

Forced Labour and Child Labour in Canadian Supply Chains: Annual Report, 2023–24

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Introduction

Senate Public Bill S-211 , to enact the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* and to amend the *Customs Tariff*., came into force on January 1, 2024

This Act requires that the head of every government institution whose activities include producing, purchasing or distributing goods in Canada or elsewhere submit an annual report to the Minister of Public Safety and Emergency Preparedness on or before May 31 of each year.

This report focuses on the steps taken by the National Research Council Canada (NRC) to prevent or reduce the risk that forced labour or child labour is used at any step in the production of goods purchased from the date the Act came into force until the end of the last fiscal year (March 31, 2024).

Structure, activities and supply chains

The NRC is an agency of the Government of Canada, and its mandate is set out in the *National Research Council Act*.

Responsibilities of the NRC under the Act:

- Undertaking, assisting or promoting scientific and industrial research in fields of importance to Canada
- Providing vital scientific and technological services to the research and industrial communities
- Investigating standards and methods of measurement
- Working on the standardization and certification of scientific and technical apparatus, instruments and materials used or usable by Canadian industry

- Operating and administering any astronomical observatories established or maintained by the Government of Canada
- Establishing, operating and maintaining a national science library
- Publishing and selling or otherwise distributing such scientific and technical information as the NRC deems necessary

The NRC is the primary national agency of Government of Canada dedicated to science and technology research and development. Over 4,000 people across Canada are employed by the NRC. In addition, the NRC also employs guest workers from universities, companies and public and private-sector organizations.

Procurement activities and supply chains

The NRC’s planned budgetary spending for fiscal year 2024–25, as indicated in the main estimates section, is \$1.6 billion. This spending comprises grants and contributions (\$611 million), personnel (\$561 million), other operating costs (\$272 million) and capital (\$152 million).

In 2023–24, the NRC awarded a total of \$232 million on contracts for goods, services and construction. Of that amount, \$85.8 million was for goods only, purchased through 5,200 contracts (purchase orders, call-ups against standing offers and supply arrangements).

Table 1. Top 10 types of good purchased by the NRC during the 2023–24 fiscal year

| Goods and Services Identification Number (GSIN) category | Types of good | Number of contracts | Total contract value by types of goods (in millions of dollars) | % total value by type of goods |
|--|---|---------------------|---|--------------------------------|
| N66xx | Instruments and laboratory equipment | 2,393 | 62.7 | 73.14% |
| N70xx | General purpose automatic data processing equipment | 879 | 8.6 | 3.70% |
| N68xx | Chemicals and chemical products | 1,238 | 7.6 | 3.30% |
| N59xx | Electrical and electronic components | 249 | 1.2 | 0.53% |
| N16xx | Aircraft components and accessories | 31 | 1.0 | 0.47% |
| N71xx | Furniture | 87 | 1.0 | 0.45% |
| N23xx | Ground effect vehicles, motor vehicles, trailers | 1 | 0.9 | 0.40% |
| N91xx | Fuels, lubricants, oils and waxes | 14 | 0.4 | 0.18% |
| N75xx | Office supplies and devices | 156 | 0.5 | 0.21% |
| N36xx | Special industry machinery | 2 | 0.3 | 0.15% |

At the NRC, approximately 99% of the annual total contract value is awarded to the types of goods listed in table 1. Of the total contract value awarded, 41% was made on our behalf by Public Services and Procurement Canada (PSPC) or Shared Services Canada (SSC) or through the use of PSPC and SSC tools such as standing offers and supply arrangements.

Policies and due diligence processes

Since November 2021, PSPC implemented anti-forced labour clauses in all goods contracts to ensure that it can terminate contracts where there is credible information that the goods have been produced in whole or in part by forced labour or victims of human trafficking. Additionally, since November 20, 2023, all PSPC standing offers and supply arrangements for goods that have been issued, amended or refreshed include anti-forced labour clauses.

As such, all of our contracts for goods resulting from the use of these tools include clauses relating to forced labour that set out, among other things, requirements for human rights and labour rights. These clauses can be found in policy notification 150, outlining anti-forced labour requirements.

Effective April 1, 2023, amendments to the Treasury Board Directive on the Management of Procurement require contracting authorities from all departments listed in schedules I, I.1 and II of the *Financial Administration Act* and commissions established in accordance with the *Inquiries Act* and designated as a department for the purposes of the *Financial Administration Act* to incorporate the Code of Conduct for Procurement (the Code) into their procurements.

Pursuant to the aforementioned amendments, the NRC has integrated the Code into our procurement processes, with a view to safeguarding federal procurement supply chains from forced labour and child labour. Contracts that our organization has awarded included the Code as part of the general conditions for goods.

The Code requires that vendors providing goods and services to the Government of Canada and their subcontractors comply with all applicable laws and regulations. In addition, the Code requires vendors and their subcontractors to comply with Canada's prohibition on the importation of goods produced, in whole or in part, by forced or compulsory labour. This includes forced or compulsory child labour and applies to all goods, regardless of their country of origin.

The prohibition on the importation of goods produced wholly or in part by forced labour came into force under the *Customs Tariff* on July 1, 2020. This amendment implemented a commitment in the chapter on labour of the Canada–United States–Mexico Agreement (CUSMA) and applies to all imports, regardless of origin.

Forced labour and child labour risks

In May 2021, a risk analysis of PSPC's supply chains was completed by Rights Lab, of the University of Nottingham (UK), to determine which goods were at the highest risk of exposure to human trafficking, forced labour and child labour. The analysis and subsequent report elaborated key strategies for PSPC to leverage public spending power in order to raise awareness about forced labour and child labour in supply chains.

Following this analysis, goods purchased by the NRC in the following categories represent a risk for forced labour and child labour:

- Electrical and electronic equipment components
- Office supplies and devices
- Prefabricated structures and scaffolding
- Textiles, leather, furs, apparel and shoe findings, tents and flags

In 2023–24, the NRC awarded a total of \$1.8 million for of the above goods, representing 2.13% of all contract goods awarded. Of the total amount for these types of goods, \$0.3 million was awarded through the use of PSPC and SSC tools such as standing offers and supply arrangements.

Recognizing the risk of forced labour and child labour within the supply chain, the NRC has completed this analysis by also looking at our top 20 vendors and their commitment to corporate social responsibility related to exploitative labour practices. These 20 vendors represent close to 37% of all contract goods awarded. Of those vendors, 15 of them have a policy or acknowledge their responsibility for ensuring compliance with obligations related to human rights.

The NRC has familiarized itself with information on the risk assessment provided by PSPC and will monitor the related follow-up actions, which includes the development of a policy on ethical procurement.

Remediation measures and remediation of loss of income

Given that the NRC has not identified the presence of any forced labour or child labour in its business or supply chain, it has not had to take measures to remediate any forced labour or child labour or to remediate any loss of income to vulnerable families.

Training

A total of 11% of the NRC procurement team has or is in the process of obtaining their Supply Chain Management Professional (SCMP) designation, or equivalent. As part of the designation, employees must complete training related on ethical behaviour and social responsibility, which includes the absence of forced labour and child labour.

The NRC is aware that PSPC is currently developing awareness-raising guidance materials (including risk mitigation strategies) for suppliers, targeted at high-risk sectors. We are monitoring the development of these materials and will leverage the resources once they are published.

Assessing effectiveness

The NRC is committed to addressing the risks of forced labour and child labour in our business and supply chains. As indicated in this report, the NRC has some measures in place to prevent and reduce these risks. However, to date, no actions have been taken to assess the effectiveness of these measures.