

Supply Chain Risk Report

Child and forced labour in
Canadian consumer products



2 | Introduction

The concepts of a child heading off to hard labour each day, or an adult being held against their will to work off a debt seem fictitious—like something out of a Dickens novel. In most people’s minds, these practices were abolished hundreds of years ago.

But these problems are still very real. Children and adults alike are being exploited to make many of the products we purchase every day.



A 2015 Ipsos Reid poll conducted on behalf of World Vision found that

78% of Canadians are frustrated at how difficult it is to determine where, how, and by whom the products they buy are made.³

Increasingly, media and nongovernmental organizations (NGOs) are bringing attention to the links between these troubling labour practices and the goods we consume. In the six months leading up to the publication of this report, there have been news reports of children in the Democratic Republic of the Congo mining for metals which end up in our smartphones, child and forced labourers working in deplorable conditions in Thailand’s multibillion-dollar seafood industry, and Syrian refugee kids being recruited as garment-factory workers producing clothes in Turkey for major apparel brands.

The International Labour Organization (ILO) estimates there are 168 million **child labourers** globally. More than half of them, 85 million in total, work at **jobs that are dirty, dangerous, and degrading**. These statistics do not count those with after-school jobs or who help with household chores. Instead, these children are robbed of their childhoods and put directly in harm’s way.¹

Additionally, there are 21 million victims of **forced labour**, including 5.5 million children, who are **coerced, trapped, and intimidated to work,**

often in extremely dangerous conditions, with no ability to leave.²

Together, child and forced labour are among the most egregious labour practices. At the core, they are exploitative and seriously jeopardize people’s well-being and waste their potential.

Canadians don’t want to be part of the problem. Whether consumers or investors, they want to know the goods they buy or invest in haven’t been produced by child or forced labour. Yet, currently, it is extremely difficult for most Canadians to know what, if anything, the companies who sell and produce those goods are doing to mitigate these risks in their supply chains.

In this report, we will refer to “risky goods.” In doing this, we acknowledge that many companies import goods into Canada from countries with high rates of child and forced labour. The situation comes with three inherent “risks.” Canadian companies are:

- 1 Placing themselves at risk of contributing to the immense problems of child and forced labour
- 2 Placing consumers at risk of unknowingly supporting child and forced labour through their purchasing decisions
- 3 Placing child and forced labourers at risk by not investigating and controlling what’s happening in their own corporate supply chains

This report highlights the extent to which companies importing goods into Canada are associated with the above risks. It provides a snapshot of some of the largest Canadian companies importing “risky goods” and the extent to which they are publicly communicating their policies and practices to address this issue.

“Life in my village is still very difficult, but the work I do and what comes of it belongs to me now.”

When Non was 17 years old and living in Laos, he decided he didn’t want to be poor anymore. A recruiter promised him work across the border in a Thai garment factory. What he found instead was forced servitude aboard a fishing boat where he was regularly beaten and mistreated. After two years, Non was finally able to escape back to his village in Laos.

The incentive to be transparent with customers is powerful, given the clear desire of Canadians to know more about the labour practices that produce the products they buy. Any Canadian company that can show it is taking real, effective action to address the risk of child and forced labour will be in a better position to win the trust and loyalty of the public, and will be more attractive to investors.

Finally, we want to be clear that **it is not the intent of this report to accuse any Canadian company of being intentionally complicit in child or forced labour.** Indeed, we found no evidence of this.

The intent behind this investigation is to start a conversation between Canadians and the companies they purchase products from. Transparency of policy and proof of action will give Canadians the ability to shop with the confidence their actions are not leading to the exploitation and indignity of child labourers and those forced to work.



4 | Key Findings

After a thorough assessment of the broader import data plus the examination of the 44 focus companies, taking place from April to May 2016, several important findings stood out.

Canadians are at risk every day of unwittingly purchasing products made using child or forced labour.

Child and forced labour are not just international issues; they are *Canadian* issues. The total value of Canadian imports of the 50 items assessed was \$34.3 billion (CAD) in 2015. These are products that Canadians use and consume on a regular basis: from clothing to food to electronics.



