

From: ["Levitt, Karen" <karen.levitt@vancouver.ca>](mailto:karen.levitt@vancouver.ca)
To: ["Direct to Mayor and Council - DL"](#)
Date: 12/22/2022 8:54:31 AM
Subject: Memo to Council - Update to Motion on Ethical Procurement Policy - RTS# 015284

Dear Mayor and Council,

The attached memo is an update on a prior Motion regarding the Ethical Procurement policy. Staff have provided information regarding the requests from Council and options for action on this topic.

Should you have any questions, please feel free to contact me or Patrice Impey.

All the best,

Karen

Karen Levitt, Deputy City Manager (she/her)
karen.levitt@vancouver.ca telephone

The City of Vancouver acknowledges that it is situated on the unceded traditional territories of the xʷməθkʷəy̓əm/Musqueam, Sḵwəwú7mesh/Squamish and səlilwətał/Tsleil-Waututh nations

MEMORANDUM

December 21, 2022

TO: Mayor and Council

CC: Paul Mochrie, City Manager
Armin Amrolia, Deputy City Manager
Karen Levitt, Deputy City Manager
Alexander Ralph, Chief Procurement Officer
Kim Buksa, Manager, Sustainable and Ethical Procurement
Rosemary Hagiwara, Acting City Clerk
Teresa Jong, Administration Services Manager, City Manager's Office
Maria Pontikis, Chief Communications Officer, CEC
Kareem Allam, Chief of Staff, Mayor's Office
Trevor Ford, Director of Operations, Mayor's Office
David Grewal, Senior Advisor, Mayor's Office

FROM: Patrice Impey
General Manager, Finance, Risk and Supply Chain Management

SUBJECT: Strengthening the City of Vancouver's Ethical Purchasing Policy (Member's Motion B.4)

RTS # 015284

The purpose of this memo is to provide Council with an update on the Council Motion from the Standing Committee on Policy and Strategic Priorities meeting on June 22, 2022, regarding Strengthening the City of Vancouver's Ethical Purchasing Policy. Council directed staff to:

- A. obtain cost estimates from non-profit organizations such as the Workers' Rights Consortium to:
 - i. Monitor the list of City of Vancouver apparel suppliers and advise the City if any of these suppliers are in breach of the City's EPP;
 - ii. Advise the City as to whether or not any potential apparel suppliers the City is considering contracting which are in compliance with the City's EPP; and
 - iii. Conduct two or three factory inspections annually to ensure supplier compliance with Vancouver's EPP, and where it is found not to be in compliance, work with the supplier to help them come into compliance with Vancouver's EPP, and, absent supplier compliance, recommend the removal of the non-compliant supplier from the City of Vancouver's approved supplier list.

- B. report back with any recommendations on creating a volunteer ethical purchasing oversight committee made up of members drawn from local unions and human rights Non-governmental organizations (NGOs) and other relevant expertise. With the intention that the committee could liaise regularly with the City of Vancouver's Procurement and Supply Chain Management staff, as well as with relevant labour and human rights organizations and report annually to council on enforcement of the City's ethical purchasing policy.

Background

The City of Vancouver's Ethical Purchasing Policy (EPP) is to ensure that all suppliers to the City meet, at a minimum, the performance standards outlined in the Supplier Code of Conduct. The policy establishes an avenue whereby complaints can be made to the City regarding abuses in workplaces that are involved in the manufacture of apparel and agricultural products which are purchased by the City. The City will determine the level and the degree necessary to investigate and act upon complaints.

The City of Vancouver is a small purchaser of apparel from wholesale distributors. The annual spend in this category is approximately \$100,000 related to the procurement of uniforms. In Canada, the sector size is \$2+ Billion in sales per year (\$400+ Billion worldwide). The industry is a complex supply chain network where global brand vendors have thousands of suppliers and sub-suppliers and work with hundreds of third-party logistics companies, distributors and brick-and-mortar outlets and online retailers.

