



Motion Regarding Purchasing Policy

Whereas, the SSMU is committed to ethical, socially responsible, and sustainable practices and leadership on campus.

Whereas, the SSMU must uphold a mandate passed by the General Assembly on negative corporate influence on campus.

Whereas, By-law Book II-3, Article 3.1 stipulates the following:

3.1 All investments of the SSMU, regardless of size, must abide by the following guidelines:

3.2.1 Avoidance of companies and governments with material interests in:

3.2.1.1 Socially Harmful Areas (e.g. Weapons and Tobacco)

3.2.1.2 Human Rights abuse (e.g. child/sweatshop labour and political oppression)

3.2.1.3 Environmentally harmful areas (e.g. pollution and destruction of habitat)

3.2.1 Priority consideration given to companies with a proven track record of:

3.2.1.1 Positive contributions to the environment

3.2.1.2 Promotion of sound employment practices

3.2.1.3 High standards of corporate governance and transparency

Resolved, the Purchasing Policy replaces the SSMU Ethical Business Policy.

Resolved, the Purchasing Policy is adopted as official policy of the SSMU.

Resolved, the Vice-President Finance & Operations review, revise and update the Purchasing Policy in conjunction with the Financial Ethics Research Committee.

Moved by:

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Haley Dinell, Religious Studies Senator

Tariq Khan, Engineering Representative

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Purchasing Policy

Introduction

The Students' Society of McGill University (SSMU) bears responsibility not only as a consumer, but also as a representative of the student body at McGill University, to ensure that its procurement policies and practises do not conflict with its stated values. To that end, the SSMU passed the Ethical Business Policy (EBP) in 2010, broadly outlining the norms and standards for the purchase of goods and services. The purpose of the Purchasing Policy will be to make the practical application of these standards possible. This will be done through the development of a Preferred List of Suppliers Database (PLSD). This database will be used to distinguish and rank both suppliers and products which best fit the standards outlined by the EBP and provided below, taking into consideration the costs at which these suppliers provide the required goods and services.

Currently, the EBP sees very limited application in the financial transactions carried out by the SSMU. This fact is reflected under the applicative section of the EBP itself, which states as follows: "The Society recognizes that the complete application of this policy is near impossible, yet dedicates itself to conduct its affairs in light of these principles." To this end, the Purchasing Policy builds upon the principles stated in the Ethical Business Policy, but replaces the EBP to make the practical implementation of these principles possible in the financial conduct of the SSMU.

The EBP separates the standards to be followed into two categories, namely, labour and environment. Under labour the following sub-sections are defined:

- Forced Labour
- Discrimination
- Harassment or Abuse
- Hours of Work
- Freedom of Association and the Right to Bargain Collectively
- Wages and Other Compensation
- Pricing and Timelines
- Health and Safety
- Employment Relationship
- Reproductive Rights
- Child Labour
- Home Workers

Under environment the following sub-sections are defined:

- Location
- Material
- Pollution
- Certification
- Transportation



Working definitions are included in Appendix 1. For a more detailed description of each of these standards, please refer to the Ethical Business Policy provided as an attachment to the policy.

Purchasing Policy

The Purchasing Policy takes into consideration three aspects: sustainability, ethical practices, and financial solvency.

The SSMU shall give preference to suppliers that are based in Canada, use minimal or biodegradable packaging, produce organic products, encompass a recognized fair trade label, use recycled or reused materials, and are energy efficient in their production.

Similarly, the SSMU shall give preference to products which are biodegradable, recyclable, organic, based on fair trade principles, durable and of a high quality. The application of these screens will be dependent on the nature of the product.

To facilitate the selection of a supplier, the FERC must regularly update its Preferred List of Supplies Database (PLSD) referred to in Appendix 2. The aim of the PLSD will be to facilitate the application of the standards originally established in the EBP.

The database will be split up according to the nature of the purchases made by the SSMU. For each category of purchases, the PLSD will provide the list of available products, the list of potential suppliers, their contact information and details of the last known transaction carried out involving that supplier, if applicable. If no previous transaction is available, the last received quote will be provided. If a quote is also not available, one will be obtained from the supplier for goods/services *in question*.

The database will provide users with three important rankings. Each product will have a specific ethical score, a supplier score and a cost-effectiveness score. A composite of these three scores will be taken to then derive a final holistic ranking for each product, with equal weighting being applied to each score.

This process necessitates appropriating an ethical score to both the product itself as well as to the supplier of that product. These two scores will seek to encompass the broad range of ethical and sustainability considerations which may influence purchasing decisions of concerned users.