Canadian imports of 50 common products at-risk of child and forced labour were worth \$34.3 Billion in 2015
 This is roughly equivalent to the GDP of Newfoundland and Labrador

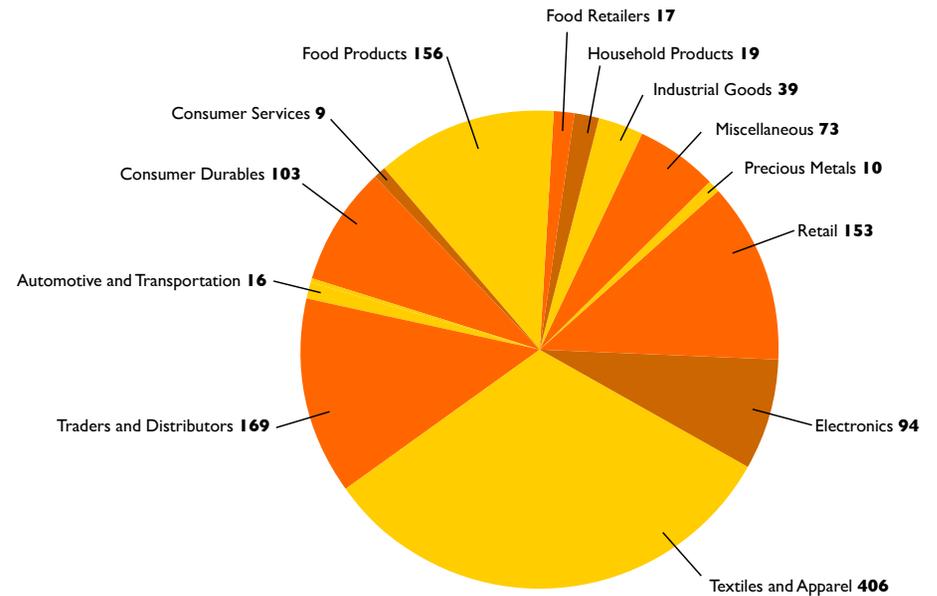
2 Companies operating in Canada risk importing products produced through child and forced labour.

According to publicly available import data, the supply chains of at least 1,264 companies operating in Canada contain links to goods and countries with high incidences of child or forced labour. In reality, these numbers are likely significantly higher as our research only focused on 50 of the 136 items on the U.S. Department of Labor's *List of Goods*, and not all importer information was publicly available.

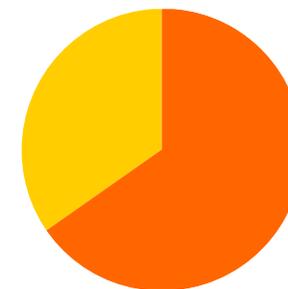
The companies that import potentially "risky goods" range from large multinational corporations to small- and medium-sized businesses. They operate in nearly every imaginable sector; from grocery and food production to retail and fashion. These companies have a tremendous amount of influence over how the goods they import are produced.

Two-thirds of companies (828 of the 1,264) we identified as having supply chains which may contain child or forced labour are Canadian-headquartered companies.

Characteristics Of Companies Assessed Breakdown of the 1,264 companies by sector:

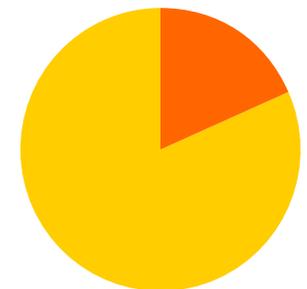


Canadian-Headquartered vs International Companies



828 (65.5%) Canadian
 436 (34.5%) International

Public vs Privately Listed Companies



235 (18.6%) Public Companies
 1029 (81.4%) Private Companies

3 Most companies lack sufficient public reporting on the actions they are taking to address these risks

If the public reporting of the 44 companies assessed in this report are any indication, many Canadian companies seem ill prepared to address the possibility of child and forced labour in their supply chains. While a small handful of companies are leading the way with fulsome disclosures covering their policies and related due-diligence processes, many are completely silent, leaving consumers and investors in the dark about how (or even if) the company is taking steps to mitigate these risks.

Of the 44 Canadian companies whose public reporting was assessed, **23 (more than half) did not provide any information** about their efforts to keep child and forced labour out of their supply chains.



