

CHECK THE CHAIN: PREVENTING CHILD LABOUR



The Case for Canadian Supply Chain Transparency Legislation

A WORLD VISION CANADA POLICY DISCUSSION PAPER

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EXECUTIVE SUMMARY

This paper makes the case for Canadian legislation requiring companies to publicly report on their efforts to monitor, address and reduce child labour in their supply chains.

Despite progress in recent years, there are still an estimated 168 million child labourers around the world – among them 85 million in the worst forms of child labour – including within the supply chains of products that Canadians use every day. The continued existence of child labour is a detriment to the health, education and dignity of children, and it presents major obstacles to sustainable economic development in many countries of the world.

Continued and concerted efforts by NGOs, governments and communities affected by child labour themselves are essential in addressing this complex challenge. However, greater attention and action is needed by the private sector to ensure that they are not contributing to the problem through the existence of child labour in their supply chains.

To encourage this private sector action, key economic allies and partners of Canada – including the U.S. and the U.K. – have proposed or introduced legislation requiring companies to disclose their efforts to address forced and child labour in their supply chains. By raising awareness on this issue and publicizing the actions companies are taking to prevent child labour, this promising new approach has significant potential for improving the well-being of children worldwide.

Like the legislation being introduced elsewhere, Canadian supply chain transparency legislation would be a non-burdensome way to encourage companies be more proactive in addressing and preventing child labour in their supply chains by harnessing consumer, investor and other stakeholder pressure.

In addition to protecting children from exploitation, Canadian supply chain transparency legislation would be a practical way for Canada to further implement its numerous international commitments to eradicate child labour, including the UN Convention on the Rights of the Child and ILO Convention No. 182 on the Worst Forms of Child Labour. It would also yield numerous benefits for businesses themselves by enhancing their reputation and brand, increasing competitive advantage and levelling the playing field.

The public is strongly behind such a measure, with 87 per cent of Canadians indicating that they believe the Canadian 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 chains.

While World Vision's utmost priority in this discussion is the well-being of child labourers, we also believe in solutions that work for Canada and Canadian companies. As a first step toward legislation, we are calling for the establishment of a multi-stakeholder advisory group – including representatives from the private sector, Government of Canada and civil society organizations – to further discuss and provide advice on the options for supply chain transparency legislation and ensuing regulations.

I. INTRODUCTION

While much is being made of late about the contributions the Canadian private sector can make to development and reducing poverty, there is also a growing acknowledgment that, in some cases, the private sector can negatively impact children and families living in poverty. Nowhere is this more apparent than when it comes to the presence of child labourers in global supply chains.

Child labour is a detriment to the health, education and dignity of children. It has also been linked to depressed wages, constrained entrepreneurship, increased adult unemployment, reduced inward foreign investment and drastically reduced human capital accumulation, all of which present major obstacles to achieving the goal of inclusive, sustainable development.

World Vision works with thousands of children either currently or formerly engaged in, or at risk of entering, child labour. Through that experience, we have learned that it is both a symptom and a cause of poverty and that sustainable solutions must include efforts to address the many underlying causes of child labour: poverty; inequality; entrenched social attitudes about the role and status of children; weak law enforcement and justice systems; a lack of decent work for adults; and the absence of effective public services and social protection systems. There is no “silver bullet” because there is no one single cause of child labour.

Our programming and policy efforts in more than 100 countries around the world reflect the need for a holistic approach to ensuring child well-being and protection by both working to prevent the conditions that can lead to child labour in the first place, while also supporting child labourers secure a better future. Yet, we also believe that any efforts to address the “supply” of child labour must be supported by concerted efforts to address the “demand” for goods produced through child labour.

Based on extensive consultation with the Canadian private sector, government officials, child labour experts, civil society organizations, and analysis of developments in other jurisdictions, this report builds a case for supply chain transparency legislation in Canada as a means to address the problem of children working in global supply chains. Section 2 provides key definitions and figures, and highlights the prevalence, causes and impacts of child labour. Section 3 specifically looks at child labour in global supply chains, including its prevalence in Canadian imports and the limited uptake and efficacy of voluntary private sector attempts to address this challenge. In Section 4, we provide an overview of supply chain transparency legislation proposed or enacted in other jurisdictions. We lay out our case for Canadian legislation, including the benefits it would provide to businesses, in Section 5. Section 6 contains a summary of our key recommendations.

Given the complexity and particular challenges faced by certain industries and sectors in addressing child labour in their supply chains, it should be made clear that we are not proposing legislation that would prescribe particular actions or systems to verify that products are free of child labour. Rather, the legislation would require companies to publicly report on what they are doing to address child labour in their supply chains. By drawing more attention to this issue through increased transparency, businesses will have greater incentive to take action.

We believe it is in everyone’s best interests – including business, investors, government, civil society organizations and consumers – to press for greater action to eliminate child labour through supply chain transparency legislation here in Canada. World Vision welcomes further dialogue and action on this front in the months to come.

CASE STUDY: BANGLADESH

Thousands of Bangladeshi children work in garment factories to sew designer clothes that will be sold in shops in Canada, the United States and other high-income countries. Many of these children work in small shops that subcontract jobs from other larger garment factories, and where government policies about child labour go unheeded.

One such child is Bithi. Abject poverty and a sick father forced Bithi's family to send her and her sister to work in one of these factories when she was just 12 years old. Bithi, now 15, works long days to sew the pockets on designer jeans. Every day, she helps create a minimum of 480 pair of pants for 83.3 taka (C\$1.28). In an interview with World Vision, Bithi admits to feeling painful and heartbroken when she sees other girls her age going to school.



Many children around the world work in factories making clothing.

2. CHILD LABOUR: DEFINITIONS, FIGURES, CAUSES AND IMPACTS

2.1 Defining child labour

Children around the world are engaged in many different types of work. Some forms and conditions of child work may contribute to children's development as they learn responsibility or other skills, provide for their families or prepare to become productive members of society. Nevertheless, many children are engaged in difficult and demanding tasks and activities that stunt their development, interfere with their education and put them in harm's way.

