



2023 to 2024 Annual Report

Submitted under the *Fighting Against Forced
Labour and Child Labour in Supply Chains Act*

May 22, 2024

Catalogue Number : **P1-54E-PDF**

ISSN : **2819-6015**

Aussi disponible en français sous le titre : Rapport annuel 2023 à 2024 au titre de la Loi sur la lutte contre le travail forcé et le travail des enfants dans les chaînes d'approvisionnement

© His Majesty the King in Right of Canada, as represented by the Minister of Public Works and Government Services, 2024

Contents

INTRODUCTION	2
DEPARTMENTAL BACKGROUND INFORMATION	4
Identifying Information	4
Departmental structure, activities and supply chains	4
Departmental procurement activity for PSPC's own needs	6
MEASURES TAKEN TO PREVENT AND REDUCE THE RISK OF FORCED LABOUR OR CHILD LABOUR	6
SUPPLEMENTARY INFORMATION	8
Policies and due diligence processes in relation to forced labour and child labour	8
Activities and supply chains that carry a risk of forced labour or child labour and steps taken to assess and manage that risk	9
Measures taken to remediate any forced labour or child labour	10
Remediation of loss of income	11
Training provided to employees on forced labour and child labour	11
Assessing the effectiveness of ethical procurement measures	11
CONCLUSION	12

Introduction

Supply chains facilitate the timely, efficient, and cost-effective development and distribution of goods that drive modern economies. Despite these benefits, a range of human and labour rights abuses are often concealed in the lowest tiers of complex, globally distributed supply chains.

Worldwide, millions of people continue to suffer through conditions of human trafficking, child labour, and forced labour¹, and as a result, the products that we purchase carry varying degrees of risk of being connected to these abuses. Due to the covert nature of these abuses, it is difficult to measure accurately the volume of goods in circulation with direct connections to forced labour; however, World Vision Canada estimated that \$48 billion worth of at-risk goods were imported into Canada in 2021². With the coming into force of *An Act to enact the Fighting Against Forced Labour and Child Labour in Supply Chains Act and to amend the Customs Tariff*, Canada has joined a growing community³ of like-minded countries that are taking a stand against forced labour. An important component of safeguarding supply chains lies in the strategic leveraging of public spending in order to engage in, and promote, ethical procurement.

As the central purchasing agent⁴ for the Government of Canada, Public Services and Procurement Canada (PSPC)⁵ has a responsibility to hold its suppliers of goods and services to the highest ethical standards within their supply chains. To that end, in 2018, PSPC implemented the Policy on the Ethical Procurement of Apparel, requiring suppliers to self-

¹ International Labour Organization (2024) [Forced labour, modern slavery and human trafficking \(Forced labour, modern slavery and human trafficking\) \(ilo.org\)](https://www.ilo.org/public/english/standards/declaration/forced-labour/)

² World Vision Canada (2023) <https://www.worldvision.ca/WorldVisionCanada/media/NCFS/Reports/WVC-FY23-Q1-Child-Labour-Risky-Goods-Report-2023.pdf>

³ Canada is a member of the international steering committee for the *Principles to Guide Government Action to Combat Human Trafficking in Global Supply Chains*. Established in 2018, these five principles provide a framework for governments to take effective action to prevent and address human trafficking, including forced labour, whether in public procurement or in private sector supply chains.

⁴ Although section 9 of the *Department of Public Works and Government Services Act* confers upon the Minister the exclusive authority for the acquisition of goods for departments, this authority does not apply to Shared Services Canada, the Canada Revenue Agency, Parks Canada, the Canadian Food Inspection Agency, the Financial Transactions and Reports Analysis Centre of Canada and the Canadian Institutes of Health Research.

⁵ Department of Public Works and Government Services is the departmental legal name. This report refers to Public Services and Procurement Canada (PSPC) which is largely used as the departmental applied name in various departmental products, except contracts.

certify that they and their first-tier subcontractors comply with a set of human and labour rights requirements, which include freedom from forced labour and child labour. Implementation of this policy was an important first step for PSPC, and signalled an ongoing commitment to safeguarding our supply chains.