Even amongst the remaining 21 companies that stated a commitment to avoid child and forced labour, many provided little or no evidence of key due-diligence practices to ensure these commitments are lived out.

Companies with no public evidence of:
Training and support to suppliers: 33 companies (75%)
Supplier auditing: 24 companies (55%)
Grievance and remedy mechanisms: 31 companies (71%)

A very large gap exists between what these companies are currently disclosing about their efforts to address child and forced labour, and the amount of information that is truly needed to give consumers and investors confidence that sufficient action is being taken.

4 A small number of Canadian companies are leading the way

A few prominent Canadian companies from different sectors are setting the standard for publicly reporting how they are preventing child and forced labour from entering their supply chains. BlackBerry, Gildan Activewear, Hudson's Bay Company (HBC), and Mountain Equipment Co-op (MEC) had the best assessments due to their comprehensive and transparent reporting practices.

These companies and their reporting practices serve as an example and resource to other Canadian companies that need to improve their policies and reporting around child and forced labour.

5 Mid-size and private companies are particularly lacking in reporting and transparency

We found that mid-sized and privately owned companies disclose very little about how they address the risks of child and forced labour in their supply chains. These companies typically operate out of the public eye, and do not face the same pressures to inform their customers and investors how they are mitigating supply chain risks as larger attention-grabbing publicly-traded companies.

This is of concern because these companies are major importers of high-risk products. Much more needs to be done by these companies to disclose their supply chain policies and practices.

6 The food sector is particularly behind the game when it comes to reporting

Canadians lack sufficient information about how their food gets to their tables. Of the companies and sectors assessed, Canadian food retailers, wholesalers, and producers were the underperformers in public reporting of best practices and policies to address the risks of having child or forced labour in their supply chains.

Within the food wholesaler and producer category, **only one of the 10 companies assessed disclosed any information about their efforts to address child- and forced-labour.** Within the food retailer category, only one company provided substantial reporting on this issue.

While a lack of public reporting may not indicate a lack of actual policies and practices, it would seem there is significant room for improvement amongst Canadian food companies to more fully address these issues.

5 | Sector Profile: Textile and Apparel

The anti-sweatshop campaigns of the 1990s focused public attention on the deplorable labour practices in the supply chains of multinational apparel companies. Despite this progress, child and forced labour continue to exist in the textile and apparel industry—from forced labourers harvesting cotton to children working in unauthorized subcontractor facilities.

The rise of fast fashion and the ensuing short production cycles put pressures on suppliers to deliver high volumes of goods in extremely limited time periods, at ever-reduced margins. This can cause suppliers to subcontract production to unauthorized facilities that “fly under the radar” and largely escape scrutiny, increasing the

possibility of child and forced labour. At the same time, it reduces the ability of the companies that place orders to effectively monitor and manage these risks.

In 2014, there were more than 406 companies importing textile and apparel goods into Canada, including retailers, manufacturers, and distributors. Of the 15 major Canadian textile and apparel companies importing “risky goods” assessed, 10 had an explicit or implied public statement prohibiting child and forced labour in their supply chains. While these efforts are laudable, only four of these companies disclose substantial evidence of robust processes to ensure adherence to these policies.

