried Motion 2004-31 (moved by Alderman Ceci, Seconded by Alderman Farrell) directing Administration to: assign a priority to the development of a Sustainable Environmental and Ethical Procurement Policy; work with The City's network of suppliers and the public in the development of the aforesaid policy; and report to Council through a Standing Policy Committee, prior to the end of 2004, on the policy development process and engagement strategy.

On 2004 December 08, Council approved the recommendation of FSC2004-68 that Administration incorporate the policy development phase into the 2006 – 08 Corporate Services, and Utilities and Environmental Protection business plans.

On 2005 November 21, Council approved, C2005-78 attachment 7, budget adjustments to the 2006-2008 operating budget for the development, implementation and sustainment of the policy and further directed Administration to report back prior to the 2008 budget adjustment on the policy's budgetary implications for purchase of City goods and services.

### **ADMINISTRATION RECOMMENDATIONS:**

That the S.P.C. on Finance and Corporate Services Committee recommends that Council:

1. Approve the Sustainable Environmental and Ethical Procurement Policy; and
2. Receive the Supplier Code of Conduct and Implementation Plan for information.

### **INVESTIGATION**

The Sustainable Environmental and Ethical Procurement Policy (SEPP) (Attachment 1) promotes the purchase of goods and services that will enhance and protect the environment protect the welfare of workers and represent best value for The City of Calgary. The SEPP builds on considerable work done so far in advancing a Green Procurement policy within The City. This policy adds the ethical dimension and proposes a total cost management approach to the evaluation of goods and services. This will ensure that a comprehensive analysis of the impacts of purchasing decisions is undertaken, including environmental and social impacts, and lifecycle costs.

The intent of the policy is to develop existing suppliers and encourage new suppliers to continuously improve their products and services to meet or exceed minimum environmental and ethical standards established by local and international laws and agreements, while offering products and services at a reasonable price. Procurement decisions will recognize the efforts of suppliers to meet the criteria set out by this policy and the Supplier Code of Conduct (SCC) (Attachment 2).

The SCC sets a minimum standard of ethical and environmental performance for suppliers and their subcontractors. The SCC is a procedural document for securing the supplier's commitment to meet these standards. Suppliers will be required to provide proof of their compliance with standards set out in the SCC, which are based on both local and international law as well as international agreements and standards. In general, goods and services produced in Canada will be subject to applicable Canadian legal standards. Goods and services produced outside Canada will be subject to their local or internationally accepted standards, whichever is more stringent.

## SUSTAINABLE ENVIRONMENTAL AND ETHICAL PROCUREMENT POLICY

The policy will be implemented in phases. The first phase will pilot implementation on apparel, food and chemicals in 2007, which will allow the team to determine the budget and risk impacts on stakeholders in the supply chain. An implementation schedule for the remaining commodities and services will be developed during the project pilot. The policy is intended to eventually cover all goods and services purchased by The City, including construction. The phased implementation approach enables the control of scope, risks and resources. An outline of the implementation framework is provided in Attachment 3. Administration will report back to Council prior to the 2008 Business Plan and Budget Adjustment Process on the policy's budgetary implications and provide an implementation schedule for sustainment and complete rollout of the policy.

A stakeholder engagement process was employed. Details are set out in Attachment 4, Engagement Process. A series of stakeholder sessions were held to gather input from non-government interest groups, City business units and suppliers. Input was also solicited from external reference groups with experience in green or ethical procurement, such as the Government of Canada and Shell Canada. Some key issues identified by the stakeholders included "Living Wage", application of the policy to civic partners and adequate resources for implementation. "Living Wage" has not been adopted as a City standard and is not specifically referenced in the policy. However, the policy addresses many ethical and social issues related to rights of workers including wages, benefits, working conditions and human rights.

The policy will not apply to civic partners at this time. Implementation will focus on City operations first.

Resources have been allocated for the development, implementation and

sustainment phases of the policy through the 2006-2008 budget cycle.

### **IMPLICATIONS**

#### **General**

This policy aligns with the Triple Bottom Line Policy, The City of Calgary Environmental Policy and imagineCALGARY and advances The City's administrative policy for Green Procurement to the Council Policy stage. If the SEEPP is not approved by Council, the Green Procurement policy will continue to apply. The SEEPP policy will demonstrate significant leadership on the part of The City in the realm of procurement and will achieve a significant step towards the goal of a sustainable city.

#### **Social**

The policy will ensure that the evaluation of goods and services purchased by The City includes social impacts on workers in the supply chain, including health and safety, working conditions, and respect for human rights. The City's construction contracts already include Occupational Health and Safety standards.

#### **Environmental**

This policy will ensure that the evaluation of goods and services purchased by The City includes environmental impacts over the lifetime of the item, including product composition, health and safety of users, energy and water efficiencies, recycled content, packaging, and disposal.

#### **Economic (External)**

The policy will stimulate market conditions for goods and services that meet or exceed environmental and ethical standards while being offered at a reasonable price. Implementation of the policy will help develop suppliers who can meet or exceed the standards.

## SUSTAINABLE ENVIRONMENTAL AND ETHICAL PROCUREMENT POLICY

### **BUSINESS PLAN/BUDGET IMPLICATIONS**

The implementation phase of the project in 2007 will include a risk analysis of City spending categories and procurement processes to estimate the future impact on City budgets. A budget impact report will be presented to Council prior to the 2008 business plan and budget adjustment process.

Funding for this project is included in the Corporate Services 2006 – 2008 operating budget under program 781.

### **RISKS**

There is a risk that the procurement process will be slowed down by application of the policy. This can be mitigated through the phased implementation process as well as appropriate communication and training for staff.

There is some risk that costs of goods and services will increase. However it is also anticipated that costs for some goods and services will decline as a result of energy efficiency or other savings. As well, employing a lifecycle cost analysis will give a more complete picture of “costs” that includes externalities such as environmental and social impacts.

A risk-based supply chain analysis will be employed to study the cost implications for various procurement categories and ensure that the implementation is within economic viability. The SEEPP monitoring and reporting processes will be consistent with the requirements of the Integrated Risk Management Policy.

### **ATTACHMENTS**

1. Council Policy - Sustainable Environmental and Ethical Procurement Policy
2. Supplier Code of Conduct

3. Sustainable Environmental and Ethical Procurement Policy Implementation Framework
4. Sustainable Environmental and Ethical Procurement Policy Engagement Process Summary