Sustainable Procurement

GLA2029: A Living Lab

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Introduction:

Procurement is defined as the act of obtaining goods and services. Sustainable procurement is a process of organizations meeting their needs for goods and services while achieving value for money on a life-cycle basis and addressing equity principles for sustainable development, therefore benefiting societies and the environment across time and geographies.

Sustainable procurement policies ensure that the products and services bought are as environmentally-friendly as possible and create maximum positive environmental results. These policies advance the protection of the environment and support sustainable development by integrating environmental performance considerations into the procurement decision-making process across all levels of governments, businesses and organizations across cities. By creating an informed policy framework, sustainable procurement efforts encourage municipalities to be the catalyst of larger market-driven change.

Project Description:

Our client from the Purchasing and Materials Management Division at the City of Toronto, is keen to enhance this process in the municipality to reduce the amount of greenhouse gas emissions (GHG), and to make public supply chains more carbon neutral. By creating an informed framework for municipalities to follow, sustainable procurement policies encourage municipalities to be the catalyst of larger market-driven change. Local governments act as key stakeholders that have the ability to influence other sectors to become more aware of their carbon footprint and encourage value chains to become increasingly carbon neutral by reducing their overall 'Scope 3', i.e. GHG emissions.

To understand this further, we conducted research that highlights the actions and challenges by other jurisdictions attempting to reduce GHG emissions through sustainable procurement initiatives. This research throws light on how the governments create, utilize and verify procurement-related GHG emissions data. Moreover, we are interested in knowing how these jurisdictions are generating said tools and strategies to implement procurement policies that impact the overall efforts in reduction of GHG emissions.

Methodology:

To gain a better understanding of the implementation of sustainable procurement policy, we undertook secondary research - reviewed online sources including both academic and grey literature. We have completed the jurisdictional scan of current procurement policies and programs and the best practices implemented by various levels of government in Vancouver, Sacramento, Canada, and the United Kingdom.

Additionally, we have reached out to procurement or supply management divisions within our chosen jurisdictions to conduct interviews. The purpose of interviewing government stakeholders is to gain insight into specific supply chain challenges and effective government action which may not be evident in grey literature.

Research Questions:

Measurement:

1. How are municipal governments measuring or starting to measure their procurement related emissions?
2. What methodologies, including what type of data, are being used?
3. How are other governments going about collecting data on emissions - are they asking for numbers from suppliers and contractors or are they utilizing third party for-profit service providers?

Verification:

1. How are government procurement departments verifying GHG data reported by third parties (supplies or services contractors)?

Action:

1. How are government procurement departments setting targets and timelines for GHG reduction?
2. How are government procurement departments using their power to influence the market for lower carbon goods and services?
3. Are there examples of best practice in other jurisdictions?

Guiding Principles:

- **Equity:** We need to ensure a diverse supply chain in the procurement of goods and services for the city of Toronto. We also need to address economic disadvantage and discrimination, particularly among equity-seeking communities, that disproportionately experience barriers to equal opportunity.

- **Innovate:** We need to modernize and innovate procurement practices that support our economic as well as green and social procurement policy goals. The framework must continue to develop new, innovative and value-added methods. Furthermore, data sharing and its accessibility should be allowed to the public through various sources.

- **Budget:** Budget restrictions usually hamper the creation and implementation of a successful framework. To ensure smooth implementation, we need to have sufficient budget approvals well in advance by gauging the associated risks and challenges.

- **Actionable:** Check feasibility of the recommended options and approach, and its realistic on-ground implementation.

- **Collaboration:** Consult and collaborate with both internal as well as external stakeholders to create a holistic approach to ensure it is actionable. Provide avenues to the employees as well as suppliers for sustainable training.

Jurisdictional Scan: Sacramento

Sacramento's Sustainable Purchasing Policy (SPP) was first unveiled in February 2010, compiled from several previous policies revolving around the need for green procurement and carbon neutral supply chains.[1] To Sacramento, sustainable procurement integrates notions of environmental, fiscal, and social responsibility into the duty of sourcing goods and services. Aligning with the city's Sustainable Master Plan (2007)[2] Sacramento quickly became a model municipality for how to effectively implement sustainable procurement policies, with other jurisdictions in California consolidating the city's best practices into their own green procurement initiatives.