In 2019, through the implementation of the whole-of-government [National Strategy to Combat Human Trafficking](#), PSPC established a dedicated Ethical Procurement team to support work in the following areas:

- raising awareness of ethical procurement issues among suppliers;
- working with the supplier community to identify vulnerabilities within their operations and supply chains and looking for ways to address them;
- outlining requirements for human and labour rights for suppliers;
- working with suppliers to develop and implement tools to ensure compliance in their supply chains;
- examining long-term approaches to address human trafficking and labour exploitation in federal procurement supply chains;
- providing evidence-informed strategic policy advice.

Since the formation of the Ethical Procurement team, PSPC has been actively monitoring national and international trends, and developing approaches through which to [safeguard federal procurement supply chains](#).

A noteworthy example of early progress was the 2021 [risk analysis of PSPC's supply chains](#). The purpose of the analysis was to determine which of the goods that PSPC procures were at the highest risk of potential connection to forced labour. The analysis revealed a range of at-risk goods, and informed the development of an evidence-based approach at PSPC for addressing labour exploitation in federal procurement supply chains. The risk analysis also included key recommendations, such as ongoing industry engagement to raise awareness of supply chain challenges, development of a Policy on Ethical Procurement, and establishment of a human rights due diligence framework.

In 2021, PSPC updated the [Code of Conduct for Procurement](#) (the code) to include human and labour rights expectations for vendors and their subcontractors who respond to bid solicitations and/or provide goods and services to Canada. Updates to the code were made in keeping with international standards and best practices, such as the principles and rights at work covered by the eight fundamental conventions set out by the International Labour Organization, as well as the United Nations Declaration of Human Rights, the United Nations Guiding Principles on Business and Human Rights, and the Organization for Economic Co-operation and Development Guidelines for Multinational Enterprises.

Also in 2021, PSPC implemented seven anti-forced labour requirement clauses to ensure that goods contracts can be terminated where there is credible evidence from a reliable source that goods have been produced in whole or in part by forced labour or human trafficking. The anti-forced labour requirement contract clauses are part of an ongoing commitment to ensure that federal procurements are contracted from suppliers that maintain their supply chains free of human trafficking and forced labour.

In the 2022 to 2023, PSPC provided substantial support in the development of guidance for reporting obligations by government institutions under the *Fighting Against Forced Labour and Child Labour in Supply Chains Act*, and also conducted an analysis to map international due diligence obligations for businesses to report on actions taken to address the risks of forced labour and human rights violations within their supply chains. Following the issuance of a Request for Information, PSPC held two supplier engagement sessions in early 2023, to raise awareness on supply chain risks, outline departmental human and labour rights priorities, and promote an ongoing dialogue with the supplier community. PSPC also awarded a contract to develop targeted awareness materials for informing suppliers of at-risk goods of risks in their supply chains and business practices.

Departmental Background Information

IDENTIFYING INFORMATION

This report is submitted for and by PSPC as a government institution listed in Schedule I of the Access to Information Act and in compliance with the Fighting Against Forced Labour and Child Labour in Supply Chains Act (the Act). As stipulated by the Act, this report covers the steps PSPC has taken between April 1, 2023 and March 31, 2024 to prevent and reduce the risks of forced labour and child labour in its activities and supply chains. The report makes available information regarding PSPC's goods procurements conducted both on its own behalf and on behalf of client departments.

DEPARTMENTAL STRUCTURE, ACTIVITIES AND SUPPLY CHAINS

[The Department of Public Works and Government Services Act](#), enacted in 1996, established the current department and set out Public Services and Procurement Canada's (PSPC) legal authorities. As a common service organization, PSPC delivers on its mandate through the purchase of goods and services, the divestment of goods, payments and accounting, property and infrastructure, government-wide support, and a procurement Ombudsman. PSPC is a

strategic partner to federal departments and agencies in the achievement of their mandated objectives as, among other things, their central purchasing agent, real property manager, treasurer, and accountant. PSPC manages the procurement of approximately \$24 billion of goods and services every year. The Department employs over 17,000 individuals and has offices across Canada, as well as three international offices.