International conventions and resolutions break children's work down into three categories: (i) children in employment; (ii) child labour; and (iii) hazardous work and other worst forms of child labour¹. As is shown in the diagram on page 8, hazardous work is a subcategory of child labour, which is in turn a subcategory of children in employment.

Children in employment, also referred to as **child work**, is the broadest category of child work. It includes both formal and informal employment carried out inside or outside the family setting, with or without pay. This category includes light work and age-appropriate economic activities that do not adversely affect a child's health or personal development or interfere with their schooling.²

Child labour, on the other hand, is a subset of *children in employment* and commonly defined as "work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development."³ It refers to work done by a child who is under the minimum age specified for that kind of work, as defined by national legislation, guided by the International Labour Organization (ILO) Declaration on the Fundamental Principles and Rights at Work (1998) and ILO Convention Nos. 138 and 182.

DEFINING CHILD LABOUR

Child labour can be defined as "work that deprives children of their childhood, their potential and their dignity, and that is harmful to physical and mental development."

It refers to work that is mentally, physically, socially or morally dangerous and harmful to children, and interferes with their schooling by: depriving them of the opportunity to attend school, obliging them to leave school prematurely, or requiring them to attempt to combine school attendance with excessively long and heavy work.

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Source: International Labour Organization, "What Is Child Labour". <http://www.ilo.org/ipec/facts/lang-en/index.htm>

1. These conventions include the United Nations Convention on the Rights of the Child (UNCRC), the International Labour Organization (ILO) Convention No. 182 on the Worst Forms of Child Labour, ILO Convention No. 138 on the Minimum Age for Admission to Employment, the ILO Declaration on the Fundamental Principles and Rights at Work (1998)

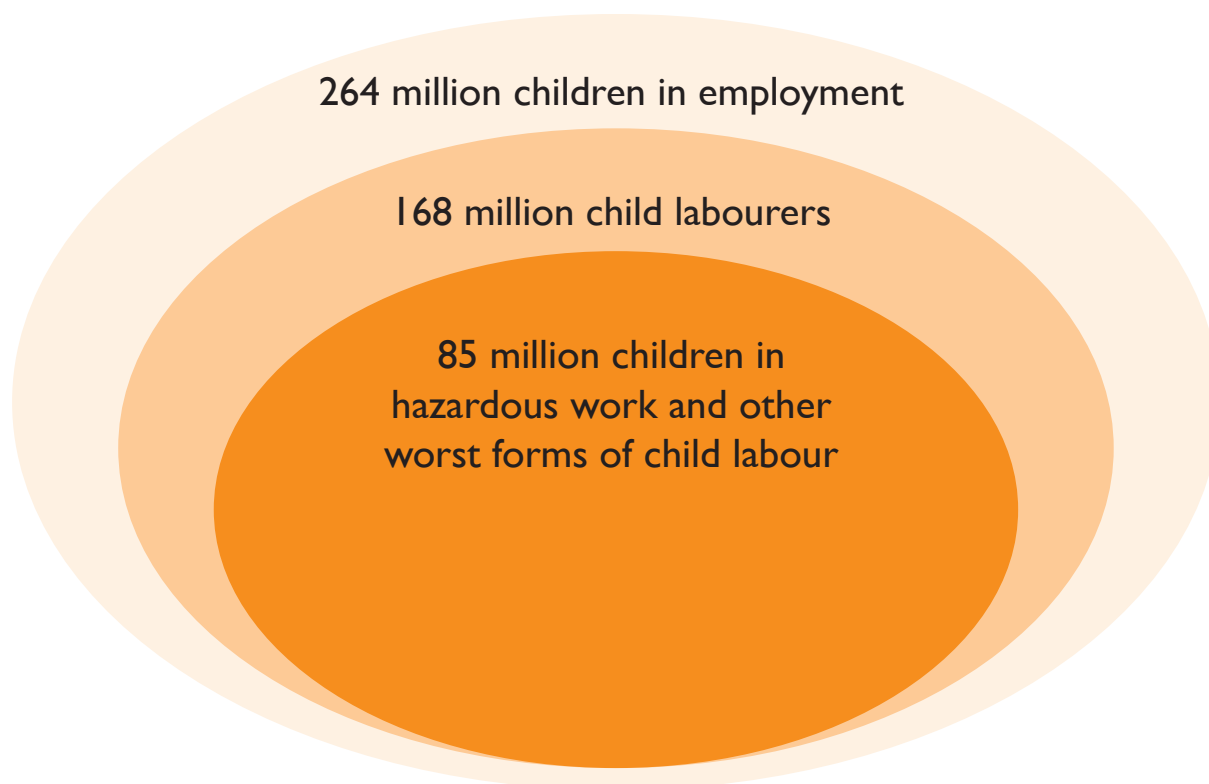
2. Light work typically refers to the market work of children aged 12 to 14 that is nonhazardous and for less than 14 hours per week.

Child labour also includes the **worst forms of child labour** as defined by Article 3 of ILO Convention No. 182. This category represents the most extreme types of child labour, and includes all forms of slavery or practices similar to slavery, such as bonded labour and trafficked children for exploitive labour; the use, procuring or offering of a child for prostitution or other illicit activities; and what's known as hazardous work: work that is likely to harm the health, safety or morals of children. **Hazardous work** can include night work and long hours of work; exposure to physical, psychological or sexual abuse; work in dangerous or unhealthy environments; and/or work with dangerous machinery and equipment. It is generally acknowledged as intolerable in any context.

This paper proposes a solution for addressing and reducing child labour (especially hazardous work and the other worst forms of child labour) given the detrimental impacts it has on child well-being and development.

2.2 Prevalence of child labour

According to recent ILO estimates, there are 168 million child labourers around the world aged five to 17 years old. These 168 million children represent nearly 11 per cent of the world's child population as a whole.ⁱⁱ Of this number, more than 85 million children perform hazardous work.³



NOTE: Hazardous work is a subcategory of child labour, which in turn is a subcategory of children in employment (WVI 2014)

3. Given the lack of reliable data on the other worst forms of child labour, and the fact that children in hazardous work account for the vast majority of those in the worst forms, hazardous work is often used as a proxy for *the worst forms of child labour*.

