

# Ethical Pillar

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## Introduction

### What is the Ethical Pillar

Ethical procurement involves reducing forced labour and other workers rights violations by setting recognized minimum standards for suppliers and subcontractors. This often involves asking suppliers for compliance with the United Nations' Universal Declaration of Human Rights and the International Labour Organization's (ILO) conventions against child labour, forced labour, employment discrimination, bribery, unfair wages and several other business ethics issues.

### Ethical Risks / Opportunities

#### **1. Human Rights & Fair Workplace Practices**

Compliance with the core conventions of the International Labour Organization (ILO), the Fair Labour Association (FLA), Canadian laws (ex. Modern Slavery Act) and other applicable ethical standards.

#### **2. Workplace Health & Safety**

Ensuring safe workplaces for all, including compliance with relevant health and safety standards and promoting employee wellbeing.

#### **3. Conflict Minerals**

Endeavoring to reduce the amount of conflict minerals, including tantalum (coltan), tin (cassiterite), tungsten (wolframite) and gold metals from conflict-affected and high-risk areas, found in a breadth of products, by looking for suppliers that have policies and commitments on reducing conflict minerals in their supply chains. More information can be found [here](#).

## Legislative Context

### Fighting Against Forced Labour and Child Labour in Supply Chains Act

The Supply Chains Act came into effect in 2023 to implement Canada's international commitment to the fight against forced labour and child labour through imposing reporting obligations on:

1. Federal government institutions, departments or ministries producing, purchasing or distributing goods in Canada or elsewhere.
2. Entities listed on the Canadian stock exchange **or** that do business in Canada, while meeting two of these three qualifications:
  - a) has at least \$20 million in assets,
  - b) has generated at least \$40 million in revenue, and
  - c) employs an average of at least 250 employees.

Report requirements range from outlining policies and due diligence processes in relation to forced labour and child labour, high risk areas in your supply chain, measures taken to remediate violations, and training provided to the organization's employees.

Currently, public educational institutions are not considered reporting entities. This has only been confirmed *verbally* by the Federal Government, so it is still up to the individual institution to review

with their legal team and determine if they will submit a report or not. Generally, the public sector is encouraged to be knowledgeable about supply chain risks, review internal practices and start making improvements in alignment with the Act. This [webpage](#) provides further guidance.

### United States-Mexico-Canada Agreement (USMCA)

The USMCA prohibits the importation of goods produced in whole or in part by forced or compulsory labour from any origin and was made law in Canada in 2020. With the implementation of the USMCA, Canadian companies that are sourcing directly or indirectly from Xinjiang, China are now required to sign an Integrity Declaration on Doing Business with Xinjiang Entities prior to receiving services and support from the Trade Commissioner Service.

## Implementation Best Practices

### Using a Supplier Code of Conduct

A [Supplier Code of Conduct](#) (SCC) outlines ethical business standards in alignment with the International Labour Organization (ILO) and the UN Universal Declaration of Human Rights. It asks suppliers to adhere to high standards of safe working conditions, fair treatment of employees, and other labour practices. Organizations should adopt an SCC and require suppliers to sign it as a prerequisite to conducting business. The SCC can be included in an RFP as a scored or mandatory component, or it can be included as part of the contract Terms & Conditions. Renewing or longer-term suppliers must also sign the SCC as part of the re-engagement process. The organization would reserve the right to verify compliance with the SCC at any time during the contract and request additional information as needed. Even though a supplier signs the SCC does not necessarily mean they are in compliance. It is the most basic method of due diligence, while proper assurance will come from verification, audits and communication with suppliers – though many public sector organizations do not have the capacity to do so.

### Integrating Ethical-related Questions into RFPs

Organizations can also insert questions into RFPs to solicit information from suppliers beyond simple compliance with the SCC. This is most important to do for purchasing categories that are deemed high-risk for potential human rights violations. This gives the opportunity to ask those suppliers to describe the specific practices they have in place to mitigate any ethical issues in their supply chain.

### Supply Chain Risk Mapping

Risk mapping helps identify the areas of highest ethical risk in your supply chain based on what you buy, where items are sourced from, and who your suppliers are. Knowing where risks are the most likely, helps you be more proactive in those areas and focus your efforts.

**High-risk Purchasing Categories<sup>1</sup>** Refer to goods/service categories with the highest likelihood of human rights violations or modern slavery occurring within their supply chains. These risks often stem from specific notorious geographical regions known for unsafe working conditions and labor exploitation in resource extraction and manufacturing processes. Product categories with long and complex global supply chains are particularly susceptible

**Common High-risk Categories:**  
Electronics; appliances; apparel; promo and swag items; safety gear; office furniture; office supplies; vehicles/motorized equipment; coffee; construction materials.

