

# Cleaning up:

*Second Annual Assessment of Responsible Contracting and Procurement in Canada's Commercial Real Estate Sector*

## EXECUTIVE SUMMARY

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# EXECUTIVE SUMMARY

Cleaning Up assesses and compares commercial real estate companies and major commercial property tenants on the degree to which they have incorporated labour considerations into company policies that apply to the procurement of property services, including janitorial, maintenance, and security services. Nine commercial real estate companies and five major commercial property tenants were assessed on the following three criteria:

- The presence, quality and scope of company policies and procedures<sup>1</sup> for addressing labour standards within the property service supply chain;
- The degree to which these policies and procedures are disclosed publicly; and
- The degree to which companies have incorporated monitoring and enforcement provisions into their policies and procedures to ensure service provider compliance with policies.

The second annual Cleaning Up report shows that there have been incremental improvements in the quality of company policies that address precarious employment practices in property service supply chains. The average overall score across all of the six rating categories improved from 60 in 2011 to 68 this year. The greatest improvements were observed in Category 4, which assesses the degree to which companies have incorporated labour standard expectations into the contract tendering or procurement process, and in Category 6, which considered whether or not companies had enforcement provisions in place to address instances where property service providers were not in compliance with policy and legal requirements (see Table 1 below). Three companies, Oxford Properties, Brookfield Properties Corporation and CIBC, performed much better in this year's report as a result of both improved policy disclosure in the case of CIBC, as well as substantive

improvements to company policies in the case of Oxford and Brookfield.

Despite these important improvements, however, the vast majority of company policies that we evaluated continue to fall short in explicitly outlining labour standard expectations to contractors and service providers. The overall average score in the first rating category, which assesses the presence, quality and scope of company policies, remained low this year at 48 as compared to 36 in 2011. The two principal reasons that companies continue to score poorly in this area are: 1) that companies do not have policies in place outlining their approach to responsible contracting or procurement; and 2) that the policies that companies do have in place are not sufficient in addressing precarious employment issues that can emerge in the property service supply chain.

For example, several companies this year reported that they have broadened the applicability of corporate codes of ethics to include contractors. Corporate codes of business or ethics are valuable tools for making general statements about a company's standards and values, but they do not provide sufficient detail on how those standards and values are operationalized, particularly in the process of engaging third party service providers and through complex property supply chains. Based on the criteria used in this report, which were derived from the principles contained in the [Responsible Property Services Code](#), the application of these kinds of general business codes to contractors and subcontractors fails to sufficiently address precarious employment risks in property service supply chains.

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<sup>1</sup> By "procedures" we are referring to tendering procedures.

For those companies that do have policies in place, the majority still failed to incorporate the principle of responsible contracting by explicitly outlining expectations of contractors to correctly classify workers and to avoid unduly complex employment relationships and practices such as consecutive fixed term contracts and labour-only contracting, for example. In addition, companies remain reticent to incorporate the principle of freedom of association and the right to collective bargaining into corporate policies related to contracting and procurement of property services, with only 2 companies incorporating this principle into their policies or standard service agreements.

It is also important to highlight that there are still significant differences in the level of information being provided on company efforts to address precarious employment issues in property service supply chains. With few exceptions, corporate disclosure of contracting and procurement policies was poor. Disclosure of contracting and procurement policies allows consumers and investors to make informed choices and ascertain the degree to which companies are managing the risks and opportunities related to service provider performance, of which employment practices and labour relations are an important component.

**TABLE 2: OVERALL RATINGS**

| COMPANY               | Quality and Scope of Policy | Disclosure of Policy | Application of Policy | Process for Tendering Proposals | Monitoring | Enforcement | OVERALL SCORE | 2011 SCORE | 2011 RANKING |
|-----------------------|-----------------------------|----------------------|-----------------------|---------------------------------|------------|-------------|---------------|------------|--------------|
| MORGUARD CORPORATION  | 75                          | 50                   | 100                   | 110                             | 35         | 50          | <b>77.6</b>   | <b>833</b> | 1            |
| OXFORD PROPERTIES     | 50                          | 100                  | 100                   | 110                             | 50         | 50          | <b>77.5</b>   | <b>585</b> | 9            |
| BENTALL KENNEDY       | 50                          | 100                  | 100                   | 110                             | 25         | 50          | <b>75.6</b>   | <b>775</b> | 2            |
| BROOKFIELD PROPERTIES | 75                          | 50                   | 100                   | 100                             | 35         | 50          | <b>75.1</b>   | <b>543</b> | 12           |
| ROYAL BANK OF CANADA  | 50                          | 75                   | 100                   | 110                             | 50         | 50          | <b>73.8</b>   | <b>700</b> | 4            |
| GWL REALTY ADVISORS   | 50                          | 75                   | 100                   | 110                             | 25         | 50          | <b>71.9</b>   | <b>738</b> | 3            |
| CIBC                  | 50                          | 75                   | 100                   | 100                             | 35         | 50          | <b>70.1</b>   | <b>0.0</b> | 13           |
| BANK OF NOVA SCOTIA   | 50                          | 50                   | 100                   | 100                             | 50         | 0           | <b>63.8</b>   | <b>588</b> | 8            |
| TORONTO DOMINION BANK | 50                          | 50                   | 50                    | 110                             | 25         | 50          | <b>63.1</b>   | <b>563</b> | 10           |
| IVANHOE CAMBRIDGE     | 25                          | 50                   | 100                   | 110                             | 25         | 50          | <b>59.4</b>   | <b>650</b> | 5            |
| CADILLAC FAIRVIEW     | 25                          | 50                   | 100                   | 110                             | 25         | 50          | <b>59.4</b>   | <b>650</b> | 5            |
| BANK OF MONTREAL      | 25                          | 75                   | 100                   | 100                             | 0          | 0           | <b>55.0</b>   | <b>613</b> | 7            |

# RECOMMENDATIONS

Based on the findings of the second annual Cleaning Up report, the following are recommendations for commercial real estate investors, property owners, managers and tenants:

## FOR PROPERTY MANAGERS AND TENANTS

- Improve disclosure of contracting and procurement policies by publishing policies and other relevant documents such as procurement questionnaires on the company website and in company sustainability reports.
- Incorporate the principles contained in the Responsible Property Services Code into current policies and procedures.
- Pay particular attention to incorporating the principles of responsible contracting and responsible employment practices into company policies, service contracts and agreements as well as in requests for proposals.
- The policy should make specific reference to the types of precarious employment practices that you seek to avoid, including misclassification of workers, consecutive fixed-term contracts, labour-only contracting and other arrangements that have the sole aim of lowering labour costs and employer obligations.
- Go beyond compliance with the law and establish explicit expectations of service providers, particularly in the areas of prevailing wages, working hours, working conditions, occupational health and safety, freedom of association and discrimination and harassment.
- In addition to on-going monitoring procedures, commercial real estate companies should establish confidential grievance mechanisms that are accessible to property service workers, whether sub-contractors or employees, and ensure that these mechanisms are well communicated to property service workers.

## FOR REAL ESTATE INVESTORS

- Improve disclosure of contracting and procurement policies by publishing policies and other relevant documents such as procurement questionnaires on the company website and in company sustainability reports.
- Incorporate the principles contained in the Responsible Property Services Code into current policies and procedures.
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