Millions of child labourers can be found on every continent, working in a wide range of sectors, primarily the agriculture (60 per cent), service (26 per cent) and industrial (7 per cent) sectors, including manufacturing, construction and mining.ⁱⁱⁱ

The majority of child labourers are found in Asia and the Pacific (78 million), followed by sub-Saharan Africa (59 million). Significant numbers of child labourers are also found in Latin America and the Caribbean (13 million), as well as more than nine million in the Middle East and North Africa.^{iv}

Despite the common assumption that the majority of child labourers are near adulthood and “close enough” to an acceptable working age, we know from the latest estimates that this is not the case. More than 71 per cent of child labourers (approximately 120 million) are between the ages of five and 14, and 43 per cent (approximately 73 million) are between the ages of five and 11.^v These children are particularly vulnerable to workplace abuse and education lapses.

While boys constitute 60 per cent of all children in labour, girls are disproportionately involved in less visible and often undercounted forms of child labour, including domestic service.^{vi}

While the majority of child labour takes place in the informal economy, as Section 3 highlights, child labourers are also present within the increasingly long and complex global supply chains of large companies.

2.3 Causes of child labour

The reality of child labour is inextricably linked with extreme poverty, lack of education opportunities, weak regulatory environments and enforcement, and numerous other factors, including the demand for cheap labour in global supply chains. The ILO identifies that “poverty and social exclusion, labour mobility, discrimination and lack of adequate social protection and educational opportunity all come into play in influencing child labour outcomes.”^{vii}

In order to effectively protect against child labour, both push and pull factors need to be addressed. Children may be pushed into exploitive work situations by factors such as poverty and social exclusion, but they are also pulled into these situations by a demand for cheap and obedient labour. There is no one-size-fits-all solution to child labour. The recommendations made in this paper have the potential to significantly reduce child labour but must be seen as part of a broader set of interventions.

2.4 Impacts of child labour on children and national economies

Child labour, especially its worst forms, can be a violation of a child's right to survival, protection and education.⁴ It hinders a child's individual development by causing physical and psychosocial harm. What's more, child labour can significantly undermine economic growth.

4. The UN Convention on the Rights of the Child (UNCRC), ratified by Canada in 1991, outlines the full range of rights belonging to all children under the age of 18. In particular, Article 32 of the UNCRC recognizes every child's right “to be protected from economic exploitation and from performing any work that is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral or social development.”

2.4.1 Impacts on children's health and physical and social development

Childhood is a vital time for the safe and healthy development of a person. Child labourers do not enjoy that necessary safety; instead, they are at a "high risk of illness, injury, and even death due to a wide variety of machinery, biological, physical, chemical, ergonomic, welfare/hygiene and psychosocial hazards, as well as from long hours of work and poor living conditions." They can also suffer psychological damage from working in an environment where they are denigrated, harassed or experience isolation, violence and abuse.^{viii}

Each year, as many as 2.7 million healthy years of life are lost owing to child labour.^x The ILO estimates that every year 22,000 children die from accidents related to their work.^x The numbers of those injured or made ill because of their work are not known.

The World Bank, World Health Organization and the Organisation for Economic Co-operation and Development (OECD) have all documented the significant short and long-term physical and psychosocial consequences of child labour.

2.4.2 Impacts on economic growth

Child labour has a significant impact on the reduced accumulation of human capital (people's knowledge, skills learning, talents and abilities), a key ingredient for national and individual economic development.^{xiii} At the individual level, child labour interferes with children's education, which reduces the chances of getting decent work later in life and escaping the cycle of poverty and exploitation.

The perpetuation of child labour limits the development of children and their potential for upward mobility, but it also harms the very economies that are developing around them. Societies with a high level of child labour are susceptible to being caught in a low-level equilibrium trap, in which a relatively uneducated workforce continues to produce low-quality goods at low levels of productivity.^{xiv}

Additional negative impacts on macro and household economic growth resulting from child labour include:

- depressed wages and constrained entrepreneurship, which can lead to an increasingly stagnant, low-wage economy;^{xv}
- increased adult unemployment;^{xvi}
- slowing technological process as a result of the availability of cheap labour;^{xvii}
- problems attracting foreign direct investment;^{xviii}
- and a reduction of lifetime earnings as it increases the likelihood of being poor later in life by as much as 30 per cent.^{xix}

It has been estimated that the annual global costs of the worst forms of child labour are as much as \$97 billion.^{xx} The far-reaching impacts of child labour require devoted attention by governments, businesses and civil society.

CASE STUDY: DEMOCRATIC REPUBLIC OF CONGO

It has been estimated that as many as 30,000 miners under the age of 15 work in the artisanal mines of the Katanga Copperbelt of the Democratic Republic of Congo (DRC), with some labourers as young as six years old.^{xi}

World Vision has worked in DRC since 1984, and currently half of the communities in its programs have artisanal mining nearby. In the Kambove region, World Vision conducted interviews with child miners, where it was revealed that the majority of them faced immediate dangers of injury and that they were also concerned about the long-term health impacts of high exposure to copper and cobalt, minerals that are, in turn, used to make electronic goods, vehicle parts and electrical wiring.

High rates of anemia, frequent coughing, abdominal bloating, eye pain and skin irritation were all reported, as well as cuts and fractures suffered while working at the mine sites. There have also been numerous reports of girls suffering from genital infections after working waist-deep in pools of acidic water. Nineteen per cent of children surveyed reported seeing a child die on an artisanal mining site.^{xii}



Children can be found working in mines in several countries.

3. CHILD LABOUR IN GLOBAL SUPPLY CHAINS

Rapid globalization has increased the length, reach and complexity of global supply chains, increasing the likelihood of – and difficulty in identifying – child labour within them.

Supply chains refers to the network of organizations, individuals and activities that transform raw materials into finished goods and services for consumers.

Widely reported instances of child labour in global supply chains – including cocoa, coffee, tea, sugar, palm oil, fishing, cotton harvesting, garment factories and mining – has led to growing public concern. It has underscored the need for more concerted efforts by companies and governments to address this challenge.