The product specific score will reflect ethical and sustainability considerations intrinsic to the product itself, such as biodegradability and supply chain issues with regards to the manufacturer. The product score will also seek to incorporate quality and durability issues.



The suppliers' ethical score will reflect their congruence with several issues of concern such as location, community relations, labour relations, waste management and other ethical and sustainability concerns. These considerations will be chosen as screens for suppliers based on their specificity to the supplier itself, with no spill-over effects on the products supplied. Where these spill-over effects exist, they will be incorporated into the products' ethical scores, rather than that of the supplier.

This distinction is important when distinguishing between products obtained directly from a manufacturer, as opposed to a supplier, retailer or wholesaler. For products obtained directly from a manufacturer, there will be a clear distinction between the ethical score of the product and the ethical score of the manufacturer. The product score will reflect the quality, durability, and ethical conformity of the product whereas the ethical score of the supplier (in this case the manufacturer) will reflect ethical considerations with regards to the manufacturer.

For products obtained from a wholesaler, supplier or retailer, the ethical score of the manufacturer will be incorporated directly into the ethical score of the product. Thus the ethical score of the manufacturer will be separate from the ethical score of the supplier in this case. This will allow the FERC to easily distinguish between the ethical practices of the supplier from those of the manufacturer of the product.

There will be six steps required to create the PLSD:

- **The first step** will be researching those financial transactions carried out by the SSMU which are of a repetitive nature. These transactions will then need to be divided into broad categories which cluster them according to their purpose. For example, all events related expenditure will be put under the category of that particular event, all expenditure related to office supplies will be put into the category for administrative expenses.
- **The second step** will entail finding information for each of the products purchased with regards to their cost-effectiveness. This will be done through cross-sectional comparison after data such as last transaction amount or last received quote for each category has been obtained from the accounting department.
- **The third step** will require conducting research to determine the level of compliance of the suppliers and the products with desirable ethical practises. To expedite this process, a short summary of each company will be obtained by the FERC. The summary must contain, at a minimum, the names of the owners of the business, how long the business has been in operation, and all readily available news articles and press releases which mention that particular business.
 - The FERC will seek to complement its research by contacting interested students looking for undergraduate research projects or professors who



might be willing to supervise such research. The FERC may also contact independent agencies which conduct research on suppliers, in cases where such an option is not prohibitive due to its cost.

- After the proper research has been conducted, each supplier will be given a base score of a 100. This score will be added to or subtracted from by decision of the FERC, depending on the responses obtained. A scorecard will be created and used for reference, to aid in standardization of the scores. The scorecard will provide FERC with case studies and scoring guidelines to aid in appropriating the ethical scores.

- **The fourth step** will be to rank each supplier and each product according to its ethical score. As many local suppliers are already in congruence with the specifications previously outlined in the EBP, by nature of the environmental and labour laws in Quebec, it is expected that not many suppliers will receive a score of less than 90. Suppliers scoring above 100 will be those that go beyond what is required of them in minimizing their environmental impact and making a positive contribution to local communities. This may not be true for products which are not manufactured locally, and environmental and labour concerns for these products will then be reflected in their particular ethical scores.

- **The fifth step** will involve, in categories where more than two suppliers are available, a check to see whether there is a compromise candidate available between the most cost-effective supplier and the most ethical one. In situations where there are less than two suppliers, or the most cost-effective supplier is also the most ethical, this step will not be required. The top three suppliers will then be listed for each category, with the first supplier having the highest overall score, the second supplier having the highest ethical score and the third supplier being the most cost effective with an ethical score equal to or greater than the average ethical score for that category. Options which the FERC does not deem ethical will be included only if they provide significant cost savings.

- **The sixth step** will be to make the existence of the PLSD common knowledge within the SSMU, so that the PLSD becomes a go-to resource for users within SSMU looking to place orders. The PLSD will need to be easily available, and presented in a format which is easy to navigate and read so that users are able to quickly obtain the information they require. The PLSD can be easily made available to all users by providing the essential information it contains on the SSMU website.

To make sure task outlined above is manageable, the FERC will start this process by initially considering only the largest transactions conducted by the SSMU. FERC will also consider transactions at the discretion of the SSMU Executive, the SSMU Council and future General Assemblies as deemed appropriate by these bodies.



Applications and Review

Additions to the database

FERC recognizes that, at least initially, the PLSD will not be able to provide users with all the suppliers from which a certain good/service can be obtained. Hence orders will need to be placed with suppliers which are not listed on the PLSD. After the order has been placed, the supplier and the product can easily be added to the database by following the steps listed above.

