

# Forced Labour and Child Labour in Canadian Supply Chains: Annual Report, 2024–25

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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, 2025).

## 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 2024–25, the NRC awarded a total of \$343million on contracts for goods, services and construction. Of that amount, \$130 million was for goods only, purchased through 4,274 contracts (purchase orders, contracts, call-ups against standing offers and supply arrangements).

**Table 1. Top 10 types of good purchased by the NRC during the 2024–25 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	1875	100.2	77.07%
N70xx	General purpose automatic data processing equipment	974	15.7	12.08%
N68xx	Chemicals and chemical products	891	6.4	4.92%
N59xx	Electrical and electronic components	180	1.7	1.31%
N16xx	Aircraft components and accessories	26	1.1	0.85%
N71xx	Furniture	64	1.0	0.77%
N23xx	Ground effect vehicles, motor vehicles, trailers	13	1.0	0.77%
N6100	Electric wire, and power and distribution equipment	4	0.6	0.46%
N75xx	Office supplies and devices	107	0.6	0.46%

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
N4100	Refrigeration, air conditioning equipment	4	0.3	0.23%

At the NRC, approximately 99% of the annual total contract value is awarded to the types of goods listed in table 1.

**Table 2. Top 5 vendor countries for good purchased by the NRC during the 2024–25 fiscal year**

Vendor Country	Number of contracts	Total contract value by country (in millions of dollars)	% total value by country
Canada	3304	75.3	57.92%
United States of America	641	27.1	20.85%
Netherlands	35	11.8	9.07%
Great Britain	10	8.7	6.69%
Austria	18	2.7	2.08%

At the NRC, approximately 97% of the annual total contract value is awarded to vendors located in countries listed in table 2.

Of the total contract value awarded, 14% was made on our behalf by Public Services and Procurement Canada (PSPC) or Shared Services Canada (SSC) while the remaining was done by our stores and procurement department.

**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.

As of May 31<sup>st</sup> 2024, the Ineligibility and Suspension Policy has been updated to set out when and how a supplier may be declared ineligible or suspended from doing business with the federal government. Among the events that could trigger the determination of ineligibility, the breach of the "Code of Conduct for Procurement" within the past three years is one of them.

As such, all of our contracts for goods with a transaction value of ten thousand dollars or more have been verified by our procurement officers through the Integrity database that is accessible via Public Services and Procurement Canada website.

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 2024–25, the NRC awarded a total of \$2.3 million for of the above goods, representing 1.77% of all contract goods awarded. Of the total amount for these types of goods, \$0.96 million was awarded through the use of PSPC and SSC tools such as standing offers and supply arrangements.

Our department’s exposure to high-risk countries is low, both in volume and value (see Table 3). A review of procurement activity against the U.S. Department of Labor’s list of countries associated with forced or child labor (Sept 2024) revealed:

- Only 38 out of 4,274 contracts for goods—approximately 0.9%—were awarded to suppliers in countries identified as high-risk.
- These contracts represent 0.43% of total procurement spending.

**Table 3. Risk exposure by country for good purchased by the NRC during the 2024–25 fiscal year**

Country	Number of contracts	Total contract value by country (in thousands of dollars)	% total value by country
China	34	485.0	0.373%
Taiwan	2	72.6	0.056%
Turkey	1	5.4	0.001%
Ukraine	1	2.1	0.000%

By leveraging tools such as the call-ups against PSPC standing offers/supply arrangements (17%), inclusion of Code of Conduct for Procurement (58%), and integrity screening mechanisms (8.8%)—together representing a combined 84.8% of our procurement activities—we maintain strong safeguards across our supply chain.

We will continue to monitor risk, enhance due diligence practices, and engage suppliers to ensure alignment with ethical standards and the Government of Canada’s commitment to human rights.

## 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 17% 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.