Child labour exists in corporate supply chains for various reasons: downward pressure on costs; difficulty tracking their supply chains; ignorance; the costs of audit and compliance mechanisms; fears that too much supply chain transparency will undermine competitive advantage; weak regulatory environments; and/or a lack of consumer pressure.

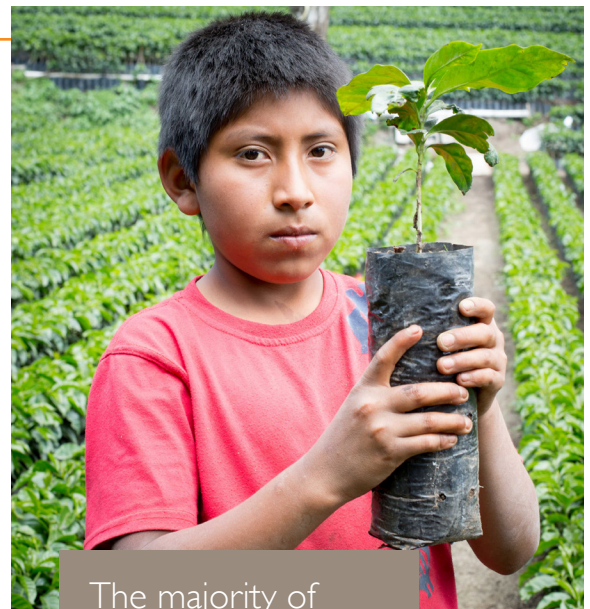
For example, in an effort to deliver cost savings, meet buyer demands for quick timelines and large orders, and to maximize profits, suppliers often further outsource and subcontract to save on labour expenses. This outsourcing puts additional barriers between the international buyer and the unknown subcontractor, creating increased social, political, cultural and environmental risks, including violation of national and international labour standards and the use of child labour.^{xxi}

In other cases, the nondescript nature of certain goods, including agricultural products such as cocoa, coffee, cotton or palm oil, which are traditionally traded by intermediaries, inhibits direct interaction between the customer and its supplier. These arm's-length relationships make it difficult for end users to track the origins of their products and can make it challenging to address child labour.

CASE STUDY: GUATEMALA

Guatemala is abundant in agricultural resources, including palm oil, coffee and sugarcane. Yet, behind closed doors, there are thousands of Guatemalan children as young as seven working to harvest and plant agricultural crops in rural areas.^{xxii}

Marco is one of many Guatemalan children who wake up each morning to face a day of work in the fields. Every day, 10-year-old Marco picks 30 pounds of coffee and carries it up a hill to a drop-off point. Though he finds his job physically debilitating and less than inspiring, the money he makes will go toward the rent and to help his siblings (11 in total). In an interview with World Vision, Marco shares with us the heartfelt promise he made to his mother to find a better job in the U.S. so he can send her money.



The majority of children doing hazardous jobs work in agriculture.

3.1 Prevalence of child labour in Canadian imports

The presence of child labourers can be found in all stages of global supply chains, from gathering the raw materials to assembling the finished product. In 2014, the U.S. Department of Labor published an update to the List of Goods Produced by Child Labor or Forced Labor to motivate governments and private sector leaders to increase their efforts to address child labour in their countries and supply chains. An examination of 150 countries found 136 goods from 74 countries that are believed to be produced with child labour or forced labour.^{xxiii} Child labour is often used for goods that Canadians consume and use daily, including food commodities (such as cereals, cocoa, coffee, fruit, sugar, palm oil, rice and tea), apparel, footwear and electronics.

According to World Vision analysis of information gathered from the Canada Border Services Agency and Industry Canada, we are steadily increasing our imports from countries where child labour is prevalent, including Bangladesh, Cambodia, China, Guatemala, India, Indonesia, Mexico, Pakistan, Thailand and Vietnam.⁵ While there is nothing wrong with importing from these countries in and of themselves, the prevalence of child labour in them means that Canadian consumers, investors and companies continue to be at risk of exposing themselves to child labour and its associated risks.

For example, from 2009 to 2013, Canadian apparel imports increased by 23 per cent, from \$8.16 billion to \$10 billion, despite the fact that the population only increased by 5 per cent during the same period. The majority of the growth during that time came from countries with known child labour problems: Cambodia (117 per cent), Vietnam (85 per cent), Indonesia (54 per cent), Mexico (26 per cent) and Bangladesh (51 per cent).

Analysis of import data for other select consumer goods during this period – including footwear, toys, phones and sporting goods – shows increases in imports from countries where child labour is known to exist. Footwear imports from Cambodia alone skyrocketed by 2,368 per cent.

We believe that Canada's exposure to child labour risks necessitates action from all stakeholders, including the private sector, government and civil society.

3.2 Voluntary efforts and mechanisms to address child labour in global supply chains

As companies have faced increased pressure to take responsibility for social and environmental challenges in their supply chains, they have responded by adopting a number of voluntary initiatives. While these actions are welcome, they are limited in their uptake and efficacy in addressing child labour. We believe that measures are needed to encourage companies to do more to address child labour in their supply chains.

In a study of 2,000 leading companies' voluntary sustainability practices in the United States, the United Kingdom and Canada, child labour was ranked as a considerably low priority and was lumped in with broader human rights issues. The same report shows that measuring child labour ranks even lower for companies, as the fifth lowest factor they consider measuring.^{xxv} This study suggests that efforts by Canadian companies to keep their supply chains free from child labour remain weak and inconsistent.

5. According to the U.S. Department of Labor's 2013 Findings on the Worst Forms of Child Labor report.

3.2.1 Codes of conduct

Many companies have adopted codes of conduct for responsible business to address core human rights, labour and environmental issues within their supply chains. Ranging from broad-based *company codes* that set standards guidelines for a company's internal operations, to *supplier codes*, which stipulate expectations of a company's suppliers, contractors and subcontractors, to entire *industry association codes*, such initiatives have limited impact when it comes to preventing child labour.