Engagement with Suppliers

Through the use of the PLSD, the SSMU seeks to bring about an improvement in the level of compliance with desirable ethical practises by suppliers. For this reason, cost-effective suppliers with low ethical scores emerge as the best candidates for engagement.

Moreover, the product rankings will help identify products which are to be considered the most desirable from an ethical perspective. If these products are not being provided by the SSMU's current business partners, the SSMU can then encourage these partners to broaden their product lines by offering the more ethical alternatives.

Reviewing the Ethical Score

The FERC will seek to ensure that the ethical score given to a supplier accurately represents the supplier's ethical practices. To this end, it will be required of the FERC, at the start of each Fall semester, to carry out a thorough review of the scores appropriated by following the methodology given above.

The FERC will also be responsible to ensure it is kept abreast of changes in sustainability given the developing nature of environmental practices. In addition, the Purchasing Policy will be subject to any relevant policies or plans that are introduced to the SSMU in regards to sustainable initiatives.

Benefits Obtained

Other than the external benefits of working with suppliers to help improve their ethical scores, the PLSD will also serve as a basis from which users will be able to make more informed decisions concerning suppliers with regards to the costs of goods and services obtained. This may help users with their budgeting decisions as well as any negotiations which take place with suppliers.

Furthermore, suppliers can be informed that they are listed as the top three choices for a particular category in the database. For orders which are of a per-determined cyclical nature, suppliers can be asked to automatically submit quotes for goods and services



usually obtained from them at a particular time of the year. This will help ease the workload of users within SSMU and also result in more efficient time management for projects or events. As an example, suppliers of Frosh T-Shirts can be informed that they are on the PLSD, and to send in their quotes for T-shirts every year well before the event date.

The purchasing policy requires any purchases which have been categorized in the PLSD to be made only through suppliers which are also listed on the PLSD. To provide the greatest possible financial flexibility, the PLSD lists the most ethical supplier/product, as well as suppliers/products which provide a combination of both acceptable (or high?) ethical scores and cost-savings.



Appendix 1: Working Definitions

The term “**Policy**” refers to this document in its entirety.

The term “**SSMU**” refers to the Students' Society of McGill University.

The term “**FERC**” refers to the Financial Ethics Research Committee of the Students' Society of McGill University. The FERC will have an ongoing role in ensuring that the PLSD is kept up to date.

The acronym “**PLSD**” stands for the Preferred List of Suppliers' Database.

The term “**Preferred List of Suppliers' Database**” refers to the database, to be created by the FERC, which contains a list of suppliers and products ranked according to both their ethical scores and cost effectiveness. The database will be subdivided into categories based on the nature of the purchases. Examples of categories are Frosh, Office Supplies, Toiletries, Alcohol.

The term “**Supplier**” refers to any legal organization or person which provides the SSMU with a (set of) particular good(s) and/or service(s). If the supplier provides only physical goods, then this term may apply only if the supplier is not directly involved in the manufacture of those goods. Examples of suppliers are wholesalers, retailers.

The term “**Manufacturer**” refers to any organization which manufactures goods purchased by the SSMU. The manufacturer may then provide the goods to a supplier to be sold to SSMU, or the manufacturer may directly sell the goods to SSMU.

The term “**Ethical Score**” refers to the score appropriated by the FERC to a supplier/manufacturer or product based on particular ethical and sustainability considerations. The ethical score will be a critical determinant of a supplier/manufacturer's or product's overall ranking in the PLSD.

The term “**Cost-effectiveness Score**” refers to the score appropriated by FERC to a product/service based on the product's/service's cost effectiveness. The most cost effective product/service in a particular category will be given a base score of 100. This score will be deducted from for other products in that category based on the percentage price difference.

For example, if Product A is the cheapest in the category for Frosh T-Shirts and Product B is 15% more expensive, the score for Product A will be 100, and for Product B will be 85.



Appendix 2: Preferred List of Suppliers Database (PLSD)

The following is an example of the information contained within the PLSD:

ID	Category	Product Type	Product Name	Supplier Name	Product Ethical Score	Supplier Ethical Score
1	Frosh	T-Shirts	American Apparel Multi Size	American Apparel	95	105
2	Frosh	Buses	50 Person Bus	Arg Lines	80	90
3	4-Floors	Beer	Boreale Blonde	Boreale	100	110

Cost-Effectiveness Score	Composite Score	Previous Known Transaction Amount	Previous Known Transaction Quantity	Supplier Phone
85	95	1500	150 Shirts	514-111-1111
110	93.33	500	2 Buses	514-222-2222
115	108.3	1000	20 Keggers	514-333-3333

Supplier Email

first.last@aa.ca

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