In the 2023 to 2024 fiscal year (between April 1, 2023 and March 31, 2024), PSPC awarded contracts for over \$12 billion worth of goods as a common service provider on behalf of itself and other federal clients. The suppliers from whom these goods were purchased reported themselves to be based in at least 22 different countries. Of these reported countries, the top five in terms of total volume purchased were Canada, the United States, the United Kingdom, Germany and France.

Goods purchased by PSPC for itself totalled approximately \$200 million in the 2023 to 2024 fiscal year. Of these departmental procurements, the top three commodity categories by total purchase value were accommodation and office furniture (over \$18 million), audio and visual equipment (over \$9 million), and software and software maintenance (over \$4 million). Goods purchased by PSPC for federal clients totalled approximately \$11.8 billion in the 2023 to 2024 fiscal year. Surplus goods divested by PSPC for federal clients represented 22,466 transactions resulting in over \$34 million in returns to departments. A total of 2,752 goods contracts or call-ups were awarded by PSPC, both for itself and as a common service provider for client departments in the 2023 to 2024 fiscal year. These contracts included by reference the updated Code of Conduct for Procurement and its human and labour rights expectations. Additionally, 1,590 contracts were amended during the 2023 to 2024 fiscal year to now include reference to the code.

Since November 2021, PSPC, implemented anti-forced labour requirement clauses in all goods contracts it administers to ensure that it can terminate contracts where there is credible evidence from a reliable source that the goods purchased have been produced in whole or in part by forced labour or human trafficking. Additionally, since November 20, 2023, all Standing Offers and Supply Arrangements for goods that have been issued, amended, or refreshed by PSPC, both on behalf of itself and on behalf of client departments, include anti-forced labour requirement clauses.

Excluding standing offers, supply arrangements, and call-ups, 2,000 goods contracts were awarded in the 2023 to 2024 fiscal year by PSPC on behalf of itself and client departments. All of these goods contracts were required to include PSPC's anti-forced labour requirement clauses. Additionally, 912 goods contracts, excluding standing offers, supply arrangements, and call-ups, valued at over \$1.7 billion, were amended in the 2023 to 2024 fiscal year, and were required to include the anti-forced labour requirement clauses.

Following the November 2023 expansion of the anti-forced labour requirement clauses to include standing offers and supply arrangements, a total of 266 standing offers and 90 supply arrangements for goods were awarded or amended for PSPC's departmental needs and 343 standing offers and 78 supply arrangements for goods were awarded or amended for client departments. All of these standing offers and supply arrangements were required to include anti-forced labour requirement clauses.

DEPARTMENTAL PROCUREMENT ACTIVITY FOR PSPC'S OWN NEEDS

Public Services and Procurement Canada has a decentralized procurement structure supporting departmental procurement for its own needs. From April 1, 2023 to March 31, 2024, more than 20,000 procurement transactions were undertaken, representing contractual commitments in excess of \$250M. Approximately 85% of these procurements were routine and were undertaken by non procurement experts. These routine transactions are primarily done using pre-negotiated procurement instruments and their associated template documents to ensure consistency and legislative coverage.

Canada's Code of Conduct for Procurement applies to every departmental procurement at both the planning and implementation stage. Budget managers are required by departmental policy to attest in writing that the procurements they undertake or participate in will adhere to the code. Revisions made to the code ensures that Human Labour rights are considered long before the procurement is put in place.

Further, the Government of Canada's Integrity Regime applies to all departmental procurements.

Measures taken to prevent and reduce the risk of forced labour or child labour

In August 2021, PSPC revised its Code of Conduct for Procurement to include human and labour rights expectations for PSPC suppliers and their subcontractors. The updated code also allows Canada the option to terminate a contract with a federal supplier if they, or their subcontractors, are unwilling or unable to come into compliance with its expectations.

