

The Straight Goods

**Canadian
Business Insights
on Modern Slavery
in Supply Chains**

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SHARE

SHAREHOLDER ASSOCIATION
for RESEARCH & EDUCATION

World Vision



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of companies believe supply chain legislation could help them by driving action to address modern slavery

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Summary

Modern slavery is an alarming global reality. Stakeholders worldwide – businesses, investors, civil societies and governments – are recognizing the very real risk of children and adults being exploited at some point along the supply chains that feed and drive our economies.

Canada has been slower than many jurisdictions to engage in this global conversation, although momentum is now growing in the country. The advancement of dialogue in Canada has included the voices of civil society, media, investors and politicians. However, many companies in Canada have not made information public on how they are addressing this issue and on what legislative steps they would like to see from government. The goal of this report is to begin to fill this gap.

Twenty-six Canadian companies agreed to participate in our study, which analyzes their experiences with and perspectives on modern slavery in supply chains. While we cannot draw conclusions about all Canadian companies based on the experiences of the participating companies, these companies do represent a wide range of industries, sizes and experience with the issue of modern slavery.

Key findings include:

- *Companies acknowledge that modern slavery is relevant to their supply chains though not all companies pay attention to the same aspects of the issue. **57% do not look at modern slavery in isolation, but as part of a broader focus on human rights***

- **89% of companies have experienced challenges gaining internal attention on the issue**
- **76% of companies believe that supply chain legislation could benefit their company by driving action to address modern slavery**
- **Only 29 % of companies are actively looking beyond their first tier of suppliers – despite modern slavery often lurking in the lower tiers of global supply chains**
- **94% of companies feel positive (65%) or neutral (29%) about the Government of Canada’s announcement to initiate consultation on possible supply chain legislation; only 6% felt negative**

Every company is at risk of having modern slavery in its direct operations or supply chains regardless of region, industry, geography or company size. **While it is among the most egregious forms of human exploitation, modern slavery is in many ways the tip of the iceberg. It is often connected to a range of labour and human rights abuses that urgently need to be addressed in global supply chains.**

Our hope is this study will help to inform and galvanize Canadian stakeholders to take further action on this pressing, global issue.



57%

of companies indicated they focus on modern slavery within a broader focus on human rights in supply chains



Introduction

The past few years have borne witness to a growing global movement to end modern slavery, and rightly so. Figures for modern slavery include 24 million people in forced labour and 73 million children in hazardous work (a proxy for the worst forms of child labour).

Attention and expectations are being placed on companies worldwide to identify and mitigate risks to human rights in their supply chains. An increasing number of jurisdictions require – or will soon require – companies to publicly report on and/or implement their due diligence measures to address human rights risks.

Calls are mounting for Canada to follow suit. Media reports and campaign efforts have shone a bright and steady spotlight on this global human rights issue. Citizens are becoming more aware of the exploitation of children and adults in growing or producing some of the goods they consume. Civil society organizations are seeking greater accountability from companies in assessing their impact on risks to human rights. Investors are demanding more information from companies to assess risk and identify sustainable growth opportunities. Politicians are studying the issue, initiating legislative proposals, and marshalling more formal consultations to determine the best way forward.

In many countries, a key voice in the conversation has been the corporate sector. In Canada, however, we are missing insights from this crucial stakeholder. Therefore, researchers from the Centre of Excellence in Responsible Business at York University's Schulich School of Business, the Shareholder Association for Research and Education (SHARE) and World Vision Canada decided to partner on this timely study to analyze Canadian corporate perspectives on modern slavery, child labour, and other forms of human exploitation within global supply chains.

About the report

This report provides the first in-depth analysis of its kind in Canada. All information provided by participants has been kept confidential. To encourage candid and detailed responses, participating individuals and companies have been left anonymous, and no information that would link back to participants has been included.

The objectives of our research are:

- **To better understand the views and approaches of Canadian companies regarding modern slavery and human exploitation within global supply chains.**
- **To learn about effective practices and challenges, and the different experiences of companies, in addressing such issues.**
- **To identify pathways for engaging the Canadian business community, and for increasing effective action in addressing human exploitation within global supply chains.**

The findings presented in this report reflect the insights and practices of the select group of individuals and companies that opted to participate in the study, and not necessarily the practices of all companies doing business in Canada. Our intention is that this research will provide a constructive entry point for Canadian companies to engage in this global conversation, while helping to inform and galvanize Canadian stakeholders to take further action.

Given the global momentum on the topic and the need to maintain a manageable research scope, this report focuses on modern slavery. However, **the authors acknowledge the importance of addressing this issue as part of a comprehensive approach to human rights and labour rights. We see modern slavery as an entry point into addressing the broader set of salient human rights concerns that arise in supply chains.**

About the research participants

A total of 37 individuals from 26 companies with a presence in Canada participated in our study. From November 2018 to February 2019, 20 representatives from 10 of the participating companies were interviewed, with interviews lasting on average 60 minutes. Between March and April 2019, 21 companies completed in-depth, online surveys. Five companies participated in both the interview and survey.

Throughout this report, unless otherwise stated, the percentages that we cite are based on the number of responses received from participating companies in the online survey. It is important to note that while 21 companies completed the survey, a few questions (some of which were optional) did not have a 100 percent response rate. Each percentage reflects the number of participants that responded to that given question. Most questions had 20 to 21 respondents, but a few had 17 to 18 respondents.

All participating companies have some sort of business presence in Canada (e.g., operations and/or retail). Overall, the findings presented in this report represent both Canadian and international-headquartered businesses, as well as a wide range of companies in terms of both industry and size.

Industries: Chemicals, Diversified Consumer Services, Financials, Food Products, IT Services, Metals and Mining, Multiline Retail, Telecommunications, Textiles and Apparel, and Transportation

Location of headquarters: Canada, US, Switzerland and Morocco

Size: Fewer than 100 to 10,000+ employees

Number of suppliers: Fewer than 100 to 5,000+ suppliers

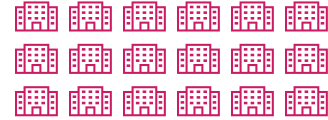
Company representatives: 37 individuals with knowledge of modern slavery and sourcing practices from various areas and levels (e.g., team leader, manager, director, vice president, managing partner and advisor)

Please note: To ensure the anonymity of participating individuals and companies, minor changes have been made throughout this document where the potential to associate an individual or a company to this research exists.

TITLES/POSITIONS OF PARTICIPANTS

Advisor, Corporate Social Responsibility
 Advisor, Risk Management
 Coordinator, Sustainability Reporting
 Director, Communications
 Director, Communications
 Director, Corporate Social Responsibility
 Director, Legal Services
 Director, Project Integrity
 Director, Social Management
 Director, Strategic Procurement
 Director, Strategy and Responsible Sourcing
 Director, Sustainability and Social Performance
 General Compliance Officer
 Head, Responsible Sourcing
 Lead, Social Sustainability and Human Rights
 Manager, Corporate Social Responsibility
 Manager, Corporate Social Responsibility
 Manager, Social and Environmental Responsibility
 Manager, Social Sustainability
 Manager, Supplier Management
 Manager, Sustainability Reporting
 Management, Sustainability
 Managing Partner
 Senior Advisor, Sustainability
 Senior Director, Responsible Sourcing
 Senior Director, Strategic Procurement
 Senior Specialist, Corporate Responsibility
 Team Leader, Logistics and Inventory
 Team Member, Logistics and Inventory
 Undisclosed
 Undisclosed
 Undisclosed
 Undisclosed
 Undisclosed
 Undisclosed
 Vice President, Administration
 Vice President, Community Relations
 Vice President, Corporate Social Responsibility

HEADQUARTERS



Canada – 69%



US – 11.5%

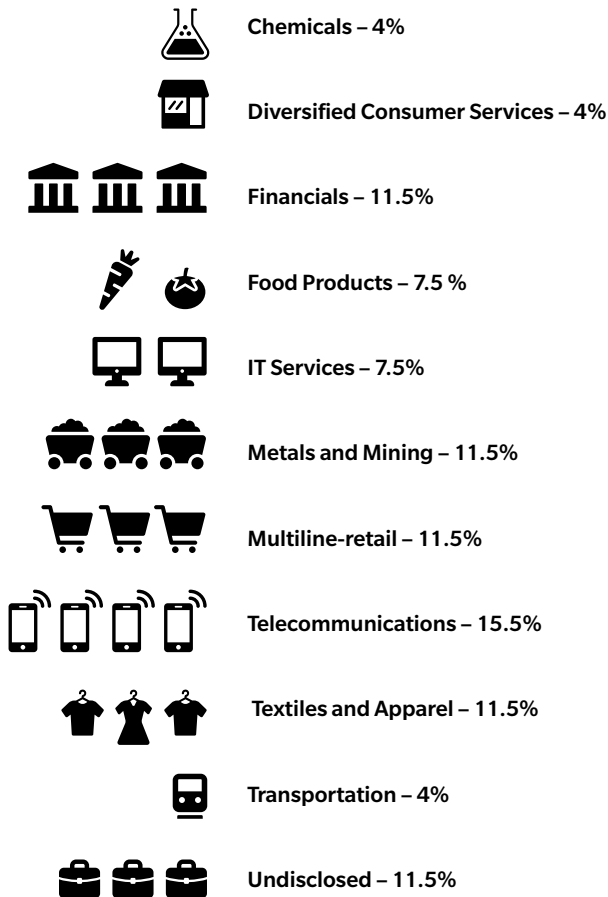


International – 8%

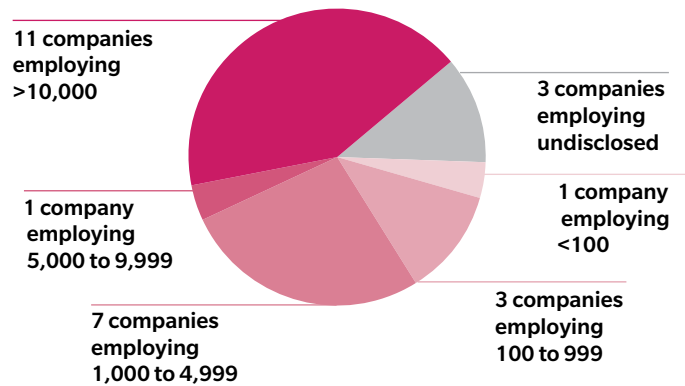


Undisclosed – 11.5%

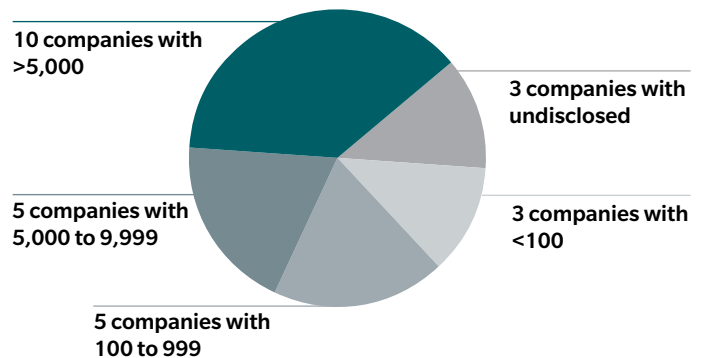
INDUSTRIES



COMPANY SIZE



NUMBER OF SUPPLIERS



Modern slavery in supply chains

What is modern slavery?