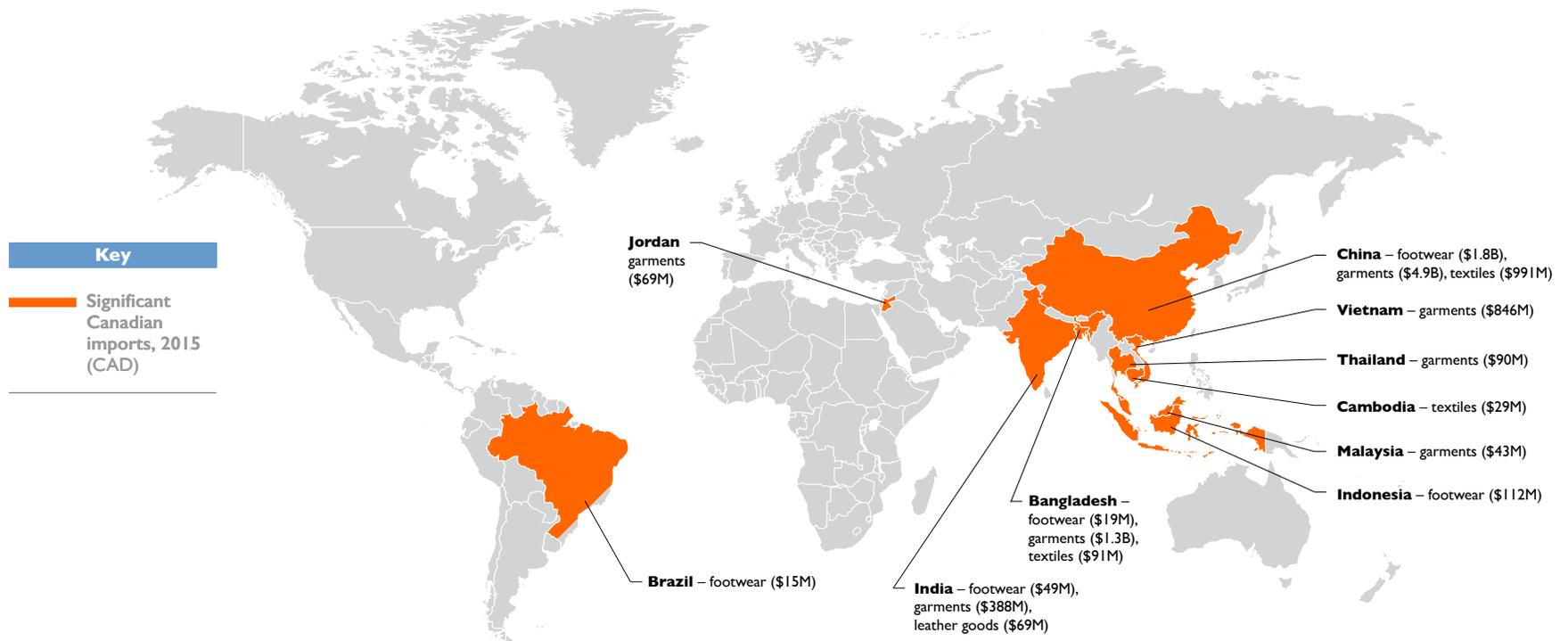
From 2011 to 2015, annual Canadian imports of goods at high risk of having child or forced labour in their supply chains have grown remarkably.

↑ **Garment imports from high-risk countries increased 30% from \$6.0 billion to \$7.7 billion.**

↑ **Textile imports from high-risk countries increased 39% from \$799 million to \$1.1 billion.**

↑ **Footwear imports from high-risk countries increased 30% from \$1.6 billion to \$2 billion.**

Canadian textile and apparel imports from countries with high-rates of child and forced labour.



Textile and Apparel

- Evidence publicly available
- Limited or incomplete evidence publicly available
- No evidence publicly available

Company	Public Commitment	Supplier Code of Conduct	Training	Auditing	Audit Results	Grievance & Remedy	Standalone Disclosure
Aldo (Call it Spring, GLOBO)	Green	Yellow	Yellow	Green	Red	Yellow	Yellow
Aritzia	Yellow	Green	Red	Yellow	Red	Red	Red
Boutique La Vie En Rose (Bikini Village)	Red	Red	Red	Red	Red	Red	Red
Comark (Bootlegger, Cleo, Ricki's)	Red	Red	Red	Red	Red	Red	Red
Gildan Activewear	Green	Green	Green	Green	Green	Yellow	Green
Groupe Dynamite (Dynamite, Garage)	Yellow	Green	Red	Yellow	Red	Red	Red
Le Chateau	Yellow	Green	Red	Yellow	Red	Yellow	Red
Lululemon	Green	Green	Yellow	Green	Red	Yellow	Green
Nygaard International (Alia, Nygård, Tan Jay)	Green	Green	Yellow	Yellow	Red	Yellow	Yellow
Peerless Clothing International	Red	Red	Red	Red	Red	Red	Red
Reitmans (Addition-Elle, R.W. & Company, Penningtons, Smart Set, Thyme Maternity)	Yellow	Green	Red	Yellow	Red	Red	Red
Roots Canada	Yellow	Green	Red	Yellow	Red	Red	Red
Stormtech Performance Apparel	Red	Red	Red	Red	Red	Red	Red
Town Shoes (The Shoe Company, Shoe Warehouse)	Yellow	Green	Red	Red	Red	Red	Red
YM Inc. (Bluenotes, Sirens, Stitches, Suzy, Urban Planet, West 49)	Red	Red	Red	Red	Red	Red	Red