Measurement:

In order for potential vendors to be a part of Sacramento's SPP they must first submit verified third party data stating their company's emissions targets and environmental plan.[3] Along with raw data for performance tracking, Sacramento also considers if certain goods and services have an environmental designation already attached to the products that vendors are trying to sell. For example, it is common for vendors to submit designations such as 'USDA Organic' for consumable products or 'GREEN STAR Certified' for construction bids along with required emissions data to the City's procurement department to further signal that what their corporation is offering has been environmentally certified with other reporting agencies.[4] While vendors do not need to have certifications other than a Business Operation Tax Certificate to apply to be part of the SPP pool, having previous environmental designations speeds up the bidding process for contracts as it demonstrates that these goods and services have previously been independently verified as environmentally conscious.[5]

Sacramento sets emission reduction goals approximately every five years to spur continuous innovation in low carbon goods and services, and to prevent vendors from taking advantage of what a City spokesperson described as a "unexpiring shelf life"- i.e. the notion that once a vendor is in the city's SPP catalogue they do not have to further strive to make their goods and services more sustainable.[6] While procurement purchases the City makes are published on an annual basis, the behind-the scenes bidding process is not made public.[7] According to a spokesperson many companies are successful when applying for the SPP pool as a majority of them include robust data collection and environmental reports as supporting documents with their application.[8] Corporations who bid to enter the SPP catalogue are rejected if their emissions fail to meet the City's set standards. However, they are able to reapply in the future if their goods and services meet the procurement department's emissions expectations.[9]

Being a long-established program, Sacramento benefits from immense market competition in which vendors are constantly adapting to become more environmentally friendly in order to secure lucrative city contracts. The amount of options and applications the City

[1] City of Sacramento, *Sustainable Purchasing Policy*, (City of Sacramento, 2010): 1-2.
[2] City of Sacramento, *Sustainable Purchasing Policy*, (City of Sacramento, 2010): 3.
[3] City of Sacramento, *Sustainable Purchasing Policy*, (City of Sacramento, 2010): 6.
[4] City of Sacramento, *Contracting Opportunities*, (City of Sacramento, 2022): 1.
[5] City of Sacramento, *Ordinances*, (City of Sacramento, 2022): 1.
[6] Zanaska, Dayana. Interview by Katie Bolissian. Online Interview. March 2022.
[7] Sacramento County, *Contracting and Purchasing Services Division Annual Report for Fiscal Year 2020/2021*, (Sacramento County, 2021): 16-18.
[8] Zanaska, Dayana. Interview by Katie Bolissian. Online Interview. March 2022.
[9] City of Sacramento, *Sustainable Purchasing Policy*, (City of Sacramento, 2010): 12.

receives annually to be a part of the SPP allows the procurement department to set strict measurable emissions targets that all hopeful companies must meet.[10]

Verification:

As previously mentioned, Sacramento requires vendors to have their emissions data certified by an independent third party in order to apply to be a part of the SPP catalogue. This documentation is enough to verify their emissions during the application process and to be submitted into the catalogue if the city deems the data and environmental plan as sufficiently meeting the department's standards.

In addition to the initial data submitted, Sacramento undertakes their own review process on an annual basis in order to internally verify the third party data submitted by vendors and to evaluate the effectiveness in reducing the environmental impacts of city procurement.[11] The procurement department is responsible for intensive program evaluation and synthesis of yearly SPP progress made to which a summarized version is published online and a more detailed, in depth analysis is presented to city leadership and key stakeholders. Each procurement contract is tracked and reported on to ensure transparency and to promote accountability for complete vendor fulfillment of the awarded city contract.[12] The City of Sacramento requires employees to disclose if they have personal or financial ties to vendors that apply for the SPP and to recuse themself from any decision-making scenario if a vendor they have ties to apply for the SPP to ensure fairness and equal vendor opportunity.[13] As of 2020-2021, there were 797 registered corporations in the SPP, with the city issuing 429 contracts that calendar year.[14]

Sacramento has continuously invested in updated digital software programs for the procurement department to use in order to gather several data points and identify any common challenges and themes along with statistical indicators of progress. Several Senior Contract Service Officers are assigned to this task every year and work alongside the city's financial department, to which the procurement department is situated hierarchically under.[15] This ensures fraudulent corporations do not take advantage of the SPP initiative and that the value of contracts are awarded at reasonable market rates. An important provision in Sacramento's verification process is the statute which states that sustainable goods and services cannot be more than five percent more expensive than less environmentally sustainable products[16]. According to a city spokesperson, this clause encourages genuine suppliers to apply for the SPP and has reduced the amount of vendors applying with fraudulent emissions data[17] in order to make a quick profit on the over $200 million that Sacramento approximately spends on procurement every year.[18] If a vendor is found guilty of purposefully submitting incorrect emissions data to the city, they are proceeded to be blacklisted from public procurement efforts and cannot apply to be a part of the SPP again.[19]

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[10] Zanaska, Dayana. Interview by Katie Bolissian. Online Interview. March 2022.

[11] City of Sacramento, *Sustainable Purchasing Policy*, (City of Sacramento, 2010): 6.

[12] Sacramento County, *Contracting and Purchasing Services Division Annual Report for Fiscal Year 2020/2021*, (Sacramento County, 2021): 7.

[13] Sacramento County, *Contracting and Purchasing Services Division Annual Report for Fiscal Year 2020/2021*, (Sacramento County, 2021): 25.