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<sup>1</sup> Several sources provide information on high-risk product categories, such as the [Global Slavery Index](#), the [Sweat & Toil app](#), and industry reports such as the [List of Goods Produced by Child Labor or Forced Labor](#).

to these risks. When identifying high risk categories, focus on areas with high spend/volume, and then ensure questions are included in those RFPs to prompt suppliers on their social compliance practices.

### **Gathering Data from Suppliers**

Another component of risk mapping is to assess high-risk suppliers. This is typically done by sending a Self-Assessment Questionnaire (SAQ) to current suppliers to collect information that provides transparency into their compliance and risk levels. Questions may cover the type of materials used, factory locations, specific policies and practices, and how suppliers verify compliance with their own suppliers. A further step could involve asking Tier 1 suppliers to distribute the questionnaire to Tier 2 suppliers. This process identifies suppliers who may lack robust practices and be deemed high-risk. The organization can then request these suppliers to improve certain aspects or, after a series of warnings and opportunities to improve, terminate the contract. Third-party organizations can facilitate this process; consultants or software tools such as SupplyShift, EcoVadis, CEMAsys and SAP can be utilized.

### **Leveraging Third-party Organizations**

The number of third-party organizations that can support your organization with these ethical procurement practices is on the rise, with many offering a variety of paid / unpaid services across various topics.

- **Standards and Certifications:** These are standards and/or certifications that a supplier or product can achieve in relation to human rights/forced labour/ethics. In practice, buyers can ask or require that a supplier (or its product) meet a particular standard or certification via an RFx.
- **Supply Chain Due Diligence Services & Supplier Databases:** Include software platforms and consulting organizations that assist in mitigating risks and managing corrective actions within a due diligence program. They typically feature supplier databases. These services support risk mapping and facilitate engagement with suppliers, collecting data from Tier 1 and Tier 2.
- **Compliance Auditors / Assessors:** These are organizations that complete a range of social compliance audit/assessments of a particular area, supplier or facility. In practice, they could be hired by a public buying institution, or by a supplier, to check in on a high-risk location/factory or where a complaint had been made.

### **Grievance & Remediation**

**Grievance Process:** A grievance mechanism means providing an avenue for complaints to be submitted to your organization about a supplier's possible violation of an SCC or other ethical wrongdoing. Your organization should have a publicly available form, phone number, or email address through which grievances can be submitted and should assign a person or entity responsible for receiving and responding to grievances.

**Remediation Process:** The process of providing a remedy for a grievance and steps that can be taken to mitigate the impact or prevent the harm from reoccurring. Remediating modern slavery is context-specific and an appropriate response will depend on the circumstances of each incidence, including the severity of the case and how directly involved the offending supplier is to your organization. A remediation process is typically initiated once a grievance has been submitted, and your organization has investigated the grievance and determined that corrective action(s) may be necessary.

## Glossary

**Due Diligence:** Social due diligence involves identifying the potential risks and liabilities associated with a particular transaction, supplier, or broader supply chain. Organizations should have policies and practices in place that enable them to investigate or verify information where a risk may be present, or a grievance has been made. Due diligence means being proactive, rather than reactive.

**Fairtrade Certification:** A product with the FAIRTRADE Mark means producers and businesses have met internationally agreed environmental and ethical standards. Fairtrade's approach enables farmers and workers to have more control over their lives and decide how to invest in their future.

**Forced Labour:** All work or service which is exacted from any person under the threat of a penalty and for which the person has not offered himself or herself voluntarily.

**Human Rights:** The basic rights and freedoms that belong to every person in the world. They apply regardless of where you are from, what you believe, or how you choose to live your life.

**Human Rights Washing:** A company, organization, or government promoting itself as being committed to human rights while engaging in activities that violate or undermine human rights principles.

**International Labour Organization (ILO):** Promotes social justice and internationally recognized human and labor rights. It sets international labor standards through conventions and recommendations, which cover a range of issues including freedom of association, collective bargaining, the elimination of forced and child labor, and the promotion of workplace safety and health.

**Labor Rights:** The rights of workers to fair treatment, including fair wages, safe working conditions, freedom from discrimination, and the right to organize and bargain collectively.

**Modern Slavery:** A set of specific concepts including forced labour, debt bondage, forced marriage, slavery and slavery-like practices, and human trafficking. Although modern slavery is not defined in law, it is used as an umbrella term that focuses attention on commonalities across these legal concepts.

**Social Compliance:** The process a company follows to adhere to all relevant laws, regulations, and standards. Organizations endeavor to protect the health, safety, and rights of their employees, the community and environment in which they operate, and the lives and communities of workers in their supply chains. Social compliance may address concerns about labour rights for workers, fair labor laws, harvesting and the use of conflict minerals, and general environmental regulations.

**United Nations' Universal Declaration of Human Rights (UDHR):** proclaims the inalienable rights that everyone is entitled to as a human being, regardless of race, color, religion, sex, language, political or other opinion, national or social origin, property, birth, or other status. It consists of 30 articles detailing an individual's "basic rights and fundamental freedoms.