



## Government of Canada: Ensuring Ethical Procurement

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# Objectives

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- Provide an overview of the issue of forced labour, child labour, and human trafficking in public procurement
- Outline PSPC's commitments under the National Strategy to Combat Human Trafficking, and describe initiatives underway to safeguard federal procurement supply chains

# Risks in Government Procurement

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- The Government of Canada is currently at risk of unknowingly purchasing goods made with forced labour
- According to a recent Word Vision Canada report, they estimate that \$43 billion worth of **at risk** goods were imported into Canada in 2021
- Risky imports increased by nearly 30 per cent since 2016
- Canada imported at least 98 **risky** products from over 50 countries in 2021
- The U.S. Department of Labor has identified 159 goods originating from 78 countries that are produced by child or forced labour

# Opportunities in Government Procurement

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**PSPC has a responsibility to procure ethically sourced goods and services:**

- ◆ The central purchasing entity for the Government of Canada
- ◆ One of the largest public buyers of goods and services in Canada
- ◆ Purchases approximately \$22 billion worth of goods and services every year on behalf of federal departments and agencies



# National Strategy to Combat Human Trafficking

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## The Strategy states that PSPC will:

- ◆ Outline expectations on human and labour rights for suppliers;
- ◆ Work with suppliers to develop and implement tools to help ensure compliance in their supply chains; and
- ◆ Examine long term approaches to addressing human trafficking and labour exploitation in federal procurement supply chains.

# National Strategy Outcomes for PSPC



## Short-term

Federal suppliers are **aware** of human and labour rights concerns in their operations and supply chains

## Medium-term

Federal suppliers **identify** human trafficking risks in their operations and supply chains

## Long-term

Federal suppliers **mitigate** human trafficking risks in federal procurement supply chains

# Mandate Letter Commitments

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## PSPC will:

- ◆ Require suppliers of goods and services apply the highest ethical and sustainability standards across their supply chains; and
- ◆ Support the Minister of Labour in introducing legislation to eradicate forced labour from Canadian supply chains and ensure Canadian businesses operating abroad do not contribute to human rights abuses

# Supply Chain Legislation: Bill S-211

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- Bill S-211, *An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff* includes requirements for government institutions and businesses above a certain threshold to table annual reports on steps taken to prevent and reduce the risk that forced labour or child labour was used at any step of the production of goods produced, purchased or distributed
- Reports include measures such as:
  - Policies and due diligence processes
  - Risk analyses of activities and supply chains
  - Mitigation actions taken
  - Remediation actions taken
  - Training and awareness materials



# Identifying Risks

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- ◆ Analysis of the risk of human trafficking, forced labour, and child labour in PSPC supply chains was conducted in 2021
- ◆ Identified top “at-risk” goods (see Annex A)
- ◆ Most suppliers in at-risk categories do not have adequate policies and procedures in place to address risks
- ◆ Recommendations:
  - Introduce human-rights requirements to the tendering process
  - Create training and enhance supplier engagement
  - Develop an ethical procurement policy and due diligence strategy

# Updated Code of Conduct for Procurement

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- Outlines expectations for suppliers and their sub-contractors on human rights and labour standards
- New content on human rights and labour standards informed by:
  - 8 fundamental conventions of the International Labour Organization
  - United Nations Guiding Principles on Business and Human Rights
  - Organization for Economic Co-operation and Development Guidelines for Multinational Enterprises
- Applies to all contracts concluded on August 13, 2021, and onwards
- PSPC seeks to work with suppliers to ensure a sound understanding of expectations, and to address any apparent lack of compliance

# Anti-Forced Labour Contractual Requirements

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Seven anti-forced labour clauses

PSPC can terminate contracts for goods produced by forced labour or human trafficking

The clauses apply to all goods contracts awarded on and after November 4, 2021

Clauses to be expanded to bid solicitations, standing offers, and supply arrangements

# Addressing Allegations of Forced Labour

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If allegations of forced labour arise, the following process would be initiated:

- The Departmental Oversight Branch (DOB) receives information from its partners (e.g., ESDC, CBSA) relevant to administering the anti-forced labour clauses. DOB also monitors various open sources of information that may be linked to suppliers
- If DOB finds that there are reasonable grounds to believe that forced labour or human trafficking violations have occurred, a recommendation is made to the Registrar of Ineligibility and Suspension (the Registrar)
- If satisfied, the Registrar may issue a Notice of Concern to the supplier, alerting them to the information and providing them with an opportunity to respond
- The Registrar provides a final determination to the Contracting Authority as to whether grounds exist to terminate a contract
- The decision to terminate a contract resides with the Contracting Authority

# Consultations and Increasing Awareness

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- ◆ Request for Information for industry to assess awareness of human trafficking, forced labour, and child labour risks in supply chains
  - Completed in fall 2022
  - Informed development of engagement sessions
- ◆ Industry engagement sessions to raise supplier awareness and gather feedback
  - Two sessions in Winter 2023
  - “What we heard” report in development

# Awareness Materials and Guidance

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## ◆ For **suppliers**:

- Information packages for at-risk goods in development
- Will include recommended tools and guidance for risk mitigation

## ◆ For **contracting officers**:

- Awareness documents in development
- Focus group meetings in development to assess knowledge of the issue and needs



# Policy on Ethical Procurement

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- ◆ Draft in early stages
- ◆ Based on internationally accepted standards and guiding principles
- ◆ Expands on human and labour rights expectations in updated Code of Conduct for Procurement
- ◆ Will inform the development of related instruments, including a human rights due diligence framework
- ◆ Stakeholder consultations anticipated later in 2023

# Mitigating Risks: Due Diligence

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- ◆ Mapping of international due diligence obligations for businesses is under way
- ◆ The findings will inform the development of a human and labour rights due diligence framework
- ◆ PSPC will continue to consult stakeholders as part of the development and implementation process

# Annex A – Findings from the Risk Assessment

Grouping of procurements at highest risk of human trafficking, forced labour, and child labour, including each grouping's contribution to the total value of all contracts:

Code description	Risk rank	% of total value
Rope, Cable, Chain and Fittings	1	0.048
Prefabricated Structures and Scaffolding	2	1.897
Office Supplies and Devices	3	0.013
Lighting Fixtures and Lamps	4	0.056
Textiles, Leather, Furs, Apparel and Shoe Findings, Tents and Flags	5	0.436
Recreational and Athletic Equipment	6	0.013
Clothing, Individual Equipment and Insignia	7	4.763
Alarm, Signal and Security Detection Systems	8	0.225
Electrical and Electronic Equipment Components	9	0.746
Service and Trade Equipment	10	0.007
Ships, Small Craft, Pontoons, and Floating Docks	16	11.19
Ammunition and Explosives	18	8.277
Instruments and Laboratory Equipment	21	3.067

*Note: Personal protective equipment (PPE) was not included in the scope of the risk assessment*

# Annex B – Resources

- National Strategy To Combat Human Trafficking 2019-2024 ([publicsafety.gc.ca](https://publicsafety.gc.ca))
- Code of Conduct for Procurement
- Canada's Strategy on Responsible Business Conduct Abroad
- Resources and tools for responsible business conduct