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| <b>Committee(s):</b><br>Hospitality Working Party<br>Policy and Resources Committee   | <b>Date(s):</b><br>26 March 2019<br>11 April 2019 |
| <b>Subject:</b><br>Review of the City of London Corporation's 2006 Fairtrade Resolution   | <b>Non-Public</b>                                 |
| <b>Report of:</b><br>Chamberlain and Town Clerk   | <b>For Decision</b>                               |
| <b>Report Author:</b><br>Grace Rawnsley Responsible Business Officer, Town Clerk's and Natalie Evans Responsible Procurement Manager, Chamberlain's |   |

### Summary

In October 2006 the Policy and Resources Committee and Court of Common Council agreed to adopt a resolution committing itself to the purchase and promotion of "Fairtrade" products wherever possible. This allowed the City of London Corporation (City Corporation) to apply for Fairtrade status and as such the City has been a Fairtrade Zone for over a decade.

In October 2016 the Hospitality Working Party of the Policy and Resources Committee requested that the Town Clerk review with relevant departments the official policy drawn up in 2006 and that a report be prepared for the P&R committee, due to concerns over singling out Fairtrade as the only indication of adherence to ethical standards.

Many ethical accreditation schemes have been developed since the original resolution passed. However, Fairtrade accreditation is still considered the industry exemplar and standard for fairly and ethically traded products and forms part of the ranking criteria for the annual 'Good Food for London' report produced by Sustain.

This report presents two options for consideration by the Policy and Resources Committee:

1. Option 1: Maintain the 2006 Fairtrade Resolution
2. Option 2: To recommend to the Court of Common Council that a new resolution on ethical standards is adopted, which allows support for a wider number of accreditation schemes.

Both options allow the organisation to fulfil its responsible business practices. However, maintaining our current Fairtrade resolution and Fairtrade Zone status ensure the City Corporation continues to perform against the sector benchmarks outlined in the Good Food for London report. Adopting a new resolution risks jeopardising our ranking against other local authorities and could result in reputational damage to the organisation. Consequently, this report strongly recommends that the 2006 Fairtrade Resolution is retained.

### Recommendation(s)

Members are asked to decide whether to:

**1. (Recommended) Maintain the 2006 Fairtrade Resolution, this comprises:**

- a) Maintaining the City Corporation's support for the Fairtrade mark and the Fairtrade resolution of 2006, thus meeting the City Corporation's responsible business commitments and moreover retaining the City of London's 'Fairtrade Zone' status;
- b) Continuing to advocate the use of Fairtrade products in the Guildhall Club and for City Hospitality Events in conjunction with wider ethical and sustainable sourcing initiatives as outlined in the City Corporation's Responsible Procurement Strategy 2016 – 2019 and corporate catering contracts specifically;
- c) Reviewing the 2006 Fairtrade Resolution in the event of a change of standard used within the Good Food for London report.

Or

**2. Adopt a new resolution on ethical standards, this comprises:**

- a) Recommending to the Court of Common Council that it revokes the current Fairtrade Resolution; and
- b) Recommending to the Court of Common Council that a new, more flexible resolution is adopted:  
*"100% of products (tea, coffee, sugar, bananas, chocolate) provided as part of the catering service must be fairly and ethically traded, in line with our practices of responsible business."*  
Fairly or ethically traded products will be defined by the City Corporation as being assessed by a third-party standard and meeting a minimum number of social, ethical and environmental criteria, with longer term plans to address additional values.
- c) Using P&R Committee contingency funds to resource the research necessary to determine social, ethical and environmental criteria, which would appropriately align with the City Corporation's values. This work would also include the development of a guide for caterers on how to ensure the criteria are adhered to as part of their sourcing activities. The estimated value of this work is estimated to be £20,000 in consultancy fees.

## **Main Report**

### **Background**

- 1. In October 2006 the Policy and Resources Committee and Court of Common Council adopted a resolution committing the City Corporation to the purchase and promotion of "Fairtrade" wherever possible, and to be in a position to apply for Fairtrade status for the Square Mile by autumn 2007. The 2006 Fairtrade Resolution is found in Appendix 1.
- 2. The adoption of the Fairtrade resolution was designed to enhance the City Corporation's reputation as a responsible global citizen and meet stakeholder expectations with regards to the City's leadership position. It also allowed the City of London to be awarded the status of "Fairtrade Zone". In accordance with the 2006 resolution, the Remembrancer's Office currently requires that, wherever possible for City-hosted events, all caterers should use Fairtrade produce. At the

time of writing, out of 32 London boroughs 14 have Fairtrade Status and 6 at least have a Fairtrade policy.