Best Practice Case Study

Gildan Activewear

A major manufacturer of branded clothing, including t-shirts, sport shirts, underwear and socks, Gildan utilizes a “vertically integrated” manufacturing model. Due to this direct ownership of the majority of its production processes, the company has a high degree of oversight and control over its supply chain.

Gildan maintains a [dedicated sustainability website](#) where it outlines its social-compliance efforts, including those related to child and forced labour. In addition to stating its policies, the company proactively discloses key elements of its due-diligence process: training provided to its employees and suppliers, audit methodology and results, and remediation plans.

Sector Profile: General Retailers

In addition to apparel and electronics, potentially “risky goods” being imported by Canadian retailers include toys, linens, carpets, and Christmas decorations. Instances of both child and forced labour for such goods have been well documented by the media and NGOs in recent years. In one factory that made toys for a major brand, workers as young as 14 were [documented](#) to be labouring in harsh conditions.

While retailers are often one or more degrees removed from the actual manufacturing process, these retailers, especially the larger companies, can have a

significant amount of influence on these supply chains by leveraging their purchasing volume. What’s more, many large retailers sell private-label goods and, in these cases, they have a degree of direct control over the conditions under which these goods are produced.

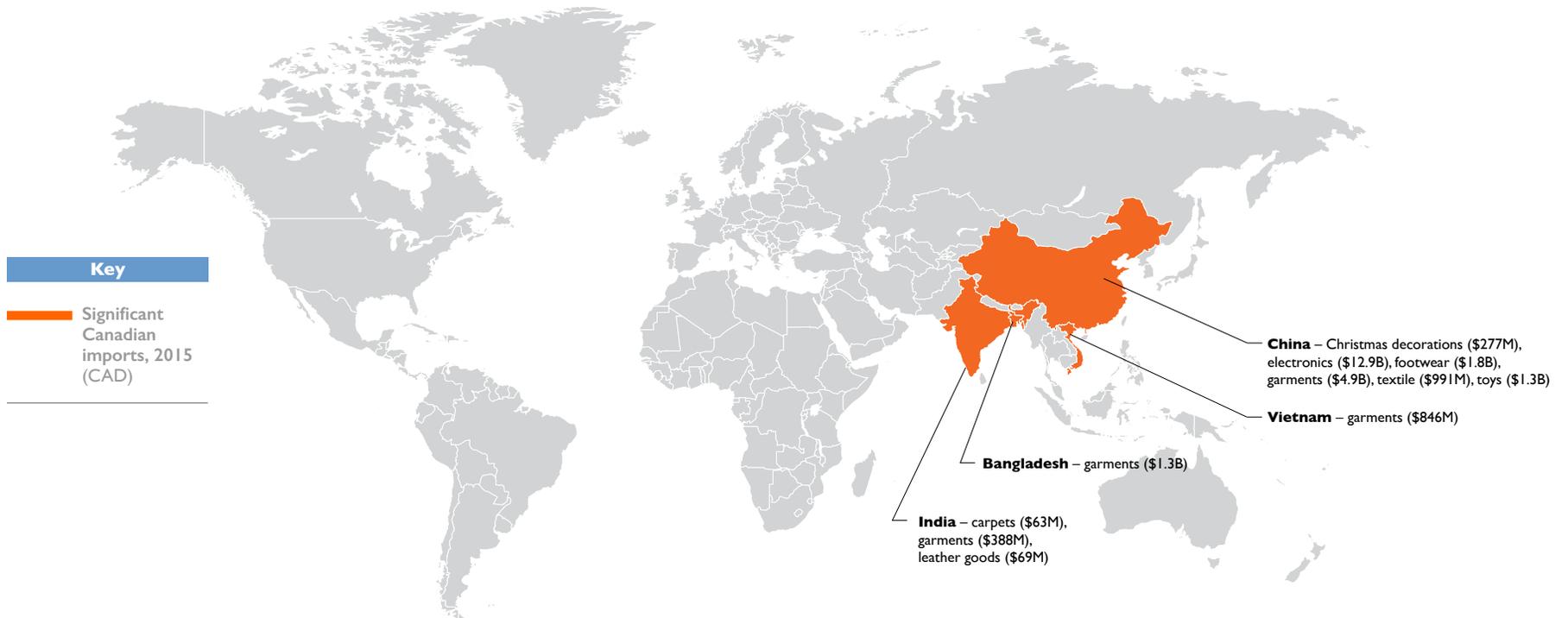
In 2014, there were more than 153 retail companies importing “risky goods” into Canada. Of the nine major Canadian companies assessed, three did not disclose any information regarding their efforts to address child and forced labour in their supply chains.