[14] Sacramento County, *Contracting and Purchasing Services Division Annual Report for Fiscal Year 2020/2021*, (Sacramento County, 2021): 5.

[15] Sacramento County, *Contracting and Purchasing Services Division Annual Report for Fiscal Year 2020/2021*, (Sacramento County, 2021): 6.

[16] City of Sacramento, *Contracting Opportunities*, (City of Sacramento, 2022): 1.

[17] Zanaska, Dayana. Interview by Katie Bolissian. Online Interview. March 2022.

[18] Sacramento County, *Contracting and Purchasing Services Division Annual Report for Fiscal Year 2020/2021*, (Sacramento County, 2021): 5.

[19] City of Sacramento, *Sustainable Purchasing Policy*, (City of Sacramento, 2010): 7.

Action:

Based upon annual reports published since the SPP has gone into effect, Sacramento has seen considerable success in making their supply chains more carbon neutral and lowering overall Scope 3 emissions in addition to cost savings associated with city procurement. In 2020-2021, the department reported an additional 5% reduction in Scope 3 emissions and $15 million saved when compared to the data found in the 2019-2020 annual report.[20]

Sacramento demonstrates an extensive history of creating policy responses in light of the city's emissions data they identify as being not sustainable. Since the SPP started, Sacramento has spent approximately 15% of their annual budget on motor vehicles, with this figure inclusive of the actual vehicles in addition to gasoline and maintenance fees.[21] This sector was evidently the most polluting, with over 10,000 tonnes of greenhouse gas emissions estimated annually.[22] In 2016 the city decided to mandate a switch to only procure renewable diesel for the municipality, with the main supplier of renewable diesel becoming Neste Renewable Diesel, the largest supplier of renewable biofuel in the world.[23] The switch resulted in greenhouse gas emissions from Sacramento's vehicles being cut by 80%, or by 8,000 tonnes annually with an additional 33% reduction in particulate matter (PM 2.5), which according to the World Health Organization is the matter associated with the greatest adverse health effects related to air pollution.[24] The municipalities of Oakland, Santa Monica, and San Francisco implemented similar mandates to increase consumption of biofuel based on the success of Sacramento's policy.[25]

In response to public and vendor criticism that city procurement standards were too strict for smaller local companies to meet the standards to join the SPP catalogue, the city created a Local Business Enterprise (LBE) Preference Program initiative to encourage smaller vendors to apply and bid for contracts under $250,000.[26] This policy was most recently updated in 2020 by giving a 5% preference to local businesses who bid for LBE centered contracts, and reported in 2020-2021 that $43.6 million of the annual procurement budget was spent on locally fulfilled contracts, with $6.5 million of that total representing vendors classified as small businesses.[27]

Though the SPP catalogue continues growing, Sacramento places significant emphasis on vendor-city relations, with internal surveys being distributed to vendors on an annual basis that asks them to rate their satisfaction with the SPP. In 2018, 7% of vendors reported 'Poor' satisfaction with the program, with the majority of respondents ranking their experience as 'Good'.[28] With updates to the LBE Preference Program in addition to hiring a designated customer service professional for the procurement department, 2020 responses revealed 0% of vendors ranking the program as 'Poor' and 61% of vendors reporting the program 'Excellent'.[29] According to the city spokesperson, good client relations make it attractive for businesses to

[20] Sacramento County, *Contracting and Purchasing Services Division Annual Report for Fiscal Year 2020/2021*, (Sacramento County, 2021): 28.
[21] Sacramento County, *Contracting and Purchasing Services Division Annual Report for Fiscal Year 2020/2021*, (Sacramento County, 2021): 11.
[22] SacCounty News, *Media Release: Renewable Diesel*, (City of Sacramento, 2016): 1.
[23] Ibid.
[24] Ibid.
[25] City of Sacramento, *Green Fleet: Top Green Fleet in North America*, (City of Sacramento, 2019): 1.
[26] Sacramento California City Code, *LBE and Local Hire Participation Levels*, (City of Sacramento, 2016): Code 3.60. 260.
[27] Sacramento County, *Contracting and Purchasing Services Division Annual Report for Fiscal Year 2020/2021*, (Sacramento County, 2021): 5.
[28] Sacramento County, *Contracting and Purchasing Services Division Annual Report for Fiscal Year 2020/2021*, (Sacramento County, 2021): 33.
[29] Ibid.

apply for and stay involved with the SPP, with a good reputation spurring companies to continually innovate their products to be more sustainable and in line with Sacramento's 5-year emissions standards for procurement emissions.[30]

Jurisdictional Scan: United Kingdom

In 2006, the UK published the first global review into the economics of climate change. This led to the Climate Change Act 2008, which established a comprehensive legal framework for delivering emission reductions in the UK, including a 2050 carbon reduction target and the introduction of carbon budgets. The UK Government amended the Climate Change Act 2008 in 2019 by introducing a target of at least a 100% reduction in the net UK carbon account by 2050.[31]

