

Ensuring Ethical Procurement

CIPMM - May 14, 2024



Public Services and
Procurement Canada

Services publics et
Approvisionnement Canada

Canada

Objectives

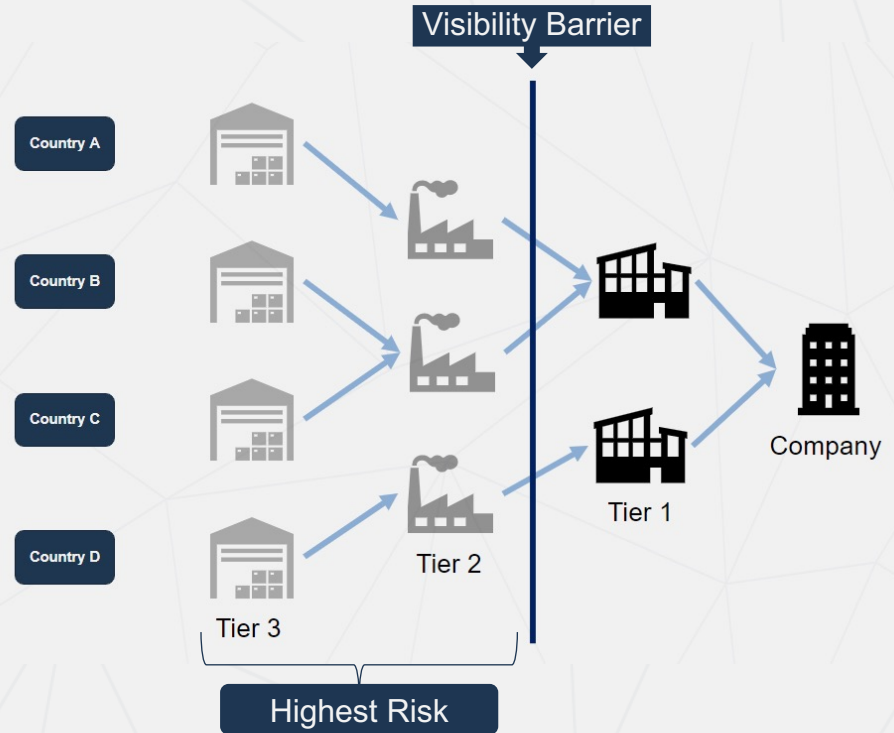
- ◆ Provide an overview of the issue of forced labour, child labour, and human trafficking in public procurement
- ◆ Outline PSPC's commitments under the National Strategy to Combat Human Trafficking
- ◆ Share initiatives underway to safeguard federal procurement supply chains from risks of trafficking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

Risks in Government Procurement

- ◆ The Government of Canada is currently at risk of unknowingly purchasing goods made with forced labour
- ◆ World Vision Canada estimates that \$43 billion worth of at-risk goods were imported into Canada in 2021 (7.5% of total imports)
- ◆ As the central purchasing entity for the Government of Canada, PSPC manages approximately \$24 billion worth of goods and services every year
- ◆ PSPC has a responsibility to procure ethically sourced goods and services

Challenges Identifying Risks

- Often associated with the beginning of the supply chain
- Many goods and materials involved, short-term supplier relationships, informal outsourcing
- Availability of data or resources suppliers need to fully map and monitor their supply chains



PSPC Commitments to Addressing Risks

- ◆ The National Strategy to Combat Human Trafficking (2019-2024) 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.
- ◆ The mandate letter for the Minister of PSPC includes commitments to:
 - Require suppliers of goods and services to apply the highest ethical and sustainability standards across their supply chains
 - Support the Minister of Labour in introducing legislation to eradicate forced labour from Canadian supply chains and ensure that Canadian businesses operating abroad do not contribute to human rights abuses

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

Assessing Risks in PSPC Supply Chains

- 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 ([Annex A](#))
- Most suppliers in at-risk categories do not have adequate policies and procedures in place to address risks
- PSPC is following up on recommendations to develop an ethical procurement policy and a human rights due diligence framework

Setting Expectations for PSPC Suppliers

Updated Code of Conduct for Procurement outlines expectations on human rights and labour standards

- Informed by international standards and best practices
- Now mandatory for all Government of Canada Procurements

Introduced anti-forced labour contract, Standing Offer and Supply Arrangement clauses

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

Consultations and Increasing Awareness

- ◆ 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 completed; Executive Summary published
- ◆ Joint webinar with SSC on forced labour risks in electronics supply chains
 - Presented by Electronics Watch
 - English session in March, 136 attendees
 - French session May 30
- ◆ Draft policy consultations
 - Over 300 attendees between English and French sessions

Awareness Materials and Guidance

◆ For **suppliers**:

- Information packages for at-risk goods completed; developing into web content
- Will include recommended tools and guidance for risk mitigation
- Microlearning video contracted; in development

◆ For **contracting officers**:

- Training materials in development
- Focus group meetings conducted to assess knowledge of the issue and needs

Policy on Ethical Procurement

- ◆ Objectives:
 - Safeguarding federal procurement supply chains against human trafficking, forced labour, and child labour
 - Facilitating positive outcomes where such human rights abuses occur
 - Promoting effective human rights due diligence and responsible business conduct to foster positive socioeconomic outcomes and to secure best value for the Crown
- ◆ Establishes ongoing policy basis for ethical procurement, including further development of activities, initiatives, and frameworks.
- ◆ To be implemented in 2024-2025 FY

Due Diligence

- ◆ Mapping of international due diligence obligations for businesses completed
- ◆ Further research completed to develop and outline options for due diligence tools and mechanisms that operationalize the objectives of the Policy on Ethical Procurement
- ◆ Due diligence framework to be developed within authorities of the Policy, and streamlined with whole-of-government approach
- ◆ PSPC will continue to engage key stakeholders as we prioritize due diligence and risk mitigation to protect human rights in federal supply chains

Supply Chains Act

- ◆ Former 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* (Supply Chains Act):
 - Came into force on January 1, 2024
 - Public Safety Canada (PS) is federal lead
- ◆ Requires certain entities and government institutions to report annually on measures taken to prevent and reduce risk that forced labour and child labour are used in their supply chains
 - Head of every government institution whose activities include producing, purchasing or distributing goods in Canada, or elsewhere, must submit a report to the Minister of PS by May 31 each year
 - PS guidance and questionnaire for developing report are online
 - Reports must be published and publicly available on departmental website
- ◆ PSPC developed standard procurement reporting language to support government institutions referencing PSPC tools in their departmental reports

Anti-forced Labour Clauses:

2000 transactions valued at
over \$12 billion

Code of Conduct for Procurement:

3662 transactions valued at
over \$12 billion

Ethical Procurement in 2023/24

Anti-forced Labour Clauses in Standing Offers and Supply Arrangements:

777 contracts since
November 20, 2023

Procurements of apparel
complied with the
certification requirements
for the ethical procurement of
apparel

Annex A – Findings from the Risk Assessment

Procurement at highest risk of human trafficking, forced labour, and child labour, including each procurement'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 as PPE is not a commodity typically procured by PSPC

Questions? Contact:

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