The term “modern slavery” is not defined in international law, nor does it have a universally agreed upon definition.¹ For the purposes of this research, modern slavery has been used as an umbrella term to include the more clearly defined concepts of forced labour (including bonded labour, slavery and human trafficking) and child labour, particularly the worst forms of child labour.

At its core, modern slavery refers to work that falls toward the extreme end of a continuum of exploitation.² Grey areas exist; it can be difficult to determine whether some situations constitute modern slavery because “not all children who are exposed to hazardous work are ‘slaves’, and not all workers who don’t receive a fair wage are forced”.³ Ultimately, however, regardless of how we classify these situations, it is imperative to move children and adults out of situations of exploitation and into decent, age-appropriate work where they can claim their fundamental rights.

Forced labour – *Situations in which persons are coerced to work through the use of violence or intimidation, or by more subtle means such as accumulated debt, retention of identity papers, or threats of denunciation to immigration authorities. Most situations of bonded labour, slavery or human trafficking are covered by the forced labour definition.*⁴

- **Bonded labour** – *work demanded as a means of repayment of a debt or a loan.*⁵
- **Slavery** – *a situation where a person exercises power of ownership over another person.*
- **Human trafficking** – *a process of bringing a person into a situation of exploitation through a series of actions that includes deceptive recruitment and coercion. Human trafficking results in forced labour or other involuntary situations, including sexual exploitation and forced marriage.*

Child labour – *Work that is mentally, physically, socially or morally harmful to children, or that interferes with their ability to receive an education.*

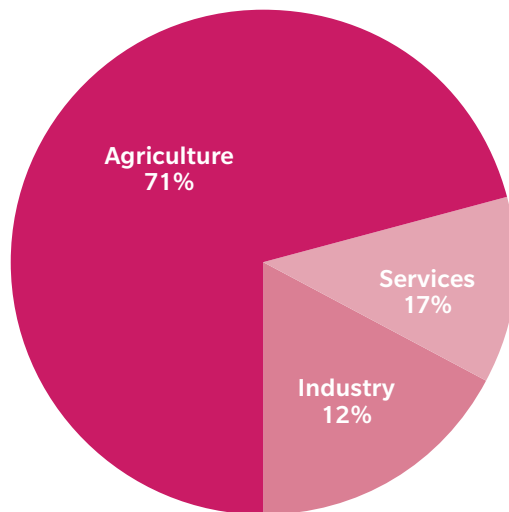
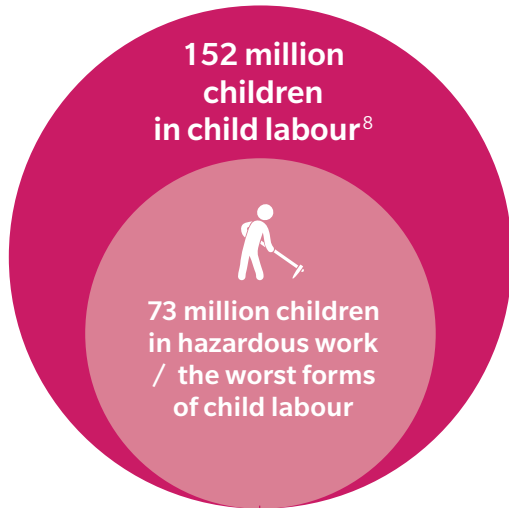
Particular priorities are:

- **Worst forms of child labour** – *all forms of slavery, the use of children for prostitution, pornography or other illicit activities, or work that, by its nature or circumstances in which it is carried out, is likely to harm children’s health, safety or morals.*
- **Hazardous work** – *typically used as a proxy for the worst forms of child labour – can include activities which expose children to abuse; work in unsafe environments; work with dangerous equipment or machinery; exposure to hazardous substances; or work for particularly long hours or during the night.*⁶

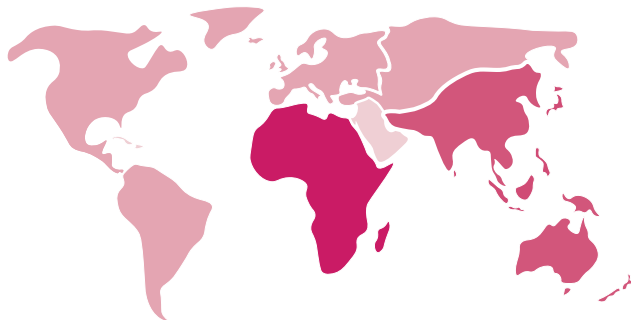
Increasingly, the linkages between modern slavery and other labour and rights violations are being recognized. Its very existence is connected to the violation or absence of other fundamental labour rights including the elimination of discrimination, freedom of association and the right to collective bargaining.⁷

GLOBAL ESTIMATES OF CHILD LABOUR

(all data is based on 2016 ILO estimates)



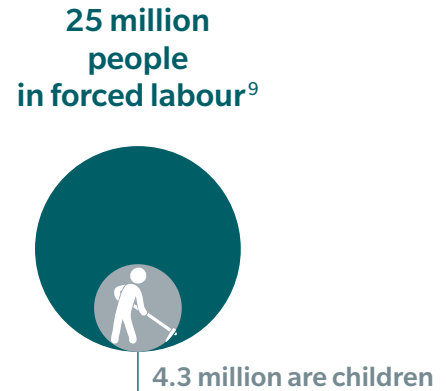
Hazardous child labour (children ages 5-17)



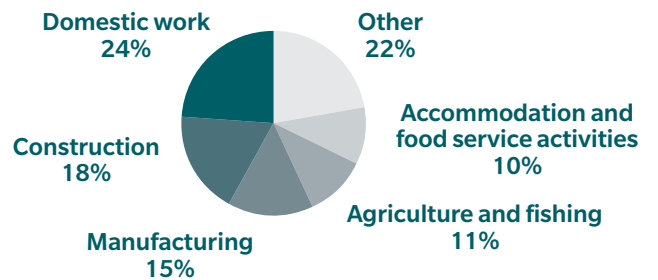
Africa –31.5 million
Asia and the Pacific –28.5 million
Americas –6.6 million
Europe and Central Asia –5.3 million
Arab States –616,000

GLOBAL ESTIMATES OF FORCED LABOUR

(all data is based on 2016 ILO estimates)



16 million in forced labour imposed by private actors (other than for commercial sexual exploitation)



Forced labour



Asia and the Pacific –16.6 million
Africa –3.4 million
Europe and Central Asia –3.3 million
Americas –1.3 million
Arab States –350,000

Why is modern slavery relevant to Canadian companies?

Previous research has identified that over \$34 billion of goods imported into Canada each year are at high risk of having been produced by child or forced labour. More than 1,200 companies operating in Canada were identified as having imported one or more of these high-risk goods. These companies represent virtually every sector and stage within supply chains, include both public and privately held companies, and range from small and mid-sized companies to multinational corporations.¹⁰

In the lower tiers of global supply chains – where raw inputs are farmed, mined, fished and processed by workers often regarded as invisible and expendable – workers are particularly vulnerable to modern slavery. However, no tier is immune to this risk, especially with the ever-increasing length and complexity of supply chains.

Some companies argue that the sheer number of goods traded by businesses, short-term supplier relationships, and informal outsourcing can make it difficult for companies operating in Canada to monitor and prevent modern slavery and other forms of exploitation down the chain. Other companies, however, have demonstrated that with commitment, focus and effort even the most complex networks of supply chains are traceable and can be monitored effectively.

Demands and expectations are being placed on companies to move forward in thought and action. Conscientious consumers and civil society organizations are seeking greater accountability from companies in assessing their impact on risks to human rights. Companies are becoming increasingly aware that they would be putting their brand and market share at significant reputational and material jeopardy if instances of modern slavery were discovered in their supply chains and if their preventative measures were considered inadequate. Investors are demanding more evidence from companies to assess risk and identify sustainable growth opportunities.¹¹

In recent years, governments have made their own commitments to end forced labour and child labour, leading to increased expectations and requirements on companies to do their part.¹²

What can be done?

The United Nations' *Guiding Principles on Business and Human Rights* calls on companies to have in place "a human rights due diligence process to identify, prevent, mitigate and account for how they address" potential adverse human rights impacts.¹³ Similarly, the *OECD Guidelines for Multinational Enterprises* calls on businesses to contribute to eliminating all forms of forced labour and child labour and to take adequate steps to ensure it does not exist in their operations.¹⁴

Against this backdrop of international norms and standards, the expectations of other stakeholders, and corporate commitments to responsible business and ethical trade, a growing number of companies now implement a range of measures to assess their risks and to prevent and address modern slavery and other forms of exploitation in their supply chains.

Part Two of this report provides a sample, based on our interviews and survey, of some of the policies, processes and systems that Canadian companies currently have in place to address modern slavery. Market-wide, some companies are taking robust, meaningful action, while others have done little to nothing to address the issue. A 2016 review of the child labour and forced labour reporting practices of some of the largest Canadian-headquartered companies found that the majority of companies publicly disclosed little meaningful information on their efforts, suggesting there is ample room for improvement.¹⁵

Four key ways that businesses can reduce the likelihood or incidence of modern slavery:

- **Recognize workers' rights.**
 - **Improve human rights due diligence systems and practices.**
 - **Work with others to address risks of slavery in their supply chains.**
 - **Call for improved enforcement and regulation.**
-

Adapted from Corporate leadership on modern slavery: how have companies responded to the UK Modern Slavery Act one year on? Hult International Business School and the Ethical Trading Initiative, November 2016.

What is happening on the legislative front?

In recent years, a growing number of jurisdictions has implemented or begun to consider legislation that encourages companies to address modern slavery and other forms of human exploitation in their supply chains. In some cases, these initiatives have also been tied to expanded access to legal remedy for victims of human rights abuses in supply chains. This evolving area of law has produced two basic models: modern slavery reporting legislation, and mandatory human rights due diligence legislation.