Part of the reason for this is frequent lack of awareness within a company or among its suppliers about the existence of such codes. Another is that, even with supplier codes, most only address the first tier of the supply chain, while many of the common challenges – including child labour – arise in the further tiers. Most codes are also quite broad in scope, lacking significant focus on child labour. Yet another difficulty with codes of conduct is in getting companies to move beyond policy statements to actually monitor, act and report on issues such as child labour.

3.2.2 International guidelines

Several internationally recognized frameworks and voluntary guidelines – including the OECD Guidelines for Multinational Enterprises, the United Nations Global Compact, the UN Guiding Principles on Business and Human Rights, and the Children's Rights and Business Principles – have emerged to guide the private sector in ensuring responsible operations within their supply chains. (Details of each guideline are provided in Appendix A.)

While most of these guidelines reference eliminating child labour, there is little specific guidance or reporting requirements. There is also limited uptake. For example, of the approximately 889,416 multinational companies around the world (82,053 parent corporations and 807,363 affiliates)^{xxvi}, only a fraction of those – 8,317 businesses worldwide – are participating in the UN Global Compact. Of this number, a mere 55 businesses from Canada are represented.

Reporting frameworks, including the Global Reporting Initiative (GRI) and the UN Guiding Principles Reporting Framework, have been adopted by companies for publicly reporting on their progress toward, and adherence to, these international guidelines. While such disclosures are a positive development, their voluntary nature and broad scope does not typically provide consumers, investors and civil society with enough information on issues of particular concern, such as child labour. For this reason, we believe targeted disclosure regarding child labour should be considered in Canada.

3.2.3 Verification systems

An effective way of ensuring high supply chain standards is for companies to participate in third-party verification and certification systems. Such systems, including Fair Trade certification and other third-party audits of factory and labour conditions, cannot guarantee a product is free of child labour, but can identify problems and recommend actions, and thus significantly reduce the likelihood of child labour. Few companies, however, adopt these systems.

3.2.4 Multi-stakeholder initiatives

Some companies and industries have undertaken targeted initiatives to address known problems with child labour in their supply chains. One such initiative is the consumer apparel industry's efforts to not source cotton from Uzbekistan, where slave and child labour is used in the cotton harvest. There have also been joint initiatives between companies, NGOs, government and local communities to reduce the incidence of child labour in West African cocoa production. These initiatives can be highly effective. However, they tend to be very narrow and industry-specific and remain few and far between.

CASE STUDY: ALBANIA

Footwear available for sale in Canada may be designed in Italy or France, and the leather or fabric may be cut there. But when it comes to assembling the pieces, many of the world's shoes are sewn by Albanian child labourers working full-time hours in brutal conditions. Inside the factories where they spend their days, some breathe in fumes that cause constant stomach cramps.

When inspectors come, the young workers who are undocumented know where to hide. Others sew at home with hunched shoulders and blistered fingers. It's ironic that one of their jobs is to stitch labels onto the shoes they're making: Made in Italy. Made in France.^{xxiv}

World Vision is working in this area to raise awareness of the problem of child labour and unsafe working environments.



Children work in manufacturing with machines or do hand stitching work.

4. ADDRESSING CHILD LABOUR THROUGH SUPPLY CHAIN TRANSPARENCY LEGISLATION

Another way to address the negative impacts and risks associated with child labour is through **supply chain transparency**; that is, gathering, understanding and disclosing information about where products are coming from, the conditions under which they are produced and the efforts companies are taking to manage risks along the way.

In an effort to raise awareness and incentivize companies to take greater action regarding forced and child labour in their supply chains, key economic allies and partners of Canada have recently proposed or introduced supply chain transparency legislation requiring companies to disclose their efforts to address forced and child labour in their supply chains. Without placing undue burden on companies, such disclosure legislation has the promise of significantly reducing child labour by empowering consumers and investors with the information they need to hold companies accountable and encourage them to be more proactive in addressing and preventing child labour in their supply chains.⁶

4.1 Supply chain transparency legislation in other jurisdictions

Other jurisdictions and trading partners of Canada, including the State of California, the U.S. (federal) and the U.K., have passed or introduced legislation requiring large companies to publicly report on the efforts they are taking to address slavery, trafficking and child labour in their supply chains.⁷ The result is an emerging global legislative standard that can provide a basis for comparable legislation in Canada and elsewhere. While such legislation does not require companies to certify that their products are free of forced or child labour, it serves to draw public and corporate attention to these challenges and raises the bar on the actions companies are taking to respond.

4.1.1 California Transparency in Supply Chains Act

Senate Bill 657, known as the *California Transparency in Supply Chains Act*, came into effect in January 2012 and applies to all retailers and manufacturers doing business in California with annual global revenues of more than \$100 million. The act requires these businesses to disclose information about their efforts to eradicate slavery and human trafficking from their direct supply chains where they make tangible goods for sale. This includes publicly posting information on their websites describing the extent to which they engage in verification of supply chains, auditing suppliers, certification of supplier materials, maintaining internal accountability of standards and procedures, and internal training with respect to mitigating risks within product supply chains.

To promote greater transparency and dialogue around the act, a coalition of anti-trafficking organizations launched an initiative called Know the Chain to provide a record of which companies are complying, or not complying, with the act. Consumers and civil society organizations have been able to use this information to engage companies in dialogue and advocate for greater action toward responsible supply chains.

Unfortunately, due to a lack of corporate awareness regarding the act and a weak enforcement mechanism, many companies have not fulfilled their requirements under the act. This lack of enforcement has created an uneven playing field, in which even those companies that are adhering to the act may feel discouraged and at a disadvantage.

6. It bears mentioning that some companies, particularly in the consumer apparel industry, have increased supply chain transparency by disclosing the names and locations of their first-tier suppliers and factories. While such practices are by far the exception rather than the norm, World Vision welcomes and encourages such voluntary initiatives, while maintaining the need for supply chain transparency legislation that mandates specific disclosure of efforts to address child labour.

7. Additionally, in response to the recommendations made in a parliamentary report on modern slavery, in October 2014 the Australian government expressed support in principle to such legislation and committed to consult with stakeholders and monitor the progress of such initiatives elsewhere.