3. Since 2006, the City of London's Fairtrade Steering Committee, chaired by the Lord Mayor's Chaplain and administered by the charity JustShare, has overseen the implementation of the City Corporation's Fairtrade Resolution as well as leading on all other activities required by the Fairtrade Foundation to maintain the City of London's Fairtrade Zone status.
4. In May 2016, the Hospitality Working Party requested the Remembrancer to review alternatives to the use of Fairtrade products at City Hospitality events. Since this time, the Fairtrade Steering Committee has not renewed its application for Fairtrade status as it requires a clear steer by the City Corporation, as the Statutory Authority of the City of London, that the Fairtrade Resolution will be maintained in order to do so.
5. In September 2016, the Hospitality Working Party considered a report of the Remembrancer outlining the use of ethical products within the City Corporation, as well as advising on ethical alternatives to Fairtrade-certified products. The conclusion of the report noted the following:-
  - a) While there are concerns about the trading model, the Fairtrade mark guarantees that the producers involved have been paid the 'Fairtrade Minimum Price' which helps the City Corporation to meet its Corporate Social Responsibility objective of ensuring that workers across the supply chain are paid a fair crop price.
  - b) The main alternatives to Fairtrade in the UK have a greater environmental than social focus and do not guarantee that producers have been paid a minimum purchase price for their crops. Fairtrade offers a more sustainable approach that addresses the three elements of sustainability (economic, social and environmental);
  - c) The Fairtrade mark is not a mark guaranteeing quality, but rather an adherence to certain ethical standards; and
  - d) A statement identifying goods as "Fairtrade-certified" or a general statement in menus about the City Corporation's fair-trade practice could help draw attention to the Fairtrade mark's certifying, rather than quality-underwriting, role.
6. It was proposed then that the Town Clerk should review with relevant departments the official policy drawn up in 2006, with the view of taking the decision on Fairtrade to the Policy and Resources Committee to recommend to the Court of Common Council to maintain or revoke the 2006 resolution.

## Options

### Option 1: Maintain the 2006 Fairtrade Resolution (Recommended)

7. The industry benchmark for local authorities is the Good Food for London report which uses the Fairtrade Foundation mark as the accreditation scheme for ethically traded products. As a result, maintaining the resolution would ensure that the City of London retains its Fairtrade Zone status and that the City Corporation does not jeopardise its ranking within the Good Food for London report.
8. Option 1 represents a consistent and simple policy approach to procuring fairly traded products. It demonstrates the City Corporation's continued commitment to sourcing Fairtrade products, aligns us to standards used by London local authorities and allows the work of the City of London's Fairtrade Steering Committee to begin again – namely to apply for and maintain the 'Fairtrade Zone' status for the City of London.

### Option 2: Recommend that a new resolution on ethical standards is adopted

9. Option 2 enables the organisation to purchase products with a range of different accreditations, preventing the singling out of the Fairtrade Foundation. In order to achieve Option 2, the organisation would need to define criteria for judging the quality of accreditations against the main pillars of fair trade; social, environmental and ethical value.

## Proposal

10. Based on the strategic, risk and financial implications outlined below, it is advised that option 1 is selected by this Committee.

## Strategic implications

11. The City Corporation's Responsible Procurement Strategy 2016-2019 aims to ensure that all items, services and works projects procured lead to reliable outputs and responsible outcomes. From 2019, responsible procurement will be mainstreamed into the City Corporation Procurement Strategy, representing the success of the cultural shift to procuring responsibly.
12. 'Responsible Business Strategy 2018-2023: Towards a sustainable future' is the City Corporation's organisational strategy on both internal and external responsible business activities. The strategy comprises eight priority focus areas and eight responsible business practices that drive decision making across the organisation. The responsible business practices that relate to Fairtrade status include:
  - **Using our convening voice:** We lend our voice and influence, as an independent and respected organisation, to highlight and advocate for responsible practices across our networks and partnerships.

- **Preventing bribery, corruption and fraud:** We actively prevent fraud, corruption and bribery in our own operations and influence our supply chain and partners to do the same.
- **Promoting human rights:** We advocate for human rights in our decision-making processes so that people are treated appropriately and with dignity.
- **Leading responsible procurement:** We apply our responsible business principles to our procurement procedures to maximise social value, minimise environmental impact and strive to ensure the ethical treatment of people throughout our supply chains.

13. Both options being considered by members would allow the organisation to fulfil its responsible business practices and contribute to the Corporate Plan:

Outcome 5: Businesses are trusted and socially and environmentally responsible.

*High level action: Support, celebrate and advocate responsible practices and investment.*

### **Risks and financial implications**

14. The City Corporation will suffer reputational damage if a decision is taken to revoke the 2006 Fairtrade resolution without a suitable alternative resolution demonstrating our commitment to social, environmental and ethical issues within our supply chains. It would also mean that the City of London may lose its Fairtrade Zone status, which has implications for the City Corporation, all businesses and other interested parties based in the Square Mile.