Overall public procurement policy is developed by the Cabinet Office. Sustainable procurement policies are implemented by the Sustainable Products and Consumers section within Cabinet Office. The Crown Commercial Service (CCS) is responsible for the legal framework for public-sector procurement and leads the development and implementation of government procurement policies.[32]

In order to achieve the target of reducing carbon emission, the central government proposed *The Cabinet Office's Transforming Public Procurement green paper* in 2020, which mentioned that procurement should promote both social and monetary value, which means the suppliers need to demonstrate a commitment to Net Zero where applicable.[33]

Measurement:

The UK government clarifies the supplier's emission reduction target by contracts, which introduces a category measurement of supplier emissions. The government has strict contracts for suppliers to oversee environmental-related behaviors in their cooperation, including the readiness of an organization with respect to sustainable procurement, features of the procurement process that are expected to contribute to sustainable procurement, and the impact of what is procured.[34]

The UK government requires the suppliers to provide the carbon footprint and a carbon reduction plan within the 12 months preceding the commencement of the procurement, publicized on companies' website, and updated at least annually.[35]

A number of private sector organizations (as the third party) offer support for suppliers to calculate their carbon footprint. But they are not officially endorsed but just recommended by the government currently.[36]

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[30] Zanaska, Dayana. Interview by Katie Bolissian. Online Interview. March 2022.

[31]

[32] Curbing Carbon from Consumption: The Role of Green Public Procurement. Hasanbeigi, A., Becque, R., Springer, C. August 2019.

[33] Green Paper: Transforming public procurement. Cabinet Office. December 2020.

[34] Procurement Policy Note – New Thresholds. Cabinet Office. November 2019

[35] Green Paper: Transforming public procurement. Cabinet Office. December 2020

[36] Transforming Public Procurement - Government Response to Consultation. Cabinet Office. December 2021

Verification:

The Cabinet Office's *National Procurement Policy Statement* states that addressing climate change and achieving Net Zero is one of the "national priorities that all contracting authorities should have regard to in their procurement".[37]

The Public Procurement green paper mentions that the government and relevant departments should assess a supplier's technical and professional ability, include, as a selection criterion, a requirement for bidding suppliers to provide a Carbon Reduction Plan confirming the supplier's commitment to achieving Net Zero by 2050 in the UK, and setting out the environmental management measures that they have in place and which will be in effect and utilized during the performance of the contract.[38]

Contractors, suppliers, and service providers are required to report their carbon footprint and a carbon reduction plan by the provided template, includes: current emissions in Scope 1 and 2 of the GHG Protocol, emission in a defined subset of Scope 3, and emissions reporting in CO2e (Carbon Dioxide Equivalent) for the 6 greenhouse gases (CO2, CH4, N2O, HFCs, PFCs, and SF6) covered by the Kyoto Protocol.[39]

However, the UK government lacks the verification of suppliers' self-reports, including their current carbon emissions and the emissions reduction targets achievement.

Action:

The UK government proposed to deliver social value through the government's commercial activities in September 2020. The section on fighting climate change mentions that the government should take two actions to get the policy outcome of effective stewardship of the environment. Firstly, the suppliers should deliver additional environmental benefits in the performance of the contract including working towards net zero greenhouse gas emissions. Secondly, the government should influence staff, suppliers, customers and communities through the delivery of the contract to support environmental protection and improvement.[40]

The UK government proposed *Carbon Reduction Plans* in the procurement of major government contracts in June 2021, which defined that the government and relevant departments should assess a supplier's technical and professional ability, including: designing selection indicators, confirming suppliers' commitment to carbon emission, and setting out the environmental management measure.[41]

If suppliers look to bid on smaller contracts, they need to demonstrate a commitment to Net-Zero. The government has clarified that contracting authorities should only consider Net

[37] Net Zero & UK Public Procurement: What you Need to Know. Tussell. September 2021

[38] Guidance on Adopting and Applying the Procurement Policy Note – Selection Criteria. Cabinet Office. June 2021

[39] Procurement Policy Note – Taking Account of Carbon Reduction Plans in the Procurement of Major Government Contracts. Cabinet Office. June 2021

[40] Procurement Policy Note – Taking Account of Social Value in the Award of Central Government Contracts. Cabinet Office. September 2020

[41] Procurement Policy Note – Taking Account of Carbon Reduction Plans in the Procurement of Major Government Contracts. Cabinet Office. June 2021

Zero commitments "where it is relevant to the subject matter and it is proportionate to do so." If suppliers look to secure big contracts, a commitment to Net Zero must run throughout your bid.