4.1.2 U.S. Business Supply Chain Transparency on Trafficking and Slavery Act of 2014 (H.R. 4842)

In June 2014, Representatives Carolyn Maloney (D-NY) and Chris Smith (R-NJ) co-introduced the *Business Supply Chain Transparency on Trafficking and Slavery Act of 2014 (H.R. 4842)*. Building on the success of the California legislation, this bipartisan federal bill would apply to companies across the United States. The bill amends the Securities and Exchange Act of 1934 by requiring companies with more than \$100 million global gross receipts to disclose any measures to prevent human trafficking, slavery and child labour in their supply chains as part of their annual reports to the Securities and Exchange Commission (SEC), as well as making that information publicly available on their websites. The bill also has a provision requiring the Secretary of Labor to create a central public database listing the companies required to disclose under the act and a compilation of the information they have submitted.

The federal bill attempts to build off of the California act by requiring companies to report to the SEC, an existing disclosure apparatus that companies are familiar with and which has an established system of penalties for noncompliance.

In November 2014, the bill was referred to the Congressional Subcommittee on Workforce Protections. As of May 2015, it is still awaiting review.

4.1.3 U.K. Modern Slavery Act 2015

The United Kingdom's Draft Modern Slavery Bill was introduced in June 2014 with the purpose to prosecute human traffickers and to protect victims of slavery. After ongoing consultation with NGOs and business, the bill was amended in November 2014 to include a new clause requiring companies to disclose what steps they have taken to ensure that there is no slavery in their business or their supply chains.^{xxvii} The U.K. government felt it necessary to include such a clause, recognizing that "the legislative framework could be strengthened to encourage businesses to take more action."

After receiving royal assent and passing into law on March 26, 2015, the U.K.'s Home Office is currently conducting a public consultation on the details of the act's supply chain clause to determine what size of companies would be required to report and what sort of statutory guidance should be provided. Following the consultation, regulations and the statutory guidance will be introduced and the clause will come into force on a common commencement date in October 2015. Prior to commencement, the Home Office will produce a full assessment of the costs and benefits of the clause.

5. THE CASE FOR CANADIAN SUPPLY CHAIN TRANSPARENCY LEGISLATION

World Vision believes it's time to advance the Canadian discussion on supply chain transparency legislation to address child labour. The continued presence of child labour around the world, its links to global supply chains, including those of companies operating in Canada, and the limits of voluntary initiatives combine to make a compelling case for action.

5.1 The basis for Government of Canada action

Supply chain transparency legislation is a practical way the Canadian government can further implement its international commitments to addressing child labour and support the positive role the Canadian private sector can play in development, and respond to public interest and support for such an initiative.

While Canada does not currently have federal legislation to address child labour in supply chains, it has previously expressed a desire to protect exploited children and prevent human trafficking in Canada and abroad via legislation.⁸ The Government of Canada also has the authority to regulate business and trade across international boundaries, including the authority to act within these powers to protect against child labour.⁹

Furthermore, the Government of Canada has recently established precedence in passing legislation requiring mandatory reporting by companies on activities occurring outside our borders. *The Extractive Sector Transparency Measures Act*, passed in December 2014, requires publicly listed and large privately owned oil, gas and mining companies with operations in Canada to publicly report on the payments (royalties, taxes, benefit sharing agreements, etc.) they make to foreign governments. This initiative highlights Canada's interest in enhancing transparency and reinforcing the integrity of Canadian businesses' operations abroad.

Finally, the fact that supply chain disclosure legislation is being passed by key Canadian partners and allies provides Canada with an opportunity to join the emerging global standard.

5.1.1 Means of implementing Canada's international commitments regarding child labour

By ratifying international conventions such as the UN Convention on the Rights of the Child (UNCRC) and ILO Convention No. 182 on the Worst Forms of Child Labour, the Canadian government has committed to take action against child labour. The **UNCRC**, ratified by Canada in 1991, draws attention to the role of "State Parties [to] recognize the right of the child to be protected from economic exploitation and from performing any work that is likely to be hazardous or to interfere with the child's education, or to be harmful to the child's health or physical, mental, spiritual, moral or social development."^{xxviii} As such, it is a ratified state's responsibility to prevent such economic exploitation from occurring by all actors in its jurisdiction, including companies.^{xxix} Similarly, **ILO Convention No. 182 on the Worst Forms of Child Labour**, which Canada ratified in 2000, calls for the prohibition and immediate action to eliminate the worst forms of child labour.

8. Such as 2010's Bill C-268 (An Act to amend the Criminal Code (minimum sentence for offences involving trafficking of persons under the age of 18 years)) and 2012's Bill C-310 (An Act to amend the Criminal Code (trafficking in persons))

9. These powers include the federal trade and commerce power under section 91(2) of the Constitution, and are exercised through a variety of instruments, including bilateral and multilateral international trade agreements, the Export and Import Permits Act, the Special Economic Measures Act, the Marking of Imported Goods Regulations and the Canada Business Corporations Act.

Canada's ratification and/or ongoing endorsement of these global commitments to protect children provide a strong basis for developing Canadian transparency legislation that requires companies that do business here to report on their efforts to address child labour in their supply chains. Doing so would be a practical way to implement and ensure that the Canadian government and private sector are following through on these commitments.

In addition to these international conventions, Canada's endorsement of international corporate responsibility guidelines, such as the **UN Guiding Principles on Business and Human Rights**, the **OECD Guidelines for Multinational Enterprises** and the **Children's Rights and Business Principles**, further bolsters the case for legislation to address child labour in the supply chains of companies operating in Canada.¹⁰ Each of these guidelines calls on companies to contribute to the elimination of child labour and/or protect against human rights abuses.

The UN Guiding Principles, for example, affirm that business enterprises have a corporate responsibility to respect human rights *and* to address adverse impacts that may occur from their operations, and that States have the duty to protect against human rights abuses through appropriate policies, regulation and adjudication. As Canada played a major role in drafting the Guiding Principles, helping key actors reach consensus on them, as well as contributing financial support, Canada shares in the responsibility to ensure that, through its operations and policies, human rights – including that of children to be free from economic exploitation and labour that interferes with their education or proper development – are upheld.