As previously mentioned, the updated code was informed by eight fundamental conventions of the International Labour Organization and the United Nations Guiding Principles on Business and Human Rights. Key informants pointed to the updated code as one of the first tools that helps federal procurement suppliers and officers in their work. Until March 2023, other

government departments were free to include the code by reference in their contracts. However, as of April 1, 2023, amendments to the Treasury Board Directive on the Management of Procurement made the code mandatory for all Government of Canada procurements. In May 2023, PSPC updated the code to simplify its language and reflect these Treasury Board amendments.

In November 2023, PSPC expanded its anti-forced labour contract clauses to be included in all new, amended or refreshed standing offers and supply arrangements. These clauses were expanded from the initial anti-forced labour contract clauses implemented in all goods contracts since November 2021. The clauses serve as a declaration of due diligence commitments, as well as a tool through which PSPC can terminate contracts where there is credible evidence from a reliable source that goods were produced in whole or in part by forced labour or human trafficking. The implementation of these clauses is part of an ongoing commitment to ensure that federal procurements are made with suppliers that maintain their supply chains free of human trafficking and forced labour.

To support the upcoming development of a human rights due diligence framework, PSPC completed a mapping of international due diligence obligations for businesses to report on actions taken to address the risks of forced labour and human rights violations. PSPC also began developing awareness materials targeted towards suppliers of at-risk goods, with a view to promoting ethical procurement best practices and safeguarding federal procurement supply chains.

In the 2023 to 2024 fiscal year, building on research to date, the Policy on Ethical Procurement was drafted, focusing on the prevention of human rights abuses in federal procurement supply chains. The purpose of the Policy will be to define, formalize and frame departmental commitments to ethical procurement, and to establish the basis for ethical procurement programs, initiatives and frameworks to advance these commitments. The draft policy has undergone three rounds of consultations with both internal and external stakeholders, and is to be implemented in the 2024 to 2025 fiscal year. Once the Policy is finalized, a subsequent Human Rights Due Diligence framework will be developed to outline specific obligations, and build a suite of activities, initiatives and changes concerning PSPC procurement processes.

PSPC also continued to implement its Policy on the Ethical Procurement of Apparel requiring suppliers to self-certify that they and their first-tier subcontractors comply with a set of human and labour rights. These rights include freedom from forced labour and child labour. During the reporting period, seven contracts containing suppliers' self-certification were awarded by PSPC, representing over \$17 million in total value.

Targeting federal suppliers, civil society groups, experts and other stakeholders, PSPC also organized several engagement sessions to raise awareness of human and labour rights issues in supply chains and business practices. Building on commitments to raise awareness on supply chain due diligence, PSPC also contracted a micro-learning video, set to go live in 2024, with the intention of providing an introductory resource for Canadian businesses seeking to better understand risks in their own supply chains. PSPC also started to develop information tools for its procurement officers, and held a focus group discussion with its procurement officers to identify and discuss their unique needs for tools and resources.

PSPC also engaged closely with international partners in the 2023 to 2024 fiscal year in order to ensure that its approach to tackling forced labour in supply chains is in harmony with like-minded countries. PSPC is a leading member of the Steering Committee on the Principles to Guide Government Action to Combat Human Trafficking in Global Supply Chains, along with representatives from Australia, New Zealand, the United Kingdom, and the United States. PSPC met regularly with these countries to share updates and develop collaborative initiatives for preventing and mitigating human trafficking, forced labour, and child labour in supply chains.

Supplementary Information

POLICIES AND DUE DILIGENCE PROCESSES IN RELATION TO FORCED LABOUR AND CHILD LABOUR

In the 2023 to 2024 fiscal year, building on research to date, the Policy on Ethical Procurement was drafted, focusing on the prevention of human rights abuses in federal procurement supply chains. The objectives of this policy are as follows:

- safeguard federal procurement supply chains against forced labour;
- facilitate positive outcomes where labour rights abuses occur; and
- promote effective human rights due diligence and responsible business conduct.