One of the best practices for the UK is that there are several pilot programs to test the feasibility of policies. The most successful program is the Transport for London reduced whole life-cycle costs for London's Underground network by finding a range of new lighting solutions and products, which saves 25% in whole life costs, including 75% on maintenance costs.[42]

Jurisdictional Scan: Vancouver

Vancouver's sustainable procurement policy is embedded in their Ethical Purchasing Policy and Supplier Code of Conduct.[43] As per the Supplier Code of Conduct, the City of Vancouver reserves the right to ask for proof of compliance with environmental laws. Specifically, the Supplier Code of Conduct requires that suppliers dispose of waste materials in a way that is environmentally responsible.[44] Since 2012, the City of Vancouver has required that sustainability be considered for all procurement contracts related to goods and services over $75K and for all construction contracts over $200K.[45]

The City of Vancouver's sustainability procurement policy is tied to their Green Operations Plan and Climate Emergency Action Plan, which were revised in 2020. The Climate Emergency Action Plan sets out a goal of reducing carbon emissions by 50% by 2030, as per the United Nations Intergovernmental Panel on Climate Change. The biggest culprits of carbon emissions are vehicles and buildings, which are the targets of recent procurement contracts.[46]

Measurement:

The City Vancouver publishes annual procurement reports detailing which procurement contracts adhered to their climate action goals.[47]

Verification:

The best value procurement contract is the one that incorporates economical feasibility and environmental sustainability. Environmental sustainability must be factored into the evaluation and selection process for suppliers.[48] However, this is not necessarily tied to reducing GHG gas emissions. Depending on the supplier, other environmental considerations may be prioritized, such as waste and packaging reduction or toxin reduction.[49]

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[42] Innovative Lighting Procurement for London's Underground Network. Procura+. January 2017

[43] City of Vancouver, *Ethical Purchasing Policy*, (City of Vancouver, 2005): 1-2.

[44] City of Vancouver, *Supplier Code of Conduct*, (City of Vancouver, 2005): 3-4.

[45] City of Vancouver. "Sustainable Purchasing." City of Vancouver. https://vancouver.ca/green-vancouver/

[46] City of Vancouver, *Climate Emergency Action Plan Summary 2020-2025*, (City of Vancouver, 2020): 2-4.

[47] City of Vancouver, *Annual Procurement Report 2020*, (City of Vancouver, 2021): 1-2.

[48] City of Vancouver, *Ethical Purchasing Policy*, (City of Vancouver, 2005): 1-3..

[49] City of Vancouver. "Sustainable Purchasing." City of Vancouver. https://vancouver.ca/green-vancouver/

The City of Vancouver does not verify GHG data collected from suppliers. The City evaluates contracts on a procurement-by-procurement basis. Contractors are required to supply data and information about their green initiatives. The City inquires into whether contractors are tracking or reporting GHG data and any relevant goals or initiatives as part of the procurement process. This information is not verified by the city or a third party provider.[50]

The City of Vancouver currently has 80 procurement contracts with specific environmental considerations, which garnered 284 respondents. Of these interested suppliers, 171 suppliers reported having initiatives to reduce waste, GHG or toxicity and over 110 suppliers reported implementing climate emergency commitments. Of these suppliers, 69 underwent third-party verification of their own volition. All data from and about suppliers is collected manually. Currently, the City does not have the resources or technology necessary to pursue verification of supplier data.[51]

The City's commitment to sustainability is best supported by a flexibility in supplier contracts, allowing suppliers to detail their own environmental priorities. This flexibility allows the City to enter into procurement contracts, with a limited option of vendors, and encourage further green initiatives over the course of the contract.[52]

Action:

Procurement departments do not have specific GHG reduction timelines, however, they adhere to the City's Green Operations Plan and Climate Emergency Action Plan. Sustainable procurement is viewed as a tool for supporting broader environmental goals. Current sustainable procurement initiatives are not motivated by tangible outcomes, such as reducing GHG emissions. Instead, procurement processes are driven by a 'buy better' approach, in which sustainable procurement is understood as a continuous and ongoing process.[53]

According to the 2020 annual procurement report, the City of Vancouver focused on reducing carbon emissions through acquisition of vehicles and equipment. Notably, the fuel contract with Suncor allowed the city of Vancouver to transition to 100% renewable diesel. A contract with FortisBC allowed the city to transition landfill gas capture to renewable natural gas (RNG). No additional data is available.[54]

The City of Vancouver prioritizes sustainability by communicating their interests and goals to suppliers, subsequently influencing broader market changes. By encouraging and educating suppliers, city managers and key stakeholders the City of Vancouver has managed to influence the market. By signaling to suppliers that sustainable purchasing is a priority for the City, the government has seen suppliers create environmental initiatives and strive to meet climate action goals. It is also important to note that certain industries have outstripped public institutions in their environmental goals. So much so that suppliers that were once unaware of