The earliest example of **reporting legislation** is the *Californian Transparency and Supply Chains Act of 2010*, followed by the UK *Modern Slavery Act 2015* supply chains clause and, more recently, Australia's *Modern Slavery Act 2018*. This type of legislation requires companies that conduct business in the jurisdiction over a certain financial threshold to publicly report on their efforts to address modern slavery issues in their global supply chains. These laws differ in their definition of modern slavery, reporting requirements and frequency of reporting, but they are all rooted in the notion that increased transparency and reporting will lead to greater accountability and, ultimately, greater action.

In comparison, **mandatory human rights due diligence legislation** such as France's 2017 *Corporate Duty of Vigilance Law*, in addition to requiring public reporting, creates an obligation for very large companies domiciled in the jurisdiction to proactively conduct due diligence on the full range of human rights issues in their operations and supply chains. The law also provides for potential civil liability, if it can be demonstrated that a company's failure to adequately comply with the law caused harm to a third party.

Each model of legislation has different strengths and weaknesses, and makes various trade-offs to pursue its aims. Given the recent implementation of these laws, evidence of their relative or long-term effectiveness is limited. Apart from the Californian law, which

has largely been dismissed because it only requires one-time reporting, the UK's *Modern Slavery Act* has been the most studied. The conclusions stemming from recent research have been that, while a relatively small group of corporate leaders have taken strong steps to address modern slavery since its implementation and others previously silent on the issue have begun to discuss it internally and publicly, UK's *Modern Slavery Act* has to date not lived up to expectations for contributing to broad-based change.¹⁶ Going forward, though, experts have identified recommendations to improve the effectiveness of the UK *Modern Slavery Act* and other related legislation.¹⁷

Within this context, and as global experience and best practice continue to emerge, jurisdictions such as the Netherlands, Switzerland, Germany, Hong Kong, the United States, Norway, Finland, Austria and Italy are considering their own approach.

In Canada, a 2017 parliamentary study on child labour in supply chains led to a public report in October 2018 that, among other recommendations, called on the Government of Canada to "develop legislative and policy initiatives that motivate businesses to eliminate the use of any form of child labour in their global supply chains... [drawing] on lessons learned by jurisdictions that have implemented supply chain legislation."¹⁸ In its formal response to the parliamentary report, the Government of Canada committed to "begin a process in 2019 to consult on possible supply chain legislation."¹⁹

Many Canadian companies are already covered by existing supply chain laws in other jurisdictions, either directly as reporting companies or indirectly as a supplier to a reporting company. Part of our study aims to capture their insights and experiences in meeting their obligation for greater action and transparency on risks to human rights in supply chains, and in driving meaningful change to end modern slavery.

\$34 billion of goods imported into Canada each year are at high risk of having been produced by child or forced labour



72%

of companies say efforts to address modern slavery in supply chains are motivated by legislation or regulation



Part One

HOW COMPANIES VIEW MODERN SLAVERY IN THEIR SUPPLY CHAINS

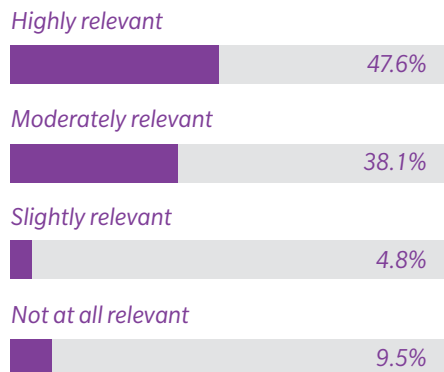
Very little public information exists on how companies operating in Canada – compared to those operating in other jurisdictions – consider and act on the issue of modern slavery in their supply chains. Our study reviews the current landscape in Canada, examining how companies that operate here view modern slavery in their supply chains and what drives them to focus attention and take action to reduce or eliminate it.

Companies view modern slavery as relevant to their supply chains, but in different ways

How relevant do companies find modern slavery?

The large majority of companies that participated in our study, including 86 percent of the companies surveyed, acknowledged that modern slavery in supply chains is a moderately or highly relevant issue.

How companies view the relevance of modern slavery to their supply chains



At minimum, action on modern slavery requires companies to recognize that modern slavery is moderately or highly relevant to their supply chains. Low perceptions of relevance would mean that companies do not view modern slavery in their supply chains as an issue that deserves attention.

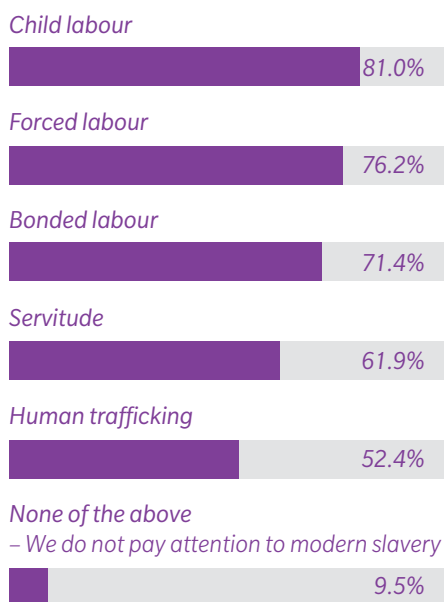
We found that companies from industries not traditionally associated with the risk of modern slavery such as transportation, telecommunication and financials also recognize the relevance of modern slavery to their supply chains. For example, several company representatives noted that, while they believe industries such as textiles/apparel, agriculture or manufacturing are at a greater risk of modern slavery issues, they too are exposed to risks, although in less apparent and obvious ways (e.g., labourers in hotels used by companies).

What modern slavery issues are getting the most attention?

Not all companies pay attention to the same specific issues under the general category of modern slavery within their supply chains. With the companies we interviewed and surveyed, the term modern slavery was frequently used as a general term to describe various forms of human exploitation. Child labour, forced labour and bonded labour in supply chains were their most salient modern slavery issues.

Overall, 81 percent of companies indicated that they “pay attention” (phrase used in the survey) to child labour in supply chains, 76 percent indicated forced labour and 71 percent indicated bonded labour.

Modern slavery issues that companies pay attention to in their supply chains



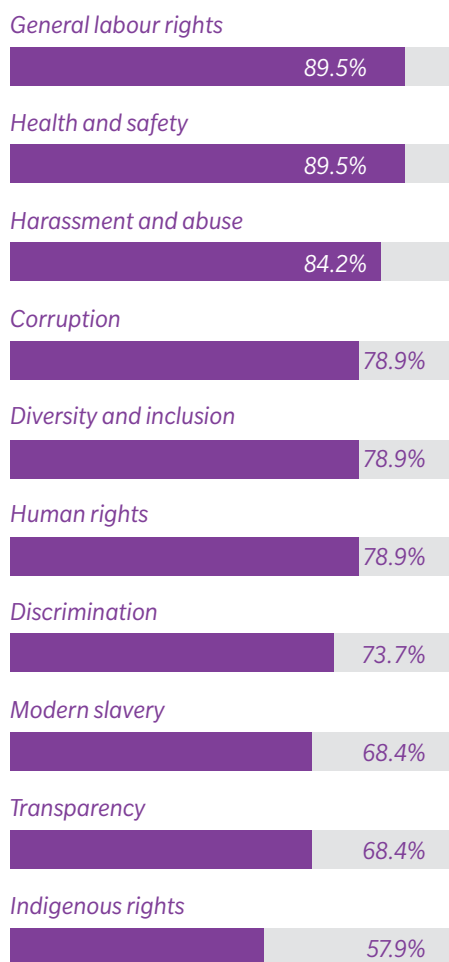
Where does modern slavery fall on the priority list?

While the majority of participating companies view modern slavery in supply chains as a relevant issue, these same companies have other priorities, so we also sought to understand how companies position this issue.

Of the companies that participated in the survey, 57 percent noted that their focus on modern slavery is one of a number of issues they attend to within a broader category of human rights in supply chains, indicating that the majority of the companies are not looking at modern slavery in isolation.

In comparison to other priorities, 68 percent of these companies indicated that they give modern slavery in supply chains moderate to significant attention, whereas 79 percent prioritized human rights, and 90 percent prioritized health and safety.

Supply chain issues that receive moderate to significant attention



This breakdown suggests that many companies are focusing explicit and significant attention on modern slavery in supply chains, but also that a sizable minority are not. For instance, a director of a transportation company admitted that, while their company takes modern slavery seriously and is addressing it in its supply chain, modern slavery is “not in the top 10 priority CSR issues.”

Our research found that a diversity of perspectives on modern slavery exists. Some companies operating in Canada view it as a major issue that is only just beginning to gain attention, let alone be effectively managed:

“...human rights is the next anti-corruption. This is going to be the next very critical business activity, and I can understand why. Information is available, and there’s millions of slaves in the world. It’s ridiculously high, so the likelihood or possibility that it affects your business in some way is not minuscule. If two consumers had an opportunity to purchase a service that was tainted by slave labour or not, they would obviously pick the one that was not. So there will be a consumer preference toward not being associated with that. So you have this convergence of factors, plus regulator interest. It’s a no-brainer that this has to be well managed. I would say it’s moderately managed well, but there’s still tail-risk that’s not insignificant, that needs to be fully addressed, and that’s where we’re at.”

– Management, Financial Services Company

Internal drivers outweigh external drivers for addressing modern slavery in supply chains

Understanding why companies are motivated to address modern slavery in their supply chains helps to identify drivers for further action and for maintaining momentum within companies. Some existing industry research shines light on the drivers and barriers for addressing modern slavery in supply chains, but tends to focus on jurisdictions such as the United Kingdom in a period when explicit legislation on modern slavery was already in effect.²⁰ This research has found that reputation risk is the biggest driver for companies, noting the importance of other drivers such as human rights, customer engagement and investor concerns.²¹ Unfortunately, there has been little research undertaken on drivers for addressing modern slavery in supply chains among companies operating in Canada.

Internal and external drivers

Local context is important, so we set out to understand the motivation of companies operating in Canada to address modern slavery in their supply chains. We found out that the internal organizational drivers ultimately outweigh the external environmental ones.