The expected outcomes of the policy are:

- the development of a Human Rights Due Diligence framework, to be implemented under the authorities of the policy;
- the establishment of data requirements;
- the adoption of metrics to monitor the effectiveness of measures;

-
- the promotion of awareness pertaining to supply chain risks and ethical procurement practices; and
 - the continued increase of the number of federal procurements with ethical procurement objectives.

The draft policy underwent three rounds of consultations with both internal and external stakeholders, and is to be implemented in the 2024 to 2025 fiscal year.

Once the Policy is finalized and implemented, a subsequent Human Rights Due Diligence framework will be developed to outline the implementation approach for achieving the objectives set out in the Policy on Ethical Procurement. This framework will build a suite of activities, initiatives and changes concerning PSPC procurement processes. Research for this framework was already underway in the 2023 to 2024 fiscal year, and is set to continue over the next fiscal year.

On March 20, 2024, PSPC also announced plans to bring forward enhancements to the Ineligibility and Suspension Policy, and launch a new Office of Supplier Integrity and Compliance to enable the department to identify suppliers of concern, take appropriate action to mitigate the risk they pose, and promote ethical business practices. With the launch of the Office of Supplier Integrity and Compliance, PSPC is updating previous frameworks governing supplier integrity to expand the list of offences that would render a supplier ineligible to do business with the Government of Canada. This new policy and office will also provide additional tools to support efforts to eradicate forced labour from Canadian supply chains, will enable a broader application of anti-forced labour measures, and introduce additional measures to encourage compliance with Canadian laws and policies regarding anti-forced labour.

ACTIVITIES AND SUPPLY CHAINS THAT CARRY A RISK OF FORCED LABOUR OR CHILD LABOUR AND STEPS TAKEN TO ASSESS AND MANAGE THAT RISK

Ongoing ethical procurement initiatives undertaken in the 2023 to 2024 fiscal year were largely informed by a risk analysis of human trafficking, forced labour and child labour in PSPC supply chains completed in May 2021.

In 2021, as part of a contract with the University of Nottingham's Rights Lab, a risk analysis of human trafficking, child labour, and forced labour in PSPC supply chains was completed. This analysis identified thirteen Goods and Service Identification Number codes (GSIN codes) procured by PSPC between 2017 and 2020 which were at the highest risk or the highest risk-value (simultaneously considering risk and spend volume). These GSIN codes are as follows:

-
- 40 – Rope, cable, chain and fittings
 - 54 – Prefabricated structures and scaffolding
 - 75 – Office supplies and devices
 - 62 – Lighting fixtures and lamps
 - 83 – Textiles, leather, furs, apparel and shoe findings, tents and flags
 - 78 – Recreational and athletic equipment
 - 84 – Clothing, individual equipment and insignia
 - 63 – Alarm, signal and security detection systems
 - 59 – Electrical and electronic equipment components
 - 35 – Service and trade equipment
 - 19 – Ships, small craft, pontoons, and floating docks
 - 13 – Ammunitions and explosives
 - 66 – Instruments and laboratory equipment

Based on these findings, the report made evidence-based recommendations for preventing and mitigating human trafficking, child labour and forced labour in PSPC supply chains. These recommendations included:

- working with suppliers of at-risk goods to raise awareness of challenges in their supply chains;
- developing and implementing an ethical procurement policy and a human and labour rights due diligence framework.

During the 2023 to 2024 fiscal year, PSPC continued to implement recommendations from the risk analysis, including raising awareness among its suppliers through engagement sessions, the contracting of a micro-learning video, and the development of guidance materials. In the 2023 to 2024 fiscal year, the Policy on Ethical Procurement was drafted, and it is to be implemented in the 2024 to 2025 fiscal year. In keeping with recommendations from the risk assessment, following the finalization of the Policy, a subsequent Human Rights Due Diligence Framework will be developed, with research on this initiative already underway.