[50] Buksa, Kim. Interview by Eliana Sinicropi. Online Interview. March 2022.
[51] Buksa, Kim. Interview by Eliana Sinicropi. Online Interview. March 2022.
[52] Buksa, Kim. Interview by Eliana Sinicropi. Online Interview. March 2022.
[53] Buksa, Kim. Interview by Eliana Sinicropi. Online Interview. March 2022.
[54] City of Vancouver, *Annual Procurement Report 2020*, (City of Vancouver, 2021): 8-9.

certain environmental implications are now more than happy to extol the virtues of their Green initiatives, a comparison from even three years ago. To reflect these evolving goals procurement contracts require flexible language, such as "best available" or "as better becomes available." Ultimately, suppliers are willing and capable of adjusting to additional environmental responsibility.[55]

The City of Vancouver employs a largely decentralized approach to sustainable procurement, in which individual departments are responsible for upholding the principles of sustainable procurement. This allows departments to prioritize suitable environmental considerations, by industry or supplier, and enhances accountability.

The City of Vancouver emphasizes leadership and training as it relates to sustainable procurement. Vancouver partners with community stakeholders, corporations and city managers to educate others on sustainable procurement practices. Additionally, the city has begun implementing training for unit directors and engineers on how to encourage and prioritize sustainable procurement.[56]

Jurisdictional Scan: Canada

The Government of Canada is a significant purchaser of goods and services in Canada, purchasing approximately $22 billion worth every year on behalf of federal departments and agencies[57]. As the government's main buyer of goods and services, Public Works and Government Services Canada plays a key role by helping federal departments and agencies define their requirements or scope of work, and obtain what they need at the best value.

Policy on Green Procurement is effective as of April 1, 2006 and incorporates changes effective as of May 14, 2018. The objective of this policy is to advance the protection of the environment and support sustainable development by integrating environmental performance considerations into the procurement decision-making process.[58]

The Treasury Board of Canada Secretariat has laid out the Greening Government Strategy which is consistent with the United Nations' 2030 Agenda for Sustainable Development and the Federal Sustainable Development Strategy. Greening government operations will support Canada's sustainability goals already established under *the Paris Agreement* on climate change, the *Pan-Canadian Framework on Clean Growth and Climate Change* and commitments under the *Convention on Biological Diversity*.[59]

Verification:

Deputy heads support the Treasury Board of Canada Secretariat by setting green procurement targets to reflect mandates and are accountable for their management control

[55] Buksa, Kim. Interview by Eliana Sinicropi. Online Interview. March 2022.
[56] Buksa, Kim. Interview by Eliana Sinicropi. Online Interview. March 2022.
[57] Government of Canada, *Buy and Sell* (Public Services and Procurement Canada): The Procurement Process, (Government of Canada, 2020).
[58] Government of Canada, *Policy on Green Procurement* (Government of Canada, 2018).
[59] Government of Canada, *Greening Government Strategy: A Government of Canada Directive*, (Government of Canada, 2020).

frameworks to incorporate environmental considerations. Additionally, suppliers help advance the government's environmental agenda by providing sustainable goods and services.

The mandate of the Centre for Greening Government is to provide leadership toward net-zero, climate-resilient and green Government of Canada operations by leading and coordinating the federal emissions reduction, climate-resilience and greening government initiatives; integrating knowledge from other leading organizations and sharing best practices broadly; tracking and disclosing government environmental performance information centrally; and driving results to meet greening government environmental objectives.[60]

The Centre of Greening Government is working with CIRAIG (International Reference Centre for the Life Cycle of Products, Processes and Services) to estimate the embodied carbon footprint of the goods and services bought by its central procurement organizations such as Public Service and Procurement Canada and Shared Services Canada. The Public Service and Procurement Canada receives quarterly usage reports on a regular basis from suppliers.[61]

Action:

The Greening Government Strategy is a set of government-approved commitments that apply to all core government departments and agencies. Crown corporations with significant procurement are also encouraged to adopt the Greening Government Strategy or an equivalent set of commitments, including the commitment to net-zero emissions by 2050.[62]

The Deputy heads at the TBCS are responsible for monitoring and reporting green procurement performance through the annual Departmental Plan, the Departmental Results Report or the Departmental Sustainable Development Strategy.