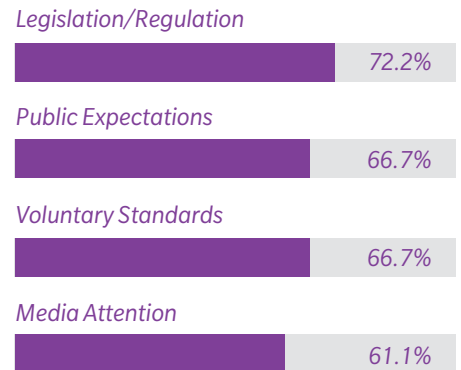
Beginning with internal drivers, 100 percent of the companies surveyed indicated that a moderate or major driver of their efforts to address modern slavery in supply chains is the risk to their reputation. At the same time, 89 percent of companies cited organizational values, 89 percent cited legal risks and 72 percent cited operational risks as their moderate or major drivers.

Moderate or major internal organizational drivers of companies' efforts to address modern slavery



When shifting the focus on external drivers, 72 percent of companies surveyed indicated that a moderate or major driver of their efforts to address modern slavery in supply chains is legislation or regulation. At the same time, 67 percent of companies cited public expectations and voluntary standards, and 61 percent cited media attention as their moderate or major drivers.

Moderate or major external environmental drivers of companies' efforts to address modern slavery



These figures demonstrate that, in the cross section of companies that participated in our survey, the internal drivers for action against modern slavery outweigh the external drivers:

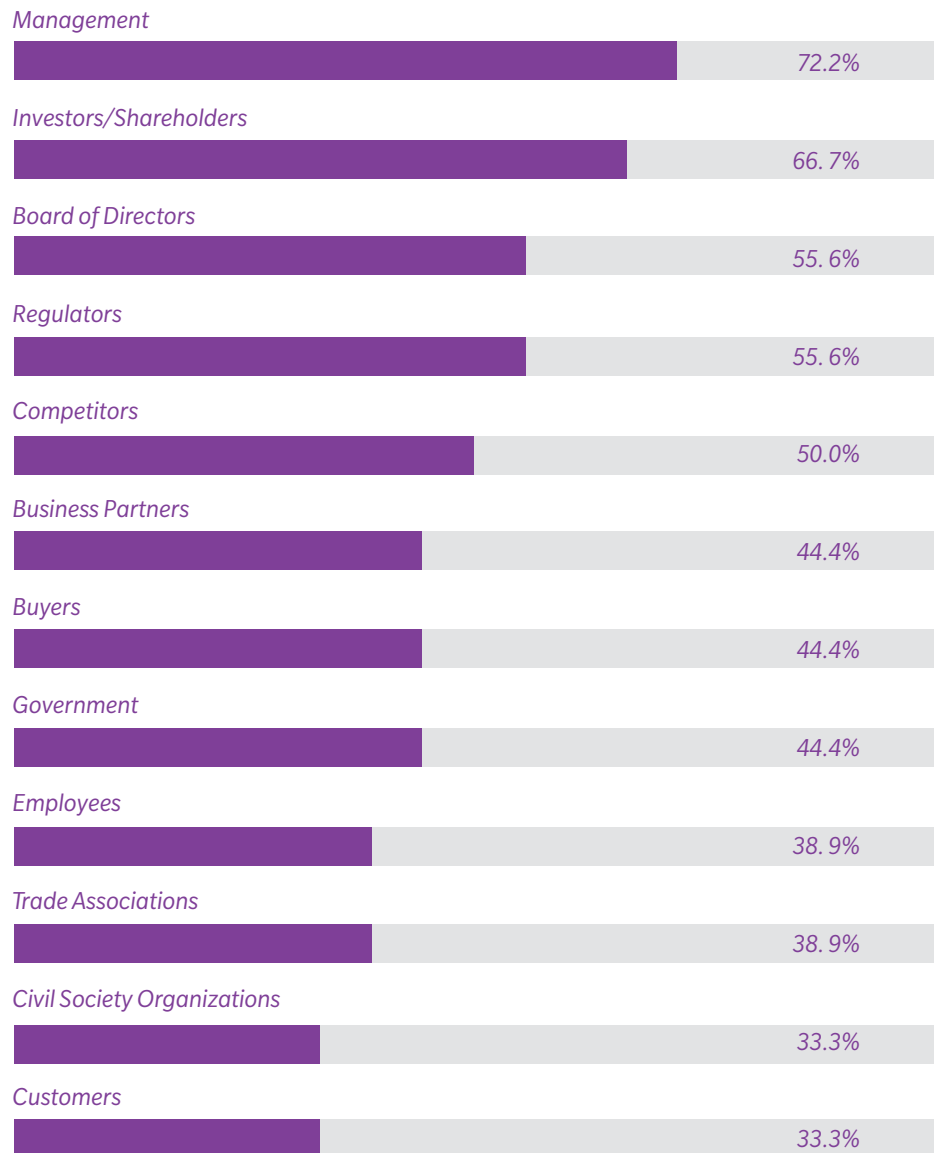
"My suspicion is that investors probably have certain industries pegged, and so they pick their spots with engagement. With us, they're viewing our finance admissions as being our impact, and not our impact on human rights. At least not right now. So it's been more an internal drive, not external pressures, that's led to us wanting to improve, based on a group of employees who sees this an important issue. . . then making it happen."

- Management, Financial Services Company

Key stakeholders

The role of different stakeholders is also an important factor in understanding how and why companies address modern slavery in supply chains. Our research revealed that the top five stakeholders who have moderate or major influence on advancing the efforts of companies to address modern slavery in their supply chains are: management (72%), investors/shareholders (67%), board of directors (56%), regulators (56%) and competitors (50%).

Stakeholders who are moderate or major influencers of companies in addressing modern slavery



The will to “do the right thing”

Our research revealed that support from internal management is critical for companies to take their first step and dedicate resources to address modern slavery in their supply chains. A closer look, however, suggests that companies leading their respective industries in action on modern slavery and ethical/responsible sourcing tend to be those companies that have long embraced moral drivers and the mentality that it is “the right thing to do.”

“Ethical sourcing is an easy extension... we were founded on ‘doing the right thing’ and doing the right thing in communities. The formal part of the team has been growing and developing in modern history, but it’s been going on for 15 or 20 years. When [you] look at forced labour and our specific focus in forced labour or responsible recruitment, there weren’t many other brands looking into this. But we felt that we needed to try and get that whole train going and really show to the various communities without a shadow of a doubt that this was an important area.”

– Director, Retail Company

“We just do it because we feel like it’s the right thing to do.... Ethical sourcing is embedded in everybody’s job. It’s sort of built into every area of the company and every position that we have.”

– Manager, Apparel Company



89%

of companies experienced challenges gaining internal attention on the issue of modern slavery in supply chains



Part Two

WHAT'S WORKING AND WHAT'S NOT

Getting companies to recognize their potential links to modern slavery in their supply chains is an important first step in reducing and eventually eradicating modern slavery. But much more work needs to be done to ensure that companies translate this awareness and recognition into coordinated action that leads to meaningful change.

In this part of the report, we highlight key practices that companies in our study have found to be effective in addressing modern slavery in the long term. We also identify key internal and external challenges that companies face, and opportunities that they can embrace.

A small portion of companies are investing resources to develop long-term solutions

Some companies, including some of those covered in this research, have been sharing their initiatives to address modern slavery in supply chains through publicly available resources such as corporate social responsibility (CSR) reports, disclosure statements, company websites and supplier portals, as well as through global and civil society-led initiatives such as Know the Chain.²² Rather than repeating this information, we focus our attention on highlighting practices and lessons learned from a select few participating companies.

At the most basic level, many companies have now begun to integrate language related to modern slavery into their supplier codes of conduct. While the enforcement or effectiveness of such codes is open for debate, **83 percent of companies surveyed include explicit language related to modern slavery in their supplier codes of conduct.**

Some companies are now using these codes to assess and screen new suppliers and evaluate the ongoing performance of existing ones. Some companies in our study shared instances of rejecting new suppliers because they did not meet their company's criteria for responsible sourcing. **However, only a small portion of companies see the bigger picture and are investing resources into developing long-term solutions for addressing modern slavery in supply chains.**

Beyond direct suppliers

Research suggests that modern slavery often remains hidden and thrives due to the complexities in supply chains.²³ Yet, very few companies in our study indicated that they are actively investing resources to look beyond their immediate and direct suppliers to detect modern slavery further down the supply chain, a critical aspect for long-term efforts to address modern slavery. Overall, **only 29 percent of companies are actively looking beyond their first tier of suppliers.**

A few companies noted limited resources as the reason for not taking these efforts. Responses from others suggest that some companies do not feel the need to look beyond their first-tier suppliers because they trust their suppliers to have done so, or because they maintain relatively shortsighted views on the scope of risk of modern slavery in supply chains, as illustrated by two opinions from the same company:

“We tend to focus on hiring the best firms all over the world, and these are large international firms that are mindful of the respecting laws, so we trust them. We’re not going to find these suppliers using slave labour or child labour.... It’s not like we are making sneakers.... To be honest, beyond a basic lifecycle assessment, we don’t look too deep into our suppliers’ suppliers and materials.... We focus more on visible risk and the visibility of the risk. We have so many controls in place, there might be some risk, but we have such high controls in place and such high demands for quality, things are very specific to us.”

– Compliance Officer, Transportation Company

“The nature of what we do and who we use as suppliers makes us low risk. We are a low risk company to this issue. We aren’t manufacturers, and yes, we may be exposed to the risk with our uniforms, but overall, we don’t have a huge risk with our main businesses. We don’t have factories. We aren’t manufacturers.”

– Director, Transportation Company

While this particular company operates in a highly regulated and technical industry, the parts and components of their vehicles could easily have been assembled in Malaysia or other jurisdictions where migrant workers in the electronic industry can be vulnerable to debt bondage and forced labour.²⁴

The representatives we interviewed, however, appeared to be unaware of this potential risk.

Compare their responses to another company we interviewed from another regulated and technical industry:

“Looking at the supply chain, you could pick a company like [name removed]. They’re Canadian based in [location removed] but when we’ve audited them, their tier two [suppliers] happen to be in China in various locations. And even though they’re offering mostly installation services, they’re purchasing cable and so forth that’s manufactured in other places...that cable is coming from somewhere and it’s not Canada. It’s coming offshore, let’s be realistic about that, let’s not turn a blind eye. There are people less fortunate than us that are working their butts off. They don’t have the same rights, don’t have the same privileges. Let’s not let them be taken advantage of any longer. Let’s promote some form of equity and so forth for them and then make sure that they’re safe as well.”