\$1.3 billion



Between 2011-2015, annual Canadian imports of toys from China increased by 36 per cent, from \$973 million to \$1.3 billion

Canadian imports of retail goods from countries with high-rates of child and forced labour.



General Retailers

Key

- Evidence publicly available
- Limited or incomplete evidence publicly available
- No evidence publicly available

Company	Public Commitment	Supplier Code of Conduct	Training	Auditing	Audit Results	Grievance & Remedy	Standalone Disclosure
Canadian Tire (Mark's Work Warehouse, PartSource, Sport Chek)							
Dollarama							
Giant Tiger							
Holt Renfrew							
Hudson's Bay Company (Home Outfitters, Lord & Taylor, Saks Fifth Avenue)							
Indigo Books and Music (Indigo, Chapters, Coles)							
Mountain Equipment Co-op (MEC)							
The North West Company (Northern, NorthMart)							
Simons							



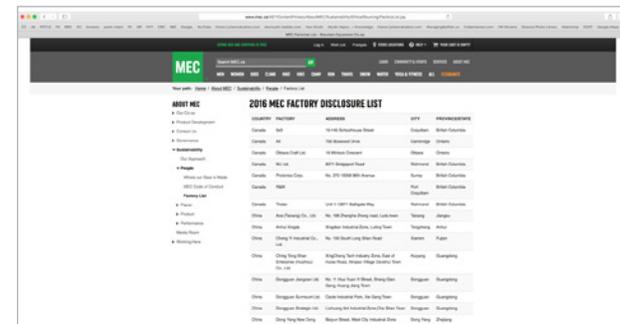
Best Practice Case Study

Hudson's Bay Company

Mountain Equipment Co-op

In addition to strong supply chain reporting generally, two Canadian companies—HBC and MEC—disclose the names and locations of their direct suppliers on their websites.

By making this information public, these companies have demonstrated a willingness to be open to a high level of scrutiny. This increased transparency enables Canadian and local civil-society organizations to monitor and verify compliance with international labour standards, and provides a basis for dialogue to address challenges.