As consumers demand more visibility and transparency in the supply chain, the sector is regulated and audited by governments in the manufacturing locations and monitored by various organizations from non-profits representing human rights advocacy, to consulting, investment and technology firms that have vested interests and obligations.

In the situation where a potential apparel suppliers was not in compliance with the City's EPP, the City's ability to influence change is limited due to our size. The City could ask the wholesale distributor for the removal or substitution of the non-compliant factory from the approved supplier list, This is not the ideal response, as apparel factories are a valuable lifeline for the workers and communities where they operate. Rather than removal of the contract, the desired approach is to influence change by preventing violations and looking for a real lasting opportunity of workers rights. Global multi-national vendors and brand owners that source directly from the manufacturing suppliers are the ones which have this level of influence in the apparel industry.

Analysis re: Council Motion:

- 1) Motion A - obtain cost estimates from non-profit organizations

City of Vancouver staff have reviewed over 15 non-profit organizations and several other organizations (see Appendix) that are in the business of monitoring supplier compliance of international labour standards and human rights violations. While the goals of these

organizations are similar and complimentary, they range in size, location, efforts and approach. Some are traditional non-profits depending on grants and donations that offer their supplier lists for no cost while others charge for their services and associated information.

Cost estimates:

A one time monitoring assessment during a public procurement process to check the list of City of Vancouver apparel sourcing and advise the City if any of these suppliers are in breach of the City's EPP could cost approximately \$32,000 assuming an average hourly rate of \$130 per hour for these consulting services. It should be noted that this would be a point in time review and would not ensure compliance over the term of the contract. As such, it is a fairly large cost relative to the City's spend.

There are some non-profits that conduct audits, however this typically occurs reactively after an incident or suspected violation is identified. To conduct two or three factory inspections annually to monitor compliance with Vancouver's EPP could cost the City of Vancouver in the range of approximately \$90,000-\$140,000. Where a factory would be found not to be in compliance, the City of Vancouver would not have direct influence to work to help the manufacturer come into compliance with Vancouver's EPP.

Given the above, the costs for monitoring and audit are significant relative to the City's small spend, and the ability to influence change is limited.

2) Motion B - report back with any recommendations on creating a volunteer ethical purchasing oversight committee

Creating a volunteer ethical purchasing oversight committee raises complexity concerns over the impact the committee would have given the City's small spend and limited influence in this sector. It would be difficult to establish clear and measurable objectives of the committee.

There are large number of organizations with subject matter experts and the resources to navigate the ever-changing markets and activities within sectors. Since many of these organizations will freely share their neutral, unbiased information to buyers so they can make informed decisions, there may be other alternatives to meet the goal of the ethical procurement policy.

Alternative Option:

Given the small value of the City's apparel contracts and the limited ability for the City to influence change in the industry, staff considered other options for achieving further comfort in the alignment of vendors to the City's Ethical procurement policy. One such option is to engage with a vendor to a limited degree reflective of the City's limited spend (eg. \$5k per year in fees), alternatively the City could engage with non-for-profit organizations that freely share their information, or the city could contract with one of them to analyze and cross-reference the list of potential sources of supply presented by national distributors on their proposals during the public procurement process for uniforms. This information would provide the most up to date information to inform the decision making process of selecting approved suppliers that are in compliance with the City's EPP.

Summary:

In conclusion, the costs for the City to conduct annual factory audits outweigh the benefits to realistically advance worker's rights in the apparel industry, especially since the City is a small purchaser with limited influence in a complex supply chain. For the same reasons the creation of a volunteer oversight committee would not be recommended as the impact is limited. Using the information that non-for-profit organizations freely share or contracting with one of them to analyze and cross-reference the list of potential sources of supply presented by national distributors on their proposals during the public procurement process for uniforms, can help during the decision making process to select approved suppliers that are in compliance with the City's EPP.

Staff will continue to evaluate these options in advance of the next market event and identify the most effective option to incorporate into the procurement activity.

Should you have any questions, please feel free to contact me at (604) 873-7610 or patrice.impey@vancouver.ca

Best Regards,

A handwritten signature in black ink, appearing to read 'Patrice Impey', written in a cursive style.