– Supplier Manager, Telecommunications Company

Only 29 % of companies are actively looking beyond their first tier of suppliers

Beyond competition and individual effort

Next, we found that companies in our study did indeed recognize the need for industry-wide, long-term efforts to address modern slavery. Yet, **only 39 percent of companies are actively collaborating with other organizations to conduct their due diligence efforts to detect and address modern slavery in supply chains.** The participating companies that engage in collaborative due diligence, either via direct relationships with other organizations or through memberships in associations, recognized that they can maximize the efficiency and effectiveness of their efforts to address modern slavery if they join forces with one another.

“The federation is a bit of a trade association. It is the kind of organization where industry players come together to discuss pre-competitive topics... and we have very structured ways of interacting. You have committees looking at different topics together. Some of the big milestones over the past few years [involving] the largest chocolate and cocoa companies have started here.”

– **Social Sustainability Lead, Food and Beverage Company**

“Brand collaborations have given us a lot of leverage. By working with other brands that are also customers in these mills, we’re showing the suppliers that there is a business incentive to doing this. It’s no longer just a ‘feel good’ thing. It’s not just the right thing to do, it’s also a business incentive. By having the support of other companies, we’ve seen a lot more immediate reactions from our suppliers. They’re actually doing the work because it’s no longer just our thing. It’s ours, it’s everyone else’s, it’s all these really big customers asking them to deal with this problem.”

– **Manager, Apparel Company**

Beyond severing ties with suppliers

Lastly, we found that a number of companies in our study do not simply cut ties with suppliers when instances of modern slavery or human rights violations have been detected. Indeed, **59 percent of companies actively work with their suppliers when concerns or violations emerge.** These companies have opted to move beyond a “cut and run” approach because they feel that it will not contribute to solving the problem in the long run. If they cut ties with a supplier using modern slavery, “the supplier will just find someone else” and “nothing will change.”

Overall, companies with a general policy of working with violators to improve their performance admitted that sometimes they have had to walk away when suppliers are not willing to cooperate. Nevertheless, these companies still fundamentally believe that working to remedy violations of responsible sourcing has long-term benefits and can help address systemic issues.

“When we discovered the first case of forced labour, we decided as a company that we weren’t going to just walk away because it didn’t solve the problems, and it wasn’t just one company or one mill. It became evident that it was across the board in the country. The more audits we did, we seemed to find the same problems, so we knew we had an endemic issue.... Generally speaking, we’ve made a ton of progress. We were asking them to do some really hard stuff. I give them so much credit because they really rolled up their sleeves, they asked the hard questions, they’ve done their homework, and they’re trying to resolve these problems in their business.”

– **Manager, Apparel Company**

Companies face internal and external challenges to action, but key opportunities exist

Understanding how companies can improve their efforts to address modern slavery in supply chains requires a closer examination of the challenges they face and the ways in which some industry leaders have been able to overcome them.

Challenges: Internal resistance and struggles gaining internal attention

Our study found that the lack of buy-in from key internal stakeholders could significantly hinder or halt entirely the efforts of companies to address modern slavery in their supply chains. The large majority of companies that we examined, industry leaders included, have all at one point struggled to draw enough internal attention to the issue of modern slavery: **89 percent experienced challenges in drawing internal attention to the issue, and 22 percent faced active resistance within their own companies against their efforts.**

In some cases, particularly in service industries, a lack of buy-in from top management and “denial by some management that it could be an issue” were identified as major internal barriers within companies to **dedicating explicit attention to modern slavery.** However, the most resistance comes from key staff within supply chain management and/or procurement areas.

Regardless of the size of a company’s team responsible for supply chain human rights or where it is housed, other staff in the company such as buyers, vendors and merchant managers who have regular, direct contact with suppliers sometimes push back on company efforts to implement measures that would address modern slavery in their supply chains.

Common challenges identified by companies in our study include conflicting priorities for buyers, a lack of perceived value by buyers, perceptions that efforts represent the interests of the CSR team and not upper management, and a general reluctance to talk openly about issues like modern slavery. Phrases such as “they’ve got their blinders on” or “different people, different issues, different priorities,” in reference to buyers were commonly stated in interviews.

The pushback can be significant enough that the efforts of an individual or team tasked with responsible sourcing is sometimes compromised by those within the company who have the closest relationships with suppliers.

“I had the challenge to negotiate an agreement with a supplier for the upcoming 2019 year to see if we can audit another site or partner with them to audit a tier-two supplier. But then they started complaining to their internal stakeholder, who would be the business unit requester. He kept on saying to me ‘leave them alone.’ Finally, I swayed him into encouraging the supplier to sign the agreement, but then we were in negotiations with that supplier for a contract extension, and the supplier was complaining to the internal [procurement] folks... ‘If you get him off my back, I’ll give you a further discount.’ So the other person said to me, we’re going to stop the audit and let’s just get the discount.”

– Supplier Manager, Telecommunications Company

“Anytime there’s resistance, most times the buyers say, ‘Look, I need these goods to ship. I agree in principle. Of course, we should have no child labour, no forced labour. What can we do so that the goods ship here on time?’ And then pushback from the vendors is along the same vein. Plus, they argue, ‘Well, I’ve had a relationship with this factory so many years. I don’t understand why this audit failed.’”

– Director, Retail Company

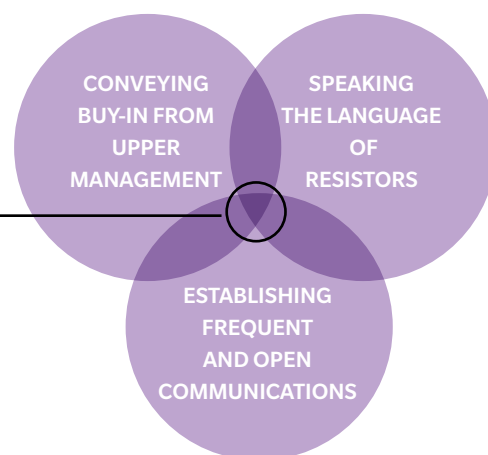
On top of this kind of internal resistance, several participating companies, including industry leaders, revealed that a broader fear exists among employees across functions. Employees are reluctant to discuss issues such as forced labour and child labour because it is viewed as “stigmatized,” “taboo,” “toxic” or just “not allowed.” Moreover, company representatives in this research shared that some of their colleagues and managers embrace assumptions such as “modern slavery doesn’t apply to our industry” or “modern slavery isn’t relevant to companies in developed countries.”

Lessons learned from industry leaders: Gaining internal attention and addressing resistance

While we found that many companies in our study face ongoing challenges in gaining and maintaining internal attention and in overcoming resistance, they have been able to address these challenges to a certain degree by:

1) conveying buy-in from upper management, 2) speaking the language of resisters, and 3) establishing frequent and open communications.

GAINING INTERNAL BUY IN



1) Conveying buy-in from upper management

This fundamental method is key to individuals or teams to increase cooperation from not only internal resistant stakeholders such as buyers, but also external stakeholders such as suppliers who are reluctant to change. Some companies in our study found that buyers and suppliers were more likely to make accommodations when messages and requests had buy-in from upper management and initiatives represented the interests of the broader company rather than just the CSR department or a dedicated modern slavery team. As a manager at a telecommunications company put it, “ultimately it’s better when the message comes from the top down rather than from the bottom up.”

Of course, for those who are struggling to gain initial buy-in from management, this is easier said than done. Participating companies shared what they found to be effective for gaining internal attention from upper management. Their common suggestions included leveraging discussion about emerging legislation, identifying and presenting modern slavery risks to upper management and the board of directors, offering training on the risks of inadvertent exposure to modern slavery to upper management, and approaching upper management through the legal department. As a member of upper management at a financial services company explained, individuals looking to get issues such as human rights and modern slavery on the corporate agenda should identify and work with key stakeholders, preferably in general counsel, who are “familiar with the ideas.”

2) Speaking the language of resisters

This key practice has been long-leveraged by industry leaders in responsible sourcing. For example, a senior director of a retail company, who had previously worked as a buyer, emphasized that their ability to align and mobilize hundreds of buyers is largely due to their ability to speak the language of the buyers and present information in a way that resonates with them. Three best practices in speaking the language of buyers were highlighted: 1) making responsible sourcing a support function for buyers, 2) meeting with buyers frequently to understand their needs and to set individual buyer goals, and 3) presenting buyers with data that will help them meet their goals.

“It’s all about how you speak to buyers... one of the things I’m most proud of is our internal reporting that hands buyers very practical data to help the supply chain from the social side. What this allows them to do is see where they might have risk and see what products or suppliers that they need to talk differently to, encourage remediation, or in our least favorite circumstance, maybe shift where they’re buying their product from.... I’m really proud of that data because it helps the merchants to implement responsible supply chains. The data for responsible sourcing comes from my team... and what we try to do is pull together really relevant pieces of data, and for us, that’s the business stuff and social compliance stuff, and then marry the two so that we can encourage implementation and really good business practices.”

– Senior Director, Retail Company

3) Establishing frequent and open communications

Companies from an array of industries (such as apparel, mining, financial services and retail) highlight the need to create a company environment in which individuals feel safe to talk about topics like modern slavery.

Some companies have embraced a structured approach (such as weekly cross-functional meetings or annual training) to ensure that employees of the broader organization are exposed to issues like modern slavery regularly. Others have invested in creating an underlying culture in which employees and management are encouraged to bring attention to social issues like modern slavery. Our analysis ultimately indicated that the most effective companies embraced a hybrid approach.

Challenges: Implementing effective due diligence and meaningful change

Addressing modern slavery in supply chains is no small feat, and for companies that are just starting to explore the area, the task can be overwhelming. In this section, we highlight key challenges that companies in our study indicated they are facing in terms of implementing effective due diligence and meaningful change.

Even industry leaders continue to struggle with and refine effective due diligence processes to detect and safeguard against risks and instances of modern slavery. Our research indicates that many participating companies face the common challenge of establishing the capacity to not only map out their supply chains sufficiently, but also conduct the necessary due diligence processes on their network of suppliers.

The majority of companies have explicit language in their supplier codes of conduct prohibiting the use of modern slavery and other human rights violations, but many are not allocating sufficient resources to enable effective compliance reviews or audits of their suppliers. This potentially exposes companies – and workers in their supply chains – to risks of modern slavery and unknowingly supporting suppliers who engage in other human rights violations. This enforcement gap is alarming given that **58 percent of companies surveyed have 1,000 or more suppliers, and 38 percent have 5,000 or more suppliers.**

Managing limited internal resources to support efforts

Participating company cited several factors that contributed to their limited capacity to conduct effective due diligence processes, but the most commonly cited one was a lack of internal resources to support their efforts. Areas with insufficient resourcing included identifying appropriate rules and conditions for suppliers, reviewing suppliers, conducting on-site audits, communicating with and engaging suppliers, and mapping out complex supply chains.