MEASURES TAKEN TO REMEDIATE ANY FORCED LABOUR OR CHILD LABOUR

In the 2023 to 2024 fiscal year, PSPC updated the Code of Conduct for Procurement to reflect amendments to the Treasury Board Secretariat Directive on the Management of Procurement making this code mandatory for all Government of Canada procurements as of April 1, 2023. The code includes clear requirements for federal suppliers and their sub-contractors regarding forced labour and child labour. PSPC also expanded the application of the anti-forced labour

clauses (already applying to goods contracts since November 2021) to standing offers and supply arrangements.

Both the code and anti-forced labour clauses are also intended to serve as educational tools for suppliers on expected responsible business practices and behaviours. Should PSPC get credible evidence from a reliable source that goods purchased were made by forced labour or child labour, PSPC would collaborate with implicated supplier(s) to address the issue, which would include ensuring remediation measures for victims by implicated supplier(s) or their own supplier(s).

In the 2023 to 2024 fiscal year, PSPC continued to strengthen its relationship with suppliers through engagement and awareness-raising activities, while developing its Policy on Ethical Procurement, which, when implemented in 2024 to 2025, will establish the authority for PSPC to implement expected and required due diligence mechanisms for its suppliers. These mechanisms will also include expected remediation processes for suppliers to provide redress to victims of human rights abuses when they occur.

REMEDIATION OF LOSS OF INCOME

PSPC has not identified any loss of income to vulnerable families resulting from measures taken to eliminate the use of forced labour or child labour in its activities and supply chains. PSPC's Policy on Ethical Procurement, completed in the 2023 to 2024 fiscal year, will establish the ongoing authority for a Human Rights Due Diligence Framework once it is implemented. The drafting of the Due Diligence Framework will aim to include the input of workers and victims in order to avoid unintended harm and loss of income resulting from any future measures taken to eliminate forced labour or child labour in PSPC supply chains.

TRAINING PROVIDED TO EMPLOYEES ON FORCED LABOUR AND CHILD LABOUR

PSPC has started to develop awareness materials and information tools for procurement officers. In April 2023, PSPC held a focus group discussion with procurement officers to identify and discuss their needs in terms of training, tools and resources.

ASSESSING THE EFFECTIVENESS OF ETHICAL PROCUREMENT MEASURES

PSPC is committed to continued dialogue and engagement with relevant stakeholders, particularly its suppliers. On one hand, engagement sessions that PSPC has been hosting are

opportunity for industry and federal suppliers to learn about and provide feedback on existing departmental ethical procurement initiatives while also informing new initiatives. On the other hand, these events are an opportunity for PSPC to discuss with suppliers on the effectiveness of their actions to address forced labour and child labour and how PSPC can support their due diligence measures.

Conclusion

PSPC made significant progress during the 2023 to 2024 fiscal year in its efforts to prevent forced labour, child labour, and human trafficking in federal procurement. Building from its mandate set in 2019 under the National Strategy to Combat Human Trafficking, PSPC has developed an evidence-based foundation for its current work and its long-term vision. In the 2023 to 2024 fiscal year, PSPC continued this development through the completed drafting and consultation for a Policy on Ethical Procurement, for implementation in the next fiscal year. PSPC also again expanded its anti-forced labour requirement clauses in 2023, which ensure that PSPC can terminate contracts where there is credible evidence from a reliable source that goods were produced in whole or in part by forced labour.

Throughout this process, PSPC recognizes the importance of close engagement with domestic and international stakeholders, including businesses, expert organizations, civil society, various levels of government, and especially its own supplier base. During the 2023 to 2024 fiscal year, PSPC held engagement and feedback sessions that were open to all of these groups, and it collected significant feedback that it will carefully consider as it continues to develop and implement anti-human trafficking initiatives. PSPC also continues to develop and share various means of awareness-raising for the Canadian public around the risks of human rights abuses in supply chains, including through engagement sessions, webinars, videos, and information packages.

PSPC is committed to ongoing risk identification, promotion and development of mitigation practices, and ongoing activities to raise awareness and engage with industry and strategic partners. While a great deal of foundational work has already been accomplished at PSPC, we are dedicated to ongoing improvement, and will continue to leverage the power of public spending to promote ethical procurement best practices to make our supply chains safer.