Patrice Impey
General Manager, Finance, Risk and Supply Chain Management
604.873.7610 | patrice.impey@vancouver.ca

Appendix A - Organization Review

Workers Rights Consortium
Transparentem
https://impactlimited.com/about-us/
https://www.linkedin.com/company/c&a-foundation/
https://cleanclothes.org/about
https://www.sedex.com/about-us/
https://www.fairlabor.org/members/suppliers/?page=3
https://www.fashionrevolution.org/about/
Global Labour Institute
Institute for Global Labour and Human Rights
International Labor Rights Forum
Labour Behind the Label
https://gracefarms.org/justice/
https://apparelcoalition.org/
World Check https://www.refinitiv.com/en/products/world-check-kyc-screening/about-world-check
https://www.theconsumergoodsforum.com/social-sustainability/sustainable-supply-chain-initiative/
https://www.gima.vn/ethical-audit
https://www.sustainalytics.com/
https://www.ascm.org/
https://www.transparencyguide.org/go-transparent
https://www.fashionrevolution.org/about/transparency/
https://info.openapparel.org/getting-started
https://www.ungpreporting.org/

Appendix B – Research Review

https://ethisphere.com/?_hstc=146412722.dc773f10f7aa40600d9aa75f22cb87f2.1655143763834.1655143763834.1656015876497.2&_hssc=146412722.1.1656015876497&_hsfp=579608783

<https://www.littler.com/publication-press/publication/europe-and-canada-seek-mandate-human-rights-due-diligence-and>

<https://impactful.ninja/most-unethical-clothing-companies/>

<https://fairware.com/sustainability/ethical-sourcing/>

<https://www.oecd.org/about/impact/towards-ethical-supply-chains.htm>

<https://www.ascm.org/globalassets/documents--files/ascm-files/ascmenterprisecertificationstandardsguide.pdf>

https://www.international.gc.ca/transparency-transparence/study_forced_labour-etude_travail_force.aspx?lang=eng

https://www.wto.org/english/tratop_e/texti_e/texintro_e.htm

<https://transparentem.org/wp-content/uploads/2021/09/Hidden-Harm-Audit-Deception-in-Apparel-Supply-Chains-and-the-Urgent-Case-for-Reform.pdf>

<https://cleanclothes.org/>

<https://nap.nationalacademies.org/read/10659/chapter/6>

<https://www.hrw.org/news/2020/10/07/social-audit-reforms-and-labor-rights-ruse>

https://en.wikipedia.org/wiki/Category:Workers%27_rights_organizations

https://en.wikipedia.org/wiki/Declaration_on_Fundamental_Principles_and_Rights_at_Work

https://en.wikipedia.org/wiki/United_Nations_Global_Compact

<https://www.mdpi.com/2076-0760/7/6/84/htm>

<https://www.dol.gov/agencies/ilab/resources/reports/child-labor>

https://www.dol.gov/sites/dolgov/files/ILAB/child_labor_reports/tda2019/2020_TVPR_List_Online_Final.pdf

<https://www.intouch-quality.com/blog/the-3-most-common-types-of-factory-audits>

<https://www.ilo.org/global/industries-and-sectors/textiles-clothing-leather-footwear/lang-en/index.htm>

<https://labourrightsindex.org/>

<https://www.sauder.ubc.ca/sites/default/files/2019-02/Governing%20Global%20Supply%20Chain%20Sustainability%20through%20the%20Ethical%20Audit%20Regime.pdf>

https://www.ecchr.eu/fileadmin/Publikationen/Policy_Paper_Liability_of_Social_Auditors_in_the_Textile_Industry_FES_ECCHR_2016.pdf

<https://www.ascm.org/globalassets/documents--files/ascm-files/ascmenterprisecertificationstandardsguide.pdf>

<https://www.scu.edu/mobi/resources--tools/blog-posts/advantages-and-disadvantages-of-vertical-integration/>

<https://www.fashionrevolution.org/about/transparency/>

<https://www.ungpreporting.org/framework-guidance/>