The unfortunate reality is that 88 percent of the companies surveyed have 10 or fewer personnel who directly work on responsible sourcing and/or modern slavery issues, an astonishing low figure given that many of the companies have 10,000 or more employees. While a few companies have well over 100 personnel dedicated to responsible sourcing, our research suggests that the typical company operating in Canada does not have teams of this size dedicated to the task.

Being vigilant in finding instances of modern slavery

Another common challenge is influencing change and implementing corrective actions after detecting risks or violations of modern slavery in suppliers. While most participating companies indicated that they have not discovered any risks or instances of modern slavery, 26 percent have discovered such instances with their existing suppliers.

However, just because companies have stated that they have not discovered any incidences of modern slavery in their supply chains does not mean that modern slavery in fact does not exist. After all, insufficient internal capacity to review all suppliers is a common challenge shared by companies.

Screening new suppliers and monitoring existing ones

While many companies placed heavy emphasis on initial screenings of new suppliers to prevent exposure to modern slavery, they also emphasized the need to conduct ongoing audits to remedy issues of modern slavery in existing suppliers. Among our sample, a manager in an apparel and retail company discovered via an audit that a supplier was retaining workers' passports and bankbooks, while another manager in a different apparel company discovered multiple layers of practices linked to forced labour, as described below.

"We were just doing standard social audits. We didn't understand the breadth and depth of these issues. In a standard audit, we look for red flags like human trafficking and modern-day slavery. We ask certain questions and we saw these problem signs in these factories. And it wasn't until after those audits were done that we could begin to dig in and really understand the issues that we were dealing with. Because it wasn't just fees, it was also passport retention and curfews and excessive working hours, and a number of other problems related to employing migrant workers."

– Manager, Apparel Company

Motivating action for meaningful change

The instances of modern slavery and child labour revealed in our study went well beyond the apparel industry and included companies in food and beverage, apparel, retail, telecommunications and mining. Companies noted that being a "little fish in a big pond" posed a challenge in getting suppliers to listen to them when they have little clout and a barrier in implementing effective change after they have discovered violations. Suppliers are sometimes reluctant to change their practices because they know that if one company drops them as a supplier, another company that does not demand these changes will work with them and the impact to their business will not be drastic.

"We were just doing standard social audits. We didn't understand the breadth and depth of these issues."

– Manager, Apparel Company

Lessons learned from industry leaders: Implementing effective due diligence and meaningful change

Our study shows that even industry leaders struggle with determining the best ways to implement effective due diligence and meaningful change. Six practices to circumvent challenges were identified: 1) *prioritize high-risk suppliers not high-spend suppliers*, 2) *reach out to NGOs and civil society organizations*, 3) *establish local personnel or partners*, 4) *conduct at least one site visit*, 5) *embrace social audit standards and/or certification*, and 6) *collaborate with industry peers and/or associations*.

1) Prioritize high-risk suppliers, not high-spend suppliers

Companies with limited internal capacity to implement effective due diligence across all their suppliers may want to prioritize suppliers based on risk rather than spend. While this approach will not catch all vulnerabilities in a company's supply chain, it can minimize the overall risk of occurrences of modern slavery. Although there are several ways to determine which suppliers are high risk, a number of participating companies suggested that focusing on high-risk countries can be particularly effective.

"Finding enough time to review our suppliers is our biggest challenge... it's just you can't touch everybody and everything, so you have to prioritize. You have to ask yourself, where are the biggest modern slavery or human rights risks and potential for impact?"

– Head of Responsible Sourcing, Financial Services Company

2) Reach out to NGOs and civil society organizations

Companies with limited knowledge of creating a due diligence process may want to reach out to civil society organizations. As multiple companies noted, turning to an experienced civil society organization that is well-informed about modern slavery and social audits and that is passionate about the cause helps the company to build a strong foundation of knowledge.

"When we started addressing issues like forced labour and human trafficking we knew that we weren't the experts. This is new to us and we were just learning about it. So we turned to an NGO that had a lot of experience in this area and we found to be a really good partner."

– Manager, Apparel Company

3) Establish local personnel or partners

While several companies in our study conduct their own audits, companies with limited resources could opt to hire local personnel or establish a local partner to manage their ongoing relationship with suppliers in the area. Companies indicated that having someone local who understands the culture, organization and circumstances can help to establish trust with suppliers, which is critical for mobilizing them to improve practices.

"Importantly, you have teams on the ground in the countries where the program is active. So that's Ghana, Cote d'Ivoire, Indonesia, Brazil, Dominican Republic and India. The teams on the ground are the ones who are managing the implementing partners, who actually carry out the programs interventions...the implementing partners are a combination of our cocoa suppliers and development NGOs."

– Social Sustainability Lead, Food and Beverage Company

“You have to ask yourself, where are the biggest modern slavery or human rights risks and potential for impact?”

– Head of Responsible Sourcing, Financial Services Company

4) Conduct site visit

Companies that lack the resources to have regular visits with suppliers on site may find it useful to conduct at least one site visit. Companies in our study indicated that their site visits to a supplier have been pivotal in helping them understand the realities that their suppliers face and how their company can adapt its practices to support better practices.

“A lot of people in our teams across our labels spend a lot of time at the factories with the textile mills. You build relationships.... I think being present changes people’s perspective. If you do it from afar, you can do principle compliance. If you have to actually be in that factory and see the context in which people are working, what ‘the ask’ is of sourcing teams, it’s a different perspective. Being there makes a big difference about how you would decide a good work plan going forward. And really try to understand what is it that the workers want versus what do we think we want for them?”

– Manager, Apparel and Retail Company

5) Embrace social audit standards and/or certification

While many participating companies administer their own site visits and audits, some companies are increasingly embracing social audit standards and certifications as part of their due diligence. Several leading companies indicated that this approach opens up resources and helps address ongoing “audit fatigue” among suppliers. The surge in individual audits per company can be taxing on suppliers, giving them little time and resources to implement change because they are spending too much time administering audits. However, some standards and certifications have failed to deliver, and companies are cautioned to do their homework.²⁵

“So for the past five years, probably more, we switched over to telling vendors and factories we would prefer if you sent us an audit report by a social compliance audit standard... and so we’ve noticed since becoming a member of certain standards that the audit costs have come down, and there’s more opportunity to I guess help factories make their improvements, versus forcing them to keep paying out year after year to participate in repeat audits.”

– Manager, Apparel and Retail Company

6) Collaborate with industry peers and/or associations

Companies that are struggling with implementing effective due diligence and/or corrective action may find it beneficial to explore collaborative initiatives with their industry peers. Some companies prefer direct collaboration with peers, whereas others prefer working with peers through trade associations. As several companies indicated, responsible sourcing and efforts to address modern slavery in supply chains is not a competitive issue. It is a shared issue that transcends the interests of a single company.

“There’s a working group of Canadian banks who are looking at sustainability procurement, and trying to implement best practices, compare notes, that sort of thing. I wouldn’t say that we’re among the leaders, although we might quickly become the leader because of this project we’ve started a few months ago. They seem to have been kind of slowly working on it for maybe longer than we have, but nobody’s really that far along. But there’s an awareness. There’s a consciousness of it.”

– Management, Financial Services Company



94%

of companies feel positive
or neutral about the Canadian
government's announcement
to initiate consultation on
supply chain legislation



Part Three

THOUGHTS AND REFLECTIONS ON SUPPLY CHAIN LEGISLATION

As noted earlier, a growing number of jurisdictions – including California, the UK, France and Australia – have passed laws to encourage corporate action on modern slavery and other forms of human exploitation in their supply chains. Although Canada has not yet followed suit, the federal government signalled in February 2019 that it would begin a process to consult on possible supply chain legislation. In this part of the report, we highlight companies' experiences with and thoughts on such legislation.

Supply chain legislation is encouraging awareness of modern slavery and already impacting companies in Canada

Effects of existing supply chain legislation

Our study exclusively focused on companies that have a presence in Canada, whether headquartered here or not. Interestingly, despite Canada not having any supply chain legislation in place, **56 percent of the companies we surveyed indicated that they have been directly affected by related supply chain reporting or due diligence legislation in other jurisdictions. Another 29 percent have been indirectly affected.**

“As a member of an international organization with peer corporations that reside in the UK, France and Australia, we leverage their experiences to apply [here].”

– Supplier Manager, Telecommunications Company

“[Legislation] has made us aware this is an emerging issue which helped drive adaption of [our] Supplier Code of Conduct.”

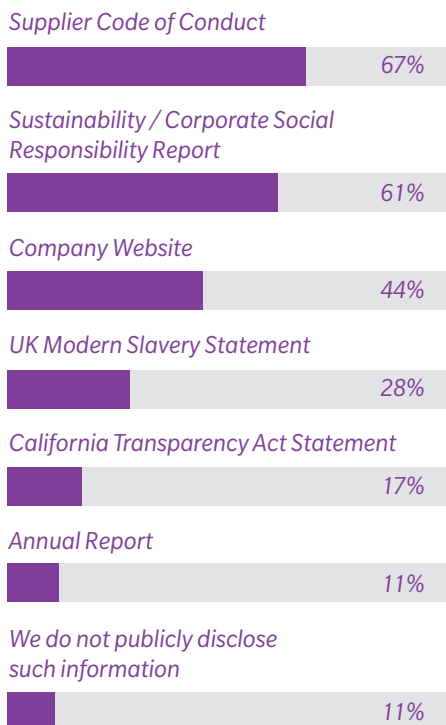
– Manager, Mining Company

“We reviewed requirements laid out in the UK Modern Slavery Act and the California Transparency [in Supply Chain Act] against our current practices, and conducted a gap analysis and road map for alignment.”

– Manager, Apparel Company

While companies in Canada are not required by Canadian legislation to publicly disclose specific information on their due diligence efforts, **89 percent of the companies we surveyed indicated that they publicly disclose some level of information on their efforts to address modern slavery.**

Where companies publicly disclose information on their efforts to address modern slavery



Experiences with existing supply chain legislation

The representatives of companies interviewed as part of our study shared their first-hand experiences in dealing with existing supply chain legislation. A commonly shared evaluation of their experiences emerged: that, while the demands of such legislation have not been particularly high to date, companies felt that they have benefited significantly from the process.

For example, several said that the act of putting together disclosure statements to comply with UK’s *Modern Slavery Act* has forced the companies to give explicit attention to the issue and think about their relationship to modern slavery. A member of the management team at a financial services company noted that preparing a public disclosure statement is similar to a “what are we doing?” exercise, adding that “the fact that we’re required by some law to put out a statement, it goes a long way [in terms of gaining internal attention].”

