



Fighting Against Forced Labour and  
Child Labour in Supply Chains Act

# 2024 Annual Report

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# Introduction

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This report covers the Business Development Bank of Canada (“BDC”) and BDC Capital Inc., a wholly owned subsidiary of BDC, financial year beginning on April 1, 2023, and ending on March 31, 2024 (“FY24”). It is prepared pursuant to the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “Act”). This report addresses the measures taken by BDC to prevent and reduce the risk of forced labour and child labour in our business and our supply chain. For the purpose of this report, the term “BDC” also includes BDC Capital Inc.

## Steps taken to prevent and reduce the risk of forced labour and child labour

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In FY24, BDC adopted its Sustainability Framework, which includes improving the integration of environmental, social and governance issues in its procurement processes. In addition, BDC began to analyze its current processes to identify opportunities to prevent and reduce forced labour and child labour within its supply chain. Below are the actions that BDC has taken:

- Conducted a review of our supply chain purchases to identify which commodities apply under the scope of the Act
- Incorporated a forced labour and child labour clause in BDC’s purchase orders when purchasing goods and/or services.

## Structure, activities, and supply chains

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### Structure

BDC is a Crown corporation that was established by an Act of Parliament on December 20, 1974, as the Federal Business Development Bank and continued under its current name by the enactment of the *Business Development Bank of Canada Act* on July 13, 1995.

BDC wholly owned by the Government of Canada. BDC is for all purposes an agent of the Crown.

BDC’s mandate is to support the establishment and development of businesses in Canada, with a focus on small and medium-sized enterprises. To fulfill its mandate, BDC provides a range of complementary lending, investment through BDC Capital Inc. and advisory services.

BDC employs approximately 2,900 people across Canada, with its head office based in Montreal, Quebec.

The President is the Chief Executive Officer of BDC and has, on behalf of the Board of Directors, responsibility for the direction and management of the business and affairs of BDC, with authority to act in all matters that are not by the *Business Development Bank of Canada Act* or any by-law or resolution specifically reserved to be done by the Board of Directors or a committee of the Board.

### Activities

BDC purchases goods directly from suppliers, as described in the Supply chain section below. However, BDC neither produces nor distributes goods in Canada or elsewhere.

## Supply chain

In FY24, the categories of BDC's procurement spend can be broken down as follows:

- 60% is dedicated to contingent workforce, professional services, and administrative expenses
- 30% is for technology such as cloud solutions, IT hardware, telecommunications, and networking
- 10% is for commodities linked to furnishings, office supplies and promotional items

BDC contracts directly with suppliers based in Canada (96%) and the United States (3%), with a small percentage being from Europe (approx. 1%).

## Policies and due diligence processes

### Policy and processes

BDC's supply chain is governed by a procurement governance framework approved by the President and Chief Executive Officer, and BDC's Board of Directors. The Procurement Department is responsible for and oversees purchases carrying any form of risk for BDC. The Real Estate and Facilities Management Department is responsible for procurement linked to construction or repair work related to BDC's offices, in compliance with internal guidelines set out by the procurement governance framework.

BDC embeds responsible business conduct into its procurement governance framework as outlined below.

Governance framework	Scope	Description
<b>Code of Ethics (the "Code")</b>	Sets BDC's expectations for employees, contingent workers and suppliers to maintain the highest ethical standards.	The Code ensures adherence to BDC's standards (policies, directives, procedures). As a Crown corporation, BDC adheres to the values set out in the Values and Ethics Code for the Public Sector, which embeds respect for human dignity and the value inherent in every person.
<b>Procurement Policy</b>	Sets the fundamental principles and range of activities that govern the acquisition of goods and services, including the identification and selection of vendors, the establishment of commercial terms, negotiation of contracts and the actual purchase.	The fundamental principles include a requirement that procurement be conducted in a manner that considers the economic, social and environmental factors, such as international human rights standards and BDC's goal of managing its impact on the environment.
<b>Procurement governance framework</b>	Describes the fundamental principles and range of activities that govern the acquisition of goods and services, including governance activities and third-party risk management.	BDC's governance processes include assessments related to third-party risk management, legal risks, compliance risks, IT risks, operational risks and fraud risks, as well as those that fall under Canada's Anti-Money Laundering and Terrorist Financing regime (AMLTF).

## Due diligence

BDC follows sound principles and practices in the procurement and contracting of goods and services and the management of external suppliers, including a due diligence and risk assessment oversight of our relationships with suppliers. Types of due diligence that are validated include:

- Registration with tax authorities
- AMLTF status/sanctions including Know Your Supplier Status
- Conflicts of interest
- Business risks
- Business registration with provincial/federal authorities
- Confirmation of financial sustainability
- Minimum insurance coverage
- Legal claims
- Registers of companies not eligible for federal/provincial/municipal contracts

## Forced labour and child labour risks

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BDC has started the process of identifying risks of forced labour and child labour occurring in its supply chain. Acknowledging that its assessment can be further refined, BDC's initial finding determined that the risk of forced labour and child labour occurring in its activities and supply chain is relatively low based on the categories of BDC's procurement spend and the fact that BDC's direct suppliers are mostly based in Canada and the United States.

As BDC recognizes that inherent risks and residual risks may exist further down its supply chain, it continuously looks to improve its internal due diligence procedures to address the current complex and evolving risk environment.

## Remediation measures

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As no cases of forced labour or child labour have been identified, no remediation measures were taken by BDC.

## Remediation of loss of income

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As no measures were taken to eliminate the use of forced labour or child labour in BDC's activities and supply chains, no remediation measures for loss of income were taken by BDC.

## Training

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BDC did not provide training to employees specifically on the topic of forced labour or child labour in FY24. However, in line with BDC's commitment to sustainability, BDC launched its inaugural "Sustainability at BDC" training course for all employees, which helped build foundational knowledge on sustainability topics and the actions BDC is taking to support its sustainability goals.

## Assessment of effectiveness

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As previously mentioned in the "Forced Labour and Child Labour Risks" section, the risk of forced labour and child labour occurring in BDC's activities and supply chain is relatively low. In FY24, BDC did not have policies or procedures in place specifically to assess its effectiveness in ensuring that forced labour and child labour are not being used in its activities and supply chain.



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