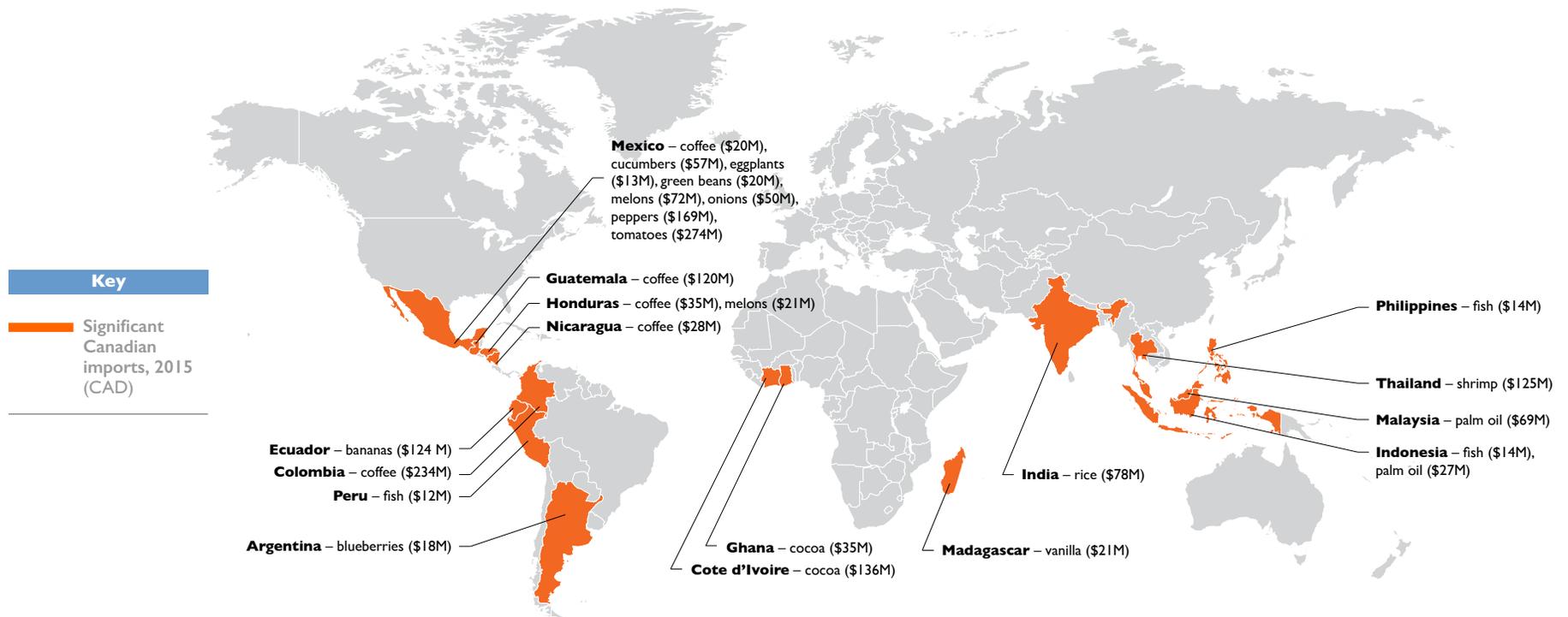
Sector Profile: Food

Amongst the sectors examined in this report, public reporting on policies and practices to address child and forced labour is least advanced among Canada's food companies. This is disheartening in light of the fact that 60 per cent of all child labourers are found in the global agriculture sector, which includes farming, fishing, aquaculture, forestry, and livestock.⁴ These jobs are amongst the most dangerous when it comes to accidents, occupational diseases, and fatalities.

The supply chains of foods that many Canadians consume on a regular basis—including coffee, chocolate, vegetables, and seafood—have endemic challenges with child and forced labour. Because many of these commodities originate from multiple sources, tracing their origins is a challenging task.

More than 173 companies imported potentially risky food items into Canada in 2014. These included food retailers, fresh-produce wholesalers, and producers. Food retailers, given their more public face, fared slightly better within this sector. However, the vast majority of food companies had no public reporting on their efforts to address child and forced labour.

Canadian food imports from countries with high-rates of child and forced labour.



Food Retailers

Key

- Evidence publicly available
- Limited or incomplete evidence publicly available
- No evidence publicly available

Company	Public Commitment	Supplier Code of Conduct	Training	Auditing	Audit Results	Grievance & Remedy	Standalone Disclosure
Bulk Barn							
Loblaw Companies Ltd. (Fortinos, Loblaws, No Frills, Real Canadian Superstore, Shoppers Drug Mart, et al.)							
Metro Inc. (Super C, Food Basics, Metro, et al.)							
Overwaitea Food Group (Overwaitea Foods, Save-on-Foods, et al.)							
Sobeys (Foodland, FreshCo, Price Chopper, Safeway, et al.)							



Best Practice Highlight

Auditing

Auditing is an important tool companies can use to verify adherence to policies and standards laid out in supplier codes of conduct. The auditing process should include both scheduled and non-scheduled visits to production sites, reviews of relevant documentation, and interviews with workers.

Independent third-party audits can ensure those carrying out the audit have the objectivity needed to ask the right questions of the right people.

By publicly disclosing the high-level results of their audits—including the number and percentage of suppliers audited over the past year, a summary of key findings, and information on any corrective action taken—companies can further reassure and demonstrate to consumers and investors that they take their commitments seriously.