15. While both options presented allow the organisation to fulfil its responsible business practices, maintaining our current Fairtrade resolution will allow us to continue to perform against the sector benchmarks outlined in the Good Food for London report. Adopting a new resolution may jeopardise our ranking against other local authorities, and result in reputational damage to the organisation.

16. Adopting Option 1 incurs a cost premium for Fairtrade products. However, this has already been absorbed into the cost of catering contracts let by the organisation since the resolution has been in operation since 2006.

17. Adopting Option 2 also incurs a cost premium for products but has the potential to be less costly as products with alternative accreditations may be less expensive due to less stringent standards on worker remuneration.

18. Option 2 would also incur the cost of consultancy to develop the City Corporation's definition of fairly and ethically traded products and assess the wide variety of accreditations. The estimated cost of a consultant to undertake this work, which would include a guide for suppliers, would be approximately £20,000. This cost would need to be met from sources outside of department budgets and it is recommended that it be met by Policy & Resources contingency fund. Even with a clear guide, however, it is foreseen that Option 2 would mean that caterers and officers would incur an additional administrative burden in ensuring that their products met the City Corporation's bespoke criteria.

19. The reasons that justify the thorough approach and associated consultancy fees if Option 2 is selected are complex, but in summary:

- a) Allowing any ethical label, including internal schemes, would be a risk as they are not independently verified as to their rigour and can be used as 'greenwashing' i.e. relatively small investments and limited outcomes for significant marketing gain.
- b) Even third-party accredited schemes are very varied in terms of the robustness of their requirements and in terms of the time periods required to achieve certain standards. This can be used by companies to maximise sales gained by having an accreditation, whilst minimising outlays in ensuring that ethical or fair trade standards are met.
- c) Further research is needed as it is currently not known whether any other accreditation systems require the same two key criteria as the Fairtrade Foundation in regards to:
  - a. guaranteed minimum crop price (protecting those who have invested in higher standards against volatile commodity prices) and
  - b. freedom to choose how to invest the 'premium' (i.e. farming cooperatives are able to invest in schemes/ infrastructure most needed by their own community rather than those which are better aligned to the brand's marketing programme)

## Conclusion

- a) Both options presented will satisfy our commitment to responsible procurement and responsible business within our supply chains. However, maintaining our current Fairtrade Resolution will allow the City of London to retain its Fairtrade Zone status and the organisation to retain the highest Fairtrade score when benchmarked against other local authorities through the Good Food for London report. Furthermore, maintaining the Fairtrade resolution will incur no additional expense to the organisation. Adopting option 1 will also allow the organisation to review the Fairtrade Resolution in the event that the Good Food for London report changes the ethical accreditation scheme it supports.

## Background Materials

- *Use of ethical products – alternatives to Fairtrade* – Report of the Remembrancer (Hospitality Working Party, 12 October 2016)
- City of London Fairtrade Steering Group – Website (<http://www.cityfairtrade.co.uk/about/4585214456>)
- Just Share – Website <http://www.justshare.org.uk/about/4567097891>
- Good Food For London: How London boroughs can help secure a healthy and sustainable food future 2016
- City of London Corporation Responsible Procurement Strategy - <https://www.cityoflondon.gov.uk/business/tenders-and-procurement/Documents/responsible-procurement-strategy-2016-2019.pdf>

## Appendix 1: Fairtrade resolution

### **Fairtrade resolution**

*The City of London Corporation believes that the concept of fair trade is central to sustainable development and aims to be recognised by its stakeholders and partners, as an organisation that actively supports and promotes the concept of Fairtrade and fairly traded products.*

*To this end The City of London Corporation will:*

- review its own purchasing policies to ensure that it purchases Fairtrade products wherever possible, taking into account all its statutory obligations and responsibilities*
- offer Fairtrade tea and coffee at Committee meetings, in its offices and restaurants*
- ensure catering contracts for staff and internal meeting facilities require the provision of Fairtrade options, especially for tea and coffee*
- work with existing contractors and regular providers of catering services to Guildhall, Mansion House and other significant City of London venues to encourage and assist them in complying with the commitment to purchase Fairtrade products have representation on the City Fairtrade steering group and actively support its work of maintaining Fairtrade status for the City*
- promote the City of London Corporation's own use of Fairtrade products by using clearly labelled produce and declaring the use of Fairtrade products on menus and in publicity material and*
- promote awareness of Fairtrade issues to the City community and to staff by making information publicly available to all and by highlighting the opportunities that Fairtrade offers for delivering on sustainable development and CSR targets amongst City businesses.*