Finally, Canada's commitments in other international forums to end child labour – including, for example, 2014's G20 communiqué from labour and employment ministers committing to further action against forced and child labour¹¹, and Canada's prioritization of child protection issues, including child labour, as part of the Post-2015 Development Agenda¹² – provide a further basis for Canadian legislation requiring companies to report on what they are doing to address child labour in their supply chains.

5.1.2 Responding to public desire for Canadian legislation

Canadians are also clearly in favour of legislation mandating companies to report on their efforts to address child labour in their supply chains. As the rise of conscious and ethical consumerism demonstrates, there is increasing interest in knowing how and under what conditions products are being made.

10. Canada was one of the original signatories to the 1976 OECD Declaration on International Investment and Multinational Enterprises and the associated Guidelines, and co-sponsored the UN Guiding Principles, which were unanimously endorsed by the Human Rights Council in June 2011. The Government of Canada continues to actively support and promote both instruments, most recently in its 2014 Enhanced Corporate Social Responsibility (CSR) Strategy for the Canadian extractive sector. The Canadian government has also voiced its support for the Children's Rights and Business Principles at its Canadian launch in February 2014.

11. G20 labour and employment ministers met in Melbourne, Australia, in September 2014 in the lead-up to the 2014 G20 summit, where they unanimously declared that they would: "Take a strong stand against forced and child labour; and encourage the implementation of applicable international labour standards by governments and social partners... [and that they]... will explore the scope for further work on this issue."

12. The Government of Canada has identified child protection as one of its cross-cutting priorities for the Post-2015 Development Agenda. One of the targets currently proposed within the Sustainable Development Goals (SDGs), target 8.7, calls for immediate action to eliminate the worst forms of child labour and to end child labour in all its forms by 2025.

A 2015 Ipsos Reid poll by World Vision found that **86 per cent of Canadians want the Canadian government to play a role in making sure Canadian companies are not directly or indirectly supporting poor labour practices, including using child labour.** The same poll found that **87 per cent of Canadians believe the Canadian 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 chains.**^{xxx} These significant numbers provide a strong public basis for the legislative action being proposed in this paper:

5.2 Benefits of supply chain transparency legislation to companies

In addition to protecting children from being exploited and empowering consumers, investors and civil society with the information they need to make informed decisions and hold companies accountable, increasing transparency and disclosing efforts to address child labour in their supply chains can result in numerous benefits for companies themselves. These include protecting their reputations and brand images, meeting investor and consumer expectations, gaining competitive advantage and levelling the playing field.

5.2.1 Protecting reputation and brand image

The pressure faced by companies to monitor and report on their supply chains has never been greater. Tragedies such as the April 2013 Rana Plaza factory collapse in Bangladesh highlight the operational and reputational risks companies face when supply chain problems surface.

The presence of child labour in a company's supply chain can damage a brand image and have strong repercussions on profit and stock value. A 2011 study concluded that 60 per cent of company value is linked to brand reputation.^{xxxi} It has also been estimated that five per cent of a company's annual revenue could be jeopardized by its suppliers' socially and/or environmentally irresponsible behaviours.^{xxxii} By disclosing their efforts to address child labour, companies can proactively demonstrate the action they are taking, protect their brand image, and mitigate public relations and revenue risks that can result.

5.2.2 Meeting investor expectations

Investors are also recognizing the emerging opportunity for financial gain by investing in companies that combine financial performance with positive social, environmental and governance performance.¹³ Increasingly, investors are demanding that companies proactively manage and mitigate supply chain risks, including child labour. As child labour is a material risk that can undermine the future profitability of a company, it can also threaten investor relations, and potentially increase divestments.

This sort of disclosure can help meet these investor expectations, reduce uncertainty and assist them in distinguishing between companies that are taking adequate steps to address supply chain risks and those that are not.^{xxxiii}

13. This is supported by the outstanding growth in responsible investments in Canada.

5.2.3 Meeting consumer expectations

Canadian consumers are progressively demanding more transparency from businesses regarding child labour. These pressures are particularly strong in sectors such as food, electronics and garments, where consumers can perceive a direct relationship between the products they buy and the conditions under which those products are produced.

An international consumer perceptions survey, conducted by GlobeScan in 2011, identified that 86 per cent of Canadians believe minimizing environmental damage and combating human rights violations are important for companies sourcing products from developing countries.^{xxxiv} These numbers are corroborated by World Vision Canada's own data: A 2015 Ipsos Reid poll conducted on the organization's behalf found that 78 per cent of Canadians are frustrated at how difficult it is to determine where the products they buy are made, how they're made and by whom.^{xxxv}

As World Vision Canada's popular *No Child for Sale* campaign attests to, Canadians care deeply about child labour and want companies to provide more information on what they are doing to ensure that children are not being exploited in their supply chains.

5.2.4 Gaining competitive advantage

Taking a hands-on approach to supply chain transparency can be beneficial to companies to mitigate risks, but also to increase profitability by gaining competitive advantage. It has been evidenced that firms that take a proactive rather than reactive approach can benefit from increased market share, enhanced pricing power and greater total business value.^{xxxvi} Disclosing efforts to address child labour can build trust, appeal to ethical consumers and build competitive advantage.

5.2.5 Level the playing field

At the same time, legislated disclosure regarding child labour can "level the playing field." While leading companies are voluntarily investing significant efforts and resources into monitoring and improving the sustainability of their supply chains, including addressing and preventing child labour, many companies are not. Mandatory disclosure can ensure that companies that are taking action are not undercut by unscrupulous or ignorant competitors.¹⁵

15. During the Parliamentary hearings on the U.K. Draft Modern Slavery Bill, major companies such as Amazon, Ikea, Marks & Spencer, Primark, Sainsbury's and Tesco cited this as one of the primary reasons they could support such legislation, provided that it was not unduly burdensome.

6. RECOMMENDATIONS

While the type of supply chain transparency legislation we are proposing for Canada is only part of the answer to addressing child labour, it is a critical next step. Requiring companies operating in Canada to report on their efforts to address and reduce child labour in their supply chains, as has been done in California and the U.K., will result in increased attention and action on this pressing issue and improve the well-being of children.