Some of the best practices undertaken by them are to include criteria that address GHG emissions reduction, sustainable plastics and broader environmental benefits into procurements by departments for goods and services that have a high environmental impact; incentivize major suppliers to adopt a science-based target in line with the *Paris Agreement*, and to disclose their GHG emissions and environmental performance information; promote the procurement of sustainable plastic products and the reduction of single-use plastic and associated plastic packaging waste; integrate knowledge from other leading organizations and share best practices; include, monitor and report the contribution and support for the green procurement policy in the performance evaluations of managers and functional heads through Annual Departmental Plan; and incorporate greening priorities into the responsibilities of senior department officials.[63]

Measurement:

The Government of Canada will ensure accountability for their environmental performance and has committed to transparency and open data. In order to ensure oversight, the Centre will publicly disclose detailed environmental performance information on government

[60] Government of Canada, *Greening Government Strategy: A Government of Canada Directive*, (Government of Canada, 2020).
[61] Government of Canada, *Government of Canada's Greenhouse Gas Emissions Inventory* (Government of Canada, 2020).
[62] Government of Canada, *Greening Government Strategy: A Government of Canada Directive*, (Government of Canada, 2020).
[63] Government of Canada, *Greening Government Strategy: A Government of Canada Directive*, (Government of Canada, 2020).

operations, including a complete inventory of federal GHG emissions. Crown corporations are encouraged to do the same.

The government will also encourage adoption of the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) by federal Crown corporations where appropriate and relevant to their business activities.[64]

Challenges:

Based on our jurisdictional scans, we came across three common challenges across the jurisdictions regarding sustainable procurement:

1. Novel Initiatives:

Sustainable procurement is a relatively new policy area. The available reference and cases are limited, but they are essential in ensuring the best results from sustainable procurement. Procurement departments and teams need time to learn the processes necessary to carry out sustainable sourcing and purchasing habits. They must learn how to evaluate their sustainable performance and their suppliers' sustainable performance. Therefore, finding suitable methods to innovate and regular reporting.

2. Lack of Public Data:

Several jurisdictions have made data on procurement emissions such as the budget for sustainable procurement, the real emission reduction data, and the outcome of the sustainable procurement programs unavailable on their governmental platforms. The lack of relevant data may lead to an incompetent analysis. This issue can arise at all levels of the program, including procurement management departments that are unsure how to proceed further and shareholders who are uncertain of the benefits that the sustainable procurement can provide. This lack of understanding may also manifest in managers being unclear regarding how to sustainably procure supplies or best evaluate the eco-friendliness of their current process. To optimize sustainability at the procurement level, relevant departments need a team that can accurately collect, process, and analyze relevant data throughout the procurement.

3. Consistency:

All jurisdictions measure the greenhouse gas emissions and procurement goals with different approaches. For instance, Sacramento uses its internal verification system to audit all supplier data, which is tied to the city's centralized approach to sustainable procurement. Vancouver uses a decentralized procurement approach in which individual departments are accountable for their own sustainable procurement processes. The Centre of Greening Government works with CIRAIG (International Reference Centre for the Life Cycle of Products, Processes and Services) to estimate the embodied carbon footprint of the goods and services

[64] Government of Canada, *Greening Government Strategy: A Government of Canada Directive*, (Government of Canada, 2020).

bought by its central procurement organizations. Policy inconsistencies in different jurisdictions make it hard to compare overall programs feasibility effectively across the cases we have.

Centralization & Decentralization:

Several strengths of Sacramento - from verifying emissions data to customer service practices - can be tied to the city's centralized approach to sustainable procurement. As of 2021, the City of Sacramento had twenty one full-time staff in their procurement department, with employees designated as being responsible for certain, specific operations such as Purchasing Agents, Contract Service Officers, and Administrative Service Officers. This ***centralized*** approach allows for efficient data sharing and streamlined analysis of Sacramento's extensive procurement efforts due to information being centrally stored in one singular department. Centralization has proven useful for large-scale, growing procurement efforts for established cities like Sacramento.

In contrast, the City of Vancouver prioritizes flexible and supplier-specific sustainable procurement. This is supported by a ***decentralized*** procurement approach in which departments assess and adhere to environmental considerations by industry. This strategy allows departments, with a background in specific industries, to determine what is reasonable and feasible for contractors. However, oversight is provided by the Ethical and Sustainable Procurement Manager.

Recommendations:

1. Publish annual procurement reports

Following the implementation of the SPP policy, the City of Toronto should consider publishing annual and publicly available procurement reports. These reports do not necessarily need to include tangible GHG emissions data, but should focus on reporting which contracts were acquired to meet the city's climate goals. To illustrate, the City of Vancouver publishes annual procurement reports that provide examples of which contracts meet specific climate goals such as reducing GHG emissions, waste or toxins. Furthermore, Sacramento publishes annual reports which report the extent to which sustainable procurement efforts have aided in reducing Scope 3 emissions.

2. Ensure comprehensive employee training framework: All the jurisdictions implemented employee training programs, to encourage and educate city employees and department heads on the importance of sustainability. Within governments, training programs were introduced to increase knowledge of sustainability, best practices and methods for motivating stakeholders. Similar initiatives must be incorporated within the City of Toronto.