Food Producers and Wholesalers

Key

- Evidence publicly available
- Limited or incomplete evidence publicly available
- No evidence publicly available

Company	Public Commitment	Supplier Code of Conduct	Training	Auditing	Audit Results	Grievance & Remedy	Standalone Disclosure
Courchesne Larose	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available
Export Packers Company Ltd. (Chef's Jewel, Family Delight, Ocean Jewel)	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available
Fresh Direct Produce	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available
Gambles Ontario Produce	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available
Lakeside Produce	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available
Mother Parker's Tea & Coffee	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available
Nutriart (Laura Secord)	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available
Soline International (Anchor's Bay, Natural Mer)	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available
Sun Rich Fresh Produce	Limited or incomplete evidence publicly available	No evidence publicly available	No evidence publicly available	Limited or incomplete evidence publicly available	No evidence publicly available	Limited or incomplete evidence publicly available	No evidence publicly available
Tai Foong International (Jasmine Delight, Northern Kind, Thai Gold)	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available	No evidence publicly available

Sector Profile: Electronics

Electronic products such as tablets, smartphones, cameras, televisions, and appliances are the result of a process involving long, complex supply chains. From the mining of precious metals to the manufacture of electrical components to the assembly of finished products, each stage has been shown to be highly susceptible to labour abuses, including child and forced labour.

In places like the Democratic Republic of the Congo, children as young as seven have been [found](#) to be mining in hazardous conditions for coltan, a key component in electronic devices. Further up the supply chain, in [Malaysia](#) and China, undocumented foreign labourers are forced to work off impossible levels of debt and recruitment fees at the hands of deceptive labour brokers.

In 2015, more than \$13 billion worth of potentially risky electronic goods, with origins in countries known for child and forced labour, were imported into Canada.

Only five Canadian electronic companies - including retailers, manufacturers, and distributors - were assessed to provide a snapshot of reporting practices. Few Canadian companies are involved in directly manufacturing the goods assessed, and the relatively small purchase volumes of retailers and manufacturers limit the degree of control over social and environmental standards in these supply chains.

Canadian imports of electronics from countries with high-rates of child and forced labour.



Electronics

Key

- Evidence publicly available
- Limited or incomplete evidence publicly available
- No evidence publicly available

Company	Public Commitment	Supplier Code of Conduct	Training	Auditing	Audit Results	Grievance & Remedy	Standalone Disclosure
BlackBerry							
Curtis International							
Erikson Pro Audio							
Sierra Wireless							
Tiger Direct							



Best Practice Highlight

Collective Industry Initiatives

Canadian companies' relative size and influence in the electronics sector is limited. Industry initiatives such as the Electronic Industry Citizenship Coalition (EICC) allow companies to coordinate efforts and leverage their collective influence to ensure ethical supply chains. Such initiatives promote the use of standardized codes of conduct and collectively recognized auditing. Joining and publicly disclosing membership in such initiatives is one way Canadian companies can demonstrate their commitment to high supply chain standards, including those related to child and forced labour. BlackBerry and Sierra Wireless are EICC members.

Conclusions and Solutions CONTINUED

Recommendations for the Canadian Government

Governments in other jurisdictions have created laws requiring companies to post comprehensive statements outlining the steps they have taken to address child and forced labour in their supply chains. They do this to provide consumers and investors with the information they want, and to encourage greater company action.

Create federal supply chain transparency legislation that would require companies operating in Canada to publicly report on what they are doing to address child and forced labour in their supply chains on an annual basis.

87% of Canadians

think the federal government should require Canadian companies to publicly report on who makes their products and what they are doing to reduce child labour in their supply chains³



Best Practice Highlight

Supply Chain Transparency Legislation

The U.K.'s *Modern Slavery Act* (2015) requires companies doing business in the U.K. with annual revenues over £36 million to produce an annual statement outlining the steps, if any, they are taking to address child and forced labour in any of their supply chains. California has had similar legislation for a number of years, and other jurisdictions are considering similar requirements.

Supply chain disclosure statements such as those required in the U.K. and California provide consumers and investors with the information they need. It allows them to assess a company's efforts to address the possibility of child and forced labour in their supply chains and take appropriate action.

By harnessing consumer, investor, and competitive pressure, these "light-touch" laws also create positive incentives for companies to proactively deal with these issues, without being overly prescriptive or burdensome.