“So, it’s really a disclosure requirement. The UK, very recently. Australia and California as well. This kind of disclosure legislation is an emerging trend.... On the legal side of things, we just have an obligation to disclose.... But what it is really doing is getting us to rethink how we do things.”

– Director, Transportation Company

“In the last probably three years, we’ve brought more attention to responsible procurement because of the UK Modern Slavery Act.”

– Head of Responsible Sourcing, Financial Services Company

Thoughts on Canadian supply chain legislation

Given that Canada is in the formative stages of considering supply chain legislation and that different models with varying requirements exist, this section explores the views of companies on the development of such legislation.

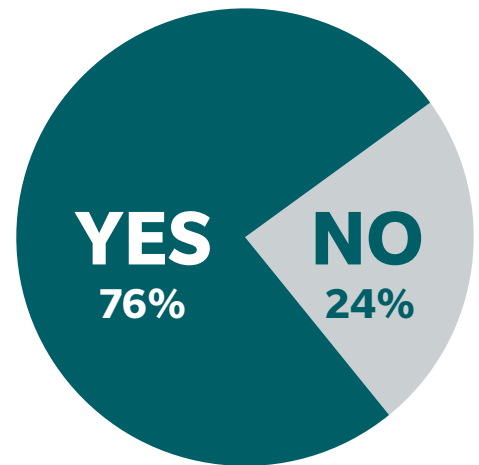
Early support and a belief that legislation can drive change

We asked companies participating in our study if they believed that legislation in Canada could benefit their companies in driving change to address modern slavery in their supply chains. A large majority of companies (76 percent) said “yes” and a minority (24 percent) said “no.”

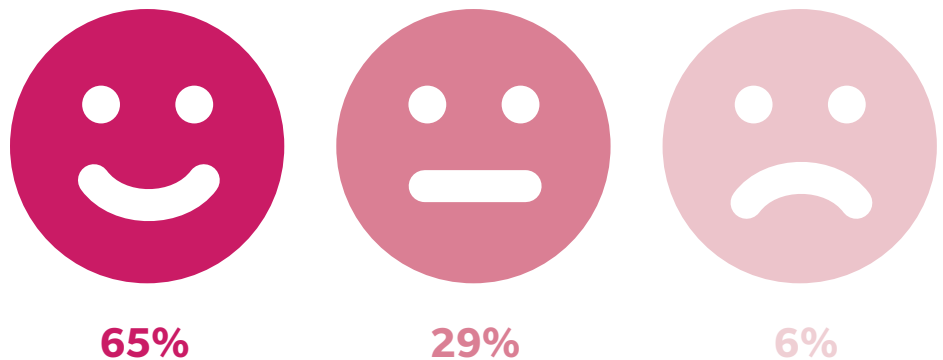
When we asked about how they “feel about the Government of Canada’s announcement that it will initiate consultations on possible Canadian supply chain legislation,” 65 percent of the companies were positive, 29 percent were neutral and 6 percent were negative. Although these views represent a small portion of the Canadian business landscape, we consider these findings important in informing future conversations on this issue.

BELIEF IN LEGISLATION AS A DRIVER OF CHANGE

Survey question:
Do you believe legislation could be of benefit to your company in driving action to address modern slavery in supply chains?



HOW COMPANIES “FEEL” ABOUT CANADIAN SUPPLY CHAIN LEGISLATION



Our analysis – of both the interview and survey data – indicated the majority of companies that participated in our study are generally supportive of some sort of supply chain legislation in Canada, although there was some dissension. For example, a managing partner at a financial services company believed that it was “simply too difficult to call on businesses to be global policemen of all of our suppliers,” adding that “the costs would be astronomical and the effectiveness would be minimal.” Mostly though, the comments were encouraging:

“Legislation... would be a good thing. There might be more onus placed on us to comply to make sure we’ve got the proper checks and balances... you would hope as we partner with larger corporations, it would help emphasize the nature of the business and what we’re hoping to accomplish through transparency of the supply chain and lead to less adversity when we come knocking on the door to say we want to audit your specific location or we want to audit a location of your tier two or tier three [suppliers]. I think that can only help us.”

– Supplier Manager, Telecommunications Company

“I think we’re all for it [Canadian legislation]. If it brings attention to these really grave issues and it makes companies act and behave differently, I think it’s a good thing. We fully support it and we’ll adhere to whatever the laws are in each different country.... We think it forces companies to at least acknowledge that this is happening in supply chains and hopefully pushes them in the right direction to address it.”

– Manager, Apparel Company

While some companies may not explicitly support such legislation, some of them indicated that they will not oppose it, likely because they may already be governed by similar legislation elsewhere.

“I don’t think you’d have much opposition because all the big banks in Canada are already reporting on the Modern Slavery Act, so there’s no change really. We wouldn’t have to do many new things, and I think the view is that there’s more benefit to having it more broadly applied over the economy.”

– Management, Financial Services Company

In closing, it is important to note that several companies we interviewed described Canada as “laggard” and “behind” compared to other jurisdictions, and “not as mature” in reference to supply chain legislation that targets modern slavery. However, some companies view the adoption of legislation as a way for Canada to realign itself with its peers and assume a leadership role.

Early thoughts on effective supply chain legislation

Initially, our study had sought to gauge the extent to which companies felt that legislation focusing on a specific issue in supply chains – such as child labour, forced labour, modern slavery or general labour rights – would be more or less effective in driving change than legislation that focused on a broad range of human rights issues, such as the approach taken in France’s *Corporate Duty of Vigilance Law*. Participating companies generally felt that legislation would be “somewhat” effective in driving change and that its effectiveness would not ultimately depend on the legislation’s specific or broad focus – rather, the legislation’s effectiveness would depend on what companies are required to do.

That said, companies had varying views on what model of legislation would be effective in driving change: 63 percent of participating companies felt that legislation requiring companies to **report** on their efforts to address their priority human rights issues in their supply chain would be effective; 56 percent felt that legislation requiring companies to **conduct due diligence** in supply chains would be effective; and 6 percent felt supply chain legislation would not be effective.

The vast majority of companies in our study see value in some form of Canadian legislation to address human rights issues such as modern slavery in supply chains. Still, there was concern about how this supply chain legislation would work in practice. When queried about how to ensure the effectiveness of such legislation, companies stressed the use of approaches that would: 1) *leverage existing legislation*, 2) *adopt new legislation that emphasizes actions, incentives and realistic expectations*, and 3) *engage with stakeholders*.

What do you believe would be effective in driving meaningful change within your organization in human rights issues in supply chains?

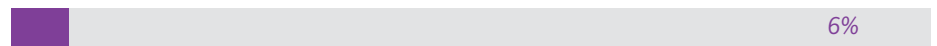
A requirement to report on your efforts to address your priority issues in supply chains



A requirement to conduct due diligence in supply chains



None of the above; I do not think legislation would be effective in driving change in my organization



1) Leverage existing legislation

Several companies emphasized that they hope the Government of Canada turns to existing supply chain legislation for inspiration and aligns itself with current best practices.

“Businesses want to ensure things don’t become overly bureaucratic and cumbersome, but I don’t see this as being [that] kind of a topic.... There are models out there to follow. Australia’s doing it, the UK’s doing it, parts of the US are doing it. The government has to take an interest in it... [there is] a 100% consensus that Canadians don’t want this to happen anywhere, and don’t want to be affiliated with it if it is happening. So we need the information to decide what we’re going to do if it’s happening. Fully supportive of it.”

– Management, Financial Services Company

“I think we should be aligning and not recreating something. How can Canada adopt best practices? So France, the UK, the US, the Netherlands [and now Australia]... how do we align with the one that we think is the best?”

– Manager, Apparel and Retail Company

In addition to citing legislation in other jurisdictions, companies referenced existing legislation in Canada, the Extractive Sector Transparency Measures Act (ESTMA). Overall, several participating companies felt that by building on existing legislation, Canada can create more synergies to advance compliance, align with companies’ current practices and support improvements.

“I think effective legislation would be something like ESTMA requiring disclosure around that issues that are tied to international trade. I think modern slavery legislation should have that similar nexus. I would like to see Canada’s Modern Slavery Act equivalent to something like ESTMA, but with a human rights focus.”

– Management, Financial Services Company

2) Adopt new legislation that emphasizes actions, incentives and realistic expectations

Companies placed strong emphasis on creating legislation that promotes action and progress but noted that a good place to start for raising awareness is with disclosure requirements.

“I don’t know how to say this, but we just need to think about how to make it so there’s actually actionable steps for brands and retailers to take.”

– Manager, Apparel and Retail Company

“It’s not just about the legislation. It’s about what sits behind the legislation to actually enforce it and implement it.”

– Director, Retail Company

While companies did not agree on how to proceed, one central theme did emerge: Canadian legislation should include underlying incentives for companies to take action.

“It’s important these laws set up the right incentives for companies, so they encourage companies... to actually go and find the risks within their supply chains and be transparent about it. For that to happen, companies need to have the confidence that the information they share about the risks they find won’t be used against them in court. That’s definitely an important element for a piece of legislation to address. Not to say that companies should be protected from litigation if they disclose a risk. They should not only disclose the risk but also what actions they’re taking to remedy, mitigate, prevent this issue from reoccurring.”

– Social Sustainability Lead, Food and Beverage Company

“I’ve been doing this for a while. Legislation is great to have. I think it raises awareness and I think that companies need to sign on to address modern slavery. But then what? You’ve signed on and you’ve made a public disclosure. What does that really mean? I’m not saying we’re perfect, but I can tell you that if companies are just signing onto something and they’re not really doing anything, then that doesn’t mean anything. You need to check in with suppliers, you need to audit, you need to ask questions, and you need to follow up.”

– Head of Responsible Sourcing, Financial Services Company

They also emphasized the need to create legislation that has reasonable expectations that consider the reality of companies and the broader issue of modern slavery and human rights.

“Legislation needs to consider the realities of the complexity of supply chain traceability and the leverage of brands/retailers.”

– Manager, Apparel and Retail Company

“Legislation should recognize that many human rights issues within supply chains are systemic and not necessarily issues that companies can individually or even collectively address on their own, so encourage this collective approach and, where relevant, joint action together with relevant local government.”

– Social Sustainability Lead, Food and Beverage Company

3) Engage with stakeholders

Companies in our study emphasized the importance of the Government of Canada engaging stakeholders, including the private sector and other governments, and of drawing from voluntary standards to help in the design of effective legislation.