Recommendation 1: *World Vision recommends that the federal government create Canadian legislation requiring large publicly traded or private companies doing business in Canada to publicly report on efforts to monitor, address and prevent child labour, especially in its worst forms and including children who have been trafficked, in their supply chains on an annual basis.*

We propose the following key elements as part of this legislation:

- i. the inclusion of all companies doing business in Canada, with annual revenues above a predetermined amount;
- ii. mandate public reporting;
- iii. the creation of a single, searchable repository for company reports;
- iv. set minimum criteria for disclosure;
- v. include robust enforcement mechanism to ensure compliance;
- vi. equivalency with other jurisdictions.

Appendix B elaborates on the key elements highlighted above.

While World Vision's utmost priority in this discussion is the well-being of child labourers, we also believe in solutions that work for Canada and Canadian companies. We do not think that this type of disclosure legislation is overly burdensome on companies, but we are committed to a proactive dialogue with companies, the Canadian government and members of civil society to discuss any concerns and unique considerations for the Canadian context. For this measure to be effective, we want to get the details right.

Recommendation 2: *As a first step toward this, we propose the establishment of a multi-stakeholder advisory group – including representatives from the private sector, Government of Canada and civil society organizations – to provide advice on the options for legislation and ensuing regulations.*

Appendix A – Summary of key international corporate responsibility guidelines

OECD Guidelines for Multinational Enterprises

The OECD Guidelines for Multinational Enterprises are a set of non-binding recommendations for responsible conduct on a broad range of business activities from governments to multinational enterprises operating in or from adhering countries. Adhering governments have an obligation to establish a National Contact Point (NCP) to promote the Guidelines and to handle complaints. Canada was one of the original signatories to the 1976 OECD Declaration on International Investment and Multinational Enterprises and the associated Guidelines, which were most recently updated in 2011.

The Guidelines call on companies to contribute to abolishing child labour and to take immediate action to secure the prohibition and elimination of the worst forms of child labour.

UN Guiding Principles on Business and Human Rights

The UN Guiding Principles identify distinct but complementary responsibilities of companies and governments regarding human rights: 1) the state duty to protect against human rights abuses by third parties, including business; 2) the corporate responsibility to respect human rights; and 3) access to effective remedies for victims.

Co-sponsored by Canada, the Guiding Principles were unanimously endorsed by the Human Rights Council in June 2011. They are referenced in a number of international standards, including the OECD Guidelines.

United Nations Global Compact

The UN Global Compact, launched in 2000, is a voluntary initiative open to businesses, associations, civil society, UN agencies, trade unions, academia, public sector organizations and cities. There are more than 8,000 participants in the Global Compact, including more than 7,000 businesses.

Participants of the Global Compact commit to implement 10 principles in the areas of human rights, labour, the environment and anti-corruption. Principle 5 calls for the effective abolition of child labour.

Children's Rights and Business Principles

Developed by UNICEF, Save the Children and the UN Global Compact, the Children's Rights and Business Principles are designed to encourage businesses to respect and support children's rights. Principle 2 calls on businesses to contribute to the elimination of child labour, including in all business activities and business relationships. Principle 3 calls on businesses to provide decent work for young workers, parents and caregivers. Principle 4 states that companies should ensure the protection and safety of children in all business activities and facilities.

The Principles were launched in 2012; the Canadian launch was in February 2014.

Appendix B – Key elements for Canadian supply chain transparency legislation

World Vision Canada believes the following key elements and guiding principles should be included in any Canadian legislation requiring disclosure of companies' efforts to address child labour in their supply chains:

1. The inclusion of all companies doing business in Canada, with annual revenues above a predetermined amount

In order to be effective, we believe both private and publicly listed companies should be covered by legislation. Doing so will serve to create a level playing field and ensure that large businesses cannot avoid addressing or reporting on child labour simply because of their corporate status or domicile.

We believe this legislation should apply to businesses that have the capacity and resources to address child labour and create effective change within their supply chains, and not place an undue burden on small companies that do not have the resources or capacity to effect change.

2. Mandate public reporting

This legislation will only achieve its intended effect if company reports are publicly disclosed. We believe this legislation should require corporations to disclose information to the public either through an annual strategic report or on their corporate websites. Robust and substantive disclosure will provide the necessary information to harness consumer, investor and civil society pressure to encourage and influence businesses to do more to address child labour in their supply chains.

3. The creation of a single, searchable repository for company reports

In order to assist in making company disclosures more accessible to end users (consumers, investors and civil society), we also believe a list of companies required to disclose and summaries of those disclosures should be made available in a single, searchable repository, as has been proposed in the *U.S. Business Supply Chain Transparency on Trafficking and Slavery Act of 2014*. Given the Government of Canada's Open Government Partnership National Action Plan, which refers to making data available in open data formats on easily accessible centralized government portals, we recommend the Government of Canada develop and maintain such a database.

4. Set minimum criteria for disclosure

We believe the legislation should specify the key types of information companies should be disclosing regarding their efforts to monitor, address and prevent child labour in their supply chains. While some of the details can be left up to regulations, we believe it is essential that the legislation itself specifies that company reporting should include explanations of how, if at all, the company has, with respect to child labour: verified its supply chains to evaluate and address risks; audited suppliers, including beyond the first tier; certified goods and services purchased from suppliers; maintained internal accountability standards, and trained staff.

Research indicates that the greatest and most critical sustainability risks are found deep in the supply chain beyond first-tier suppliers. In order for the legislation to have maximum impact, we believe it should be clear that companies should be required to report on their efforts to address child labour beyond just the first tier, at the downstream levels where child labour and child slavery are most prevalent.

5. Include robust enforcement mechanisms to ensure compliance

In order to ensure compliance, a relevant federal government department should be tasked with oversight and explore potential effective penalties for noncompliance.

6. Equivalency with other jurisdictions

Given similar legislation enacted or being considered in other jurisdictions, equivalency is key. A relatively common reporting framework will avoid placing undue burden on companies reporting similar information in multiple jurisdictions.

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