3. Use third party companies to collect supplier GHG data: Several jurisdictions required suppliers to submit to third-party companies for review and collection of GHG data. For example, Sacramento requires that potential vendors must independently verify their emissions data and environmental goals in order to enter into a procurement contract with the city. It is only once this data has been verified that suppliers can be considered for contracts. In comparison governments in the United Kingdom encouraged the use of third-party organizations to evaluate

suppliers' carbon footprint. The City of Vancouver does not require external verification, however, several suppliers have undergone verification of their own volition. This increases their competitiveness of government contracts. We recommend that the City of Toronto require collection of GHG data from suppliers prior to entering or renewing procurement contracts. This would occur at the expense of the supplier.

4. Internally verify emissions data within set time frame to ensure accuracy: We recommend that supplier submitted data is verified internally within a set time frame, be either annually or biannually to ensure accurate data is being reported to the city. This was a common void in implementation amongst other jurisdictions, and it is of great value to ensure that green procurement efforts are legitimately sustainable. Due to the growing market for sustainable goods and services, this sector is becoming increasingly lucrative and carries the risk that fraudulent vendors may take advantage of these green procurement programs, especially with a brand new program like the city of Toronto is creating. Internal verification provides strong oversight of the program, which can prevent costly and time intensive legal battles that may occur if fraudulent activity is detected, as was the case in Sacramento's early stages of implementing their sustainable procurement policy. Analyzing emissions data can also identify market trends and areas of greater need in the municipality's supply chains, with the analysis having the potential to be utilized for initiatives such as sector specific outreach programs to encourage more companies to bid for city contracts, keeping costs low and emissions reduction targets met.

5. Run policy pilot programs for a set duration of time: Due to Toronto's program development still being in early phases, we recommend that theorized policy implementation happens on a pilot program basis, similar to best practices seen in the United Kingdom. New initiatives have an innate strength of being more fluid, and trial programs are much easier to revise and adapt before implementing a program across the board, which is the United Kingdom's approach for creating new policies centered around sustainability. For example, employee training programs on sustainable procurement across the hierarchy of the Purchasing and Materials Management Division can be run on a trial basis, to which employees can give leadership real time feedback. The ability to test and adapt programs to incorporate employee needs, market demands, and city expectations will inevitably highlight further areas that need to be included in training modules and reveal the most effective way to implement new procurement policy standards.

6. Create a communication strategy: During our primary interviews and jurisdictional research, we found that a lot of procurement data and policies were decentralized, which was a common challenge articulated to us by folks in procurement departments that we interviewed. While it is understood that spokespeople we spoke to are not expected to answer the intricate details of the comprehensive questions we posed, it often took a matter of days to gather the information and get back to us, with respondents signaling an issue in data management chains of their respective departments. While this is a matter of importance across the board, it was more prominent in jurisdictions with newer sustainable procurement policies, revealing that Toronto may experience similar challenges if early communication strategies are not swiftly implemented along with policy making. Thus, a centralized data sharing strategy that emphasizes

open, continuing communication is of the best interest to any municipality due to the highly collaborative nature of this type of policy project.

Sustainable Program Strategy:

To focus on impactful initiatives by adhering to greener policies that will support a civil society to be **#SustainableTOgether**.

This overarching campaign focuses on promoting impactful initiatives by adhering to greener policies to build an open, inclusive, and collaborative environment thus supporting a civil society to be #SustainableTOgether. Based on our findings and previous recommendations, we propose six easy steps that require working with the City of Toronto employees as well as suppliers to create a Sustainable Procurement Program.

1. **Policymaking:** To ensure the requirements are clear and formulate sustainable development policies by integrating environmental performance considerations into the procurement decision-making process.

2. **Educate:** Train the governmental employees as well as the suppliers by developing and sponsoring the training programs as well as communicating the list of best practices that incorporate expected behaviors in terms of reduction in GHG emissions.

3. **Collaborate:** Allow internal as well as external stakeholders Explicitly ask the stakeholders to adhere to green procurement policies and integrate them in daily lives to create a behavioral change.

4. **Measure:** Ensure we are measuring energy efficiency mechanisms and sustainability commitment of employees as well as suppliers' participation in reducing GHG emissions. It includes creation of a risk-mitigation strategy to manage and audit the stakeholders.

5. **Reward:** Keep tabs on the suppliers as well as the governmental employees to observe their commitment and action to sustainable operations with an intention to reward the dedicated performers.

6. **Practice:** Develop an open and a transparent environment where sustainability should be a way of life. The City of Toronto must use this opportunity to set an example and raise the bar for environmental performance and build a greener reputation through sustainable operations and practices.

Conclusion:

Sustainable procurement is an emerging environmental policy field. Among the jurisdictions we analyzed, reducing greenhouse gas emissions was a priority for government procurement. However, initiatives to verify, collect and measure emissions data varied. Methods employed by jurisdictions to enhance sustainable procurement ranged from internal supplier data verification to employee and stakeholder education. Preliminary recommendations for the City of Toronto are suggested.

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