“If I was asked to testify right now to the parliamentary committee, I would speak in favour of more disclosure requirements, and I think I would be supported. I think there’d be some hesitation because businesses typically don’t ask to be regulated more. It’s sort of just a thing that businesses don’t typically do, even if they don’t particularly care one way or the other. Involvement behind closed doors, I think, is the better way to get businesses engaged.”

– Management, Financial Services Company

“I encourage the Canadian government to involve brands and retailers in stakeholder consultation when developing [legislation]. I also encourage the Canadian government to continue engagement with other governments to improve legal requirements and oversight/enforcement to help decrease the risk of modern-day slavery.”

– Manager, Apparel and Retail Company

At the same time, companies noted that government engagement could go well beyond consultations. It could actively work with initiatives and companies to better align legislation with global efforts to address modern slavery and/or related issues. Companies expressed that they want to address modern slavery, but that they also need guidance.

“Why can’t the Canadian government be a stakeholder in helping to evolve existing tools too? If they do, this could become a guidance tool for everybody to follow, and they maybe even eventually make a recommendation to say: ‘We believe organizations should use this.’ The Dutch government, for example, is doing that. They have been a funder of the social labour convergence project... and they are saying: ‘Here’s a tool. Don’t create something else. Align behind this because we think it’s the best that’s out there.’”

– Director, Apparel and Retail Company

“For us to address the issue of modern slavery, we need many efforts because it’s really difficult to observe. Awareness needs to be in all different areas. We’d like efforts to be coordinated. We’ve suggested working groups but they aren’t happening right now... we have nothing with the government. We have no guidance on who to contact. We need to be collaborating, and this needs to be done well.”

– Compliance Officer, Transportation Company

A woman in a black uniform and white apron is working with a cart of white linens in a hotel hallway. The cart is filled with stacks of folded white towels and sheets. The woman is looking down at the linens, and her hands are visible as she handles them. The hallway is dimly lit, with light coming from a doorway in the background.

86%

of companies acknowledged that modern slavery in supply chains is a highly or moderately relevant issue

Final Thoughts

CONCLUDING STATEMENTS AND RECOMMENDATIONS

The primary objective of our study was to provide a comprehensive snapshot of the Canadian business landscape on the issue of modern slavery in supply chains. Our hope is that this research enables companies in Canada to initiate and engage with other stakeholders in ongoing dialogue about modern slavery in supply chains, and that it helps to inform and galvanize further Canadian action on this pressing, global issue.

The companies that participated in our study may have divergent experiences with addressing modern slavery and views on possible Canadian legislation, but the vast majority recognize the risk of modern slavery in their supply chains as a relevant and important concern. While the findings presented in this report do not represent the entire Canadian business landscape, they do reflect the insights and experiences of a diverse range of companies operating in Canada.

We give the last word to the companies in our study for final thoughts and considerations on the issue of modern slavery and what needs to be done:

“The fact that our main offices are located in Canada does not prevent us from having modern slavery. This is a huge global problem.”

– CSR Advisor, Telecommunications Company

“We knew this was a topic that would come into Canada eventually, through stakeholders’ expectations, good practices or legislation. Be educated about modern slavery. We have real examples happening now that could be in our supply chain too.”

– Senior Specialist, Telecommunications Company

“Modern slavery doesn’t always apply to every kind of good and service that we’re procuring... we’re a bank, but there is risk in every part of the supply chain. For example, when you think about our travel and hotel partners... there are a lot of low paying jobs that are at risk of exploitation. We’re working right now with hotels to make sure they are trained on human trafficking and modern slavery.”

– Head of Responsible Sourcing, Financial Services Company

“Combating modern slavery is a joint effort and not one single player has the responsibility of solving modern slavery. It has to be a combined effort of government, NGOs and business.”

– Director, Retail Company

“I think we need to come to terms that we’re in a global economy. We need to stop having that siloed vision that everything is just Canadian-based and that supply chains truly are international.... It is prudent that organizations understand where their goods are coming from and that we are not contributing to the plight of others.”

– Supplier Manager, Telecommunications Company

Recommendations

Our study's secondary objective was to use our research findings to develop recommendations that would be useful for key Canadian stakeholders:

Companies in Canada:

- Invest adequate resources to identify, prevent, mitigate and account for potential adverse human rights impacts, including modern slavery, in operations and global supply chains.
- Ensure that supply chain due diligence efforts go beyond tier-one suppliers to higher risk tiers further down the supply chain.
- Adopt a long-term approach to working with suppliers in addressing challenging practices.
- Actively collaborate with other stakeholders – including other companies, civil society organizations and government – to identify and advance best practices.
- Promote an open, safe environment for discussing and addressing modern slavery within operations, including buying and sourcing activities.

Government of Canada:

- Be expedient and consult with a diverse range of stakeholders on the design of potential supply chain legislation.
- Ensure that any legislation:
 - Leverages lessons learned from legislation in other jurisdictions, for equivalency considerations and alignment with best practices.
 - Promotes action that drives meaningful change within supply chains and corporate practices.
 - Sets reasonable and clear expectations for companies.
 - Provides incentives for companies to take action and consequences for failing to comply.

Civil Society, Investors and Academia:

- Promote further research to better understand how Canadian companies are addressing modern slavery and other human rights issues, and which factors are contributing to success and/or challenges.
- Engage in forums for constructive multi-stakeholder dialogue and action on these issues that allow the sharing of differing perspectives and expertise, and a collaborative exchange to drive meaningful change.
- Seek information about and prioritize mitigation of modern slavery risks in purchasing, investments and relationships.



**“Be educated about
modern slavery.”**

– Senior Specialist, Telecommunications Company

Endnotes

- 1 In its recent global estimates of modern slavery, for example, the International Labour Organization (ILO) for the first time included forced marriage within its definition of modern slavery. In contrast, the UK government's [official guidance](#) on its Modern Slavery Act's transparency in supply chain provisions state "the worst forms of child labour [including hazardous child labour] are very likely to constitute modern slavery," further noting that "the Modern Slavery Act specifically recognizes that it's not necessary for a child to have been forced, threatened or deceived into their situation for it to be defined as exploitation." Similarly, Australia's [Modern Slavery Act 2018](#) includes the worst forms of child labour in its modern slavery definition.
- 2 Skrivankova, Klara. "[Between Decent Work and Forced Labour: Examining the continuum of exploitation](#)", Joseph Rowntree Foundation, November 2010.
- 3 Andrees, Beate. "[Why definitions matter](#)". ILO, February 2014.
- 4 "[The meanings of forced labour](#)". ILO, March 2014.
- 5 Definitions for bonded labour, slavery and human trafficking from "[Modern slavery](#)". Ethical Trading Initiative.
- 6 "[What is child labour](#)". ILO, May 2019. Web page includes "The worst form of child labour".
- 7 Many of these fundamental labour rights are articulated in the "[ILO Declaration on Fundamental Principles and Rights at Work](#)" and its related core Conventions.
- 8 All child labour data from ILO. [Global estimates of child labour: Results and trends, 2012-2016](#). September 2017.
- 9 All forced labour data from ILO. [Global estimates of modern slavery: forced labour and forced marriage](#). September 2017. [Methodology of the global estimates of modern slavery: forced labour and forced marriage](#). September 2017.
- 10 World Vision Canada. [Canada's child and forced labour problem](#). June 2017.
- 11 Shareholder Association for Research and Education. [The rise of supply chain transparency legislation: What is at stake for Canadian Investors](#). February 2017.
- 12 Includes (i) the [Agenda 2030 target 8.7](#), which calls for the eradication of forced labour, modern slavery, human trafficking and child labour; (ii) the [2017 G7 Foreign Ministers Meeting Joint Communiqué](#), which calls for "redoubling our efforts to achieving the eradication of forced and child labour"; (iii) the [2018 G7 Security Ministers' Commitments Paper](#), which pledges to work with business and civil society to eliminate child labour and other forms of labour exploitation from global supply chains through the development of legislative and regulatory frameworks; (iv) the [2015 G7 Leaders' Declaration](#) and its commitment to enhance supply chain transparency and accountability; (v) 2017's [Call to Action to End Forced Labour, Modern Slavery and Human Trafficking](#), which commits to "eradicate forced labour, modern slavery, human trafficking, and the worst forms of child labour from our economics... and working with business to eliminate such practices from global supply chains"; and (vi) 2018's [Principles to Guide Government Action to Combat Human Trafficking in Global Supply Chains](#).
- 13 [UN Guiding Principles on Business and Human Rights](#), principle 15(b).
- 14 [OECD Guidelines for Multinational Enterprises](#).
- 15 World Vision Canada, 2017.
- 16 See, for example: [Corporate leadership on modern slavery: how have companies responded to the UK Modern Slavery Act one year on?](#) Hult International Business School and Ethical Trading Initiative, November 2016; [FTSE 100 & the UK Modern Slavery Act: from disclosure to action](#), Business & Human Rights Resource Centre, November 2018; and [Full disclosure: toward better modern slavery reporting](#), International Corporate Accountability Roundtable (ICAR) and Focus on Labour Exploitation (FLEX), March 2019.
- 17 See Bloomfield, M. and LeBaron, G. "[The UK Modern Slavery Act Transparency Through Disclosure in Global Governance](#)", 2018. See also Harman, J., Khan, Y. and Xiong, S. [In the Dark: Bringing Transparency to Canadian Supply Chains](#), 2017.
- 18 [A Call to Action: Ending the Use of All Forms of Child Labour in Supply Chains](#). Report of the Standing Committee on Foreign Affairs and International Development and Subcommittee on International Human Rights, October 2018.
- 19 [Government response to the nineteenth report of the Standing Committee on Foreign Affairs and International Development](#), February 2019.
- 20 Lake, Q., Macalister, J., Berman, C., Gitsham, M., & Page, N. (2015). [Corporate approaches to addressing modern slavery in supply chains: A snapshot of current practice](#)
- 21 Lake, Q., Macalister, J., Gitsham, M., & Page, N. (2016). [Corporate leadership on modern slavery](#)
- 22 Know the Chain: <https://knowthechain.org/resources/companies/>
- 23 Allain, J., Crane, A., Lebaron, G. and Behbahani, L. [Forced labour's business models and supply chains](#). Joseph Rowntree Foundation, November 2013.
- 24 Ramchandani, Ariel. "Malaysia: Migrant workers in the electronic industry remain vulnerable to debt bondage & forced labour," [The Atlantic](#). July 2, 2018. [Reproduced on Business & Human Rights Resource Centre](#).
- 25 Lebaron, G. (2018). [The global business of forced labour: Report of findings](#).

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