



2023 Report Approval - *Fighting Against Forced Labour and Child Labour in Supply Chains Act*

Item 11

May 28, 2024

Building Investment, Finance and Audit Committee

Report: BIFAC:2024-59

To: Building Investment, Finance and Audit Committee
("BIFAC")

From: General Counsel & Corporate Secretary

Date: May 3, 2024

PURPOSE:

This report seeks approval of the Building Investment, Finance and Audit Committee of the report for TCHC for the fiscal year 2023, included as Attachment 1, and the submission of the report to the Minister of Public Safety (Canada) to satisfy the reporting requirements under the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* that was enacted by the Government of Canada and came into force January 1, 2024.

RECOMMENDATIONS:

It is recommended that the Building Investment Finance and Audit Committee:

1. approve the report for fiscal year 2023, included as Attachment 1, and its submission to the Minister of Public Safety (Canada), to satisfy TCHC's reporting obligations under the *Fighting Against Forced Labour and Child Labour in Supply Chains Act*;
2. authorize the Chair of the Building Investment, Finance and Audit Committee to sign the attestation included in Attachment 1;
3. forward Report BIFAC:2024-59 to the Board of Directors for information; and

4. authorize the appropriate staff to take the necessary actions and execute the necessary documents to give effect to the above recommendations.

REASONS FOR RECOMMENDATIONS:

Bill S-211

On January 1, 2024, *the Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “Act”) came into force in Canada. Through mandatory reporting requirements the Act aims to encourage organizations to take measures to reduce the risk of forced labour and child labour in their supply chains, and to increase awareness and transparency regarding these issues.

The Act requires that certain entities and government institutions submit a report annually to the Minister of Public Safety. Reports are to be submitted to Public Safety Canada through its online portal by May 31st of each year.

Reports must meet prescribed content requirements, which include reporting on measures taken during the previous financial year to prevent and reduce the risk that forced labour or child labour was used by the organization or in their supply chains. The Act does not mandate measures that a reporting entity must undertake.

Reports are to receive approval by the organization’s governing body evidenced by the signature of one of its members. Reports are made publicly available by Public Safety Canada and are to be posted on the organization’s website.

TCHC as an Entity with a Reporting Obligation

While TCHC does not meet the definition of a government institution under the Act, it does meet the definition of an “entity” given the value of its assets, its revenue and employee headcount. Entities have a reporting obligation for the previous fiscal year if they were engaged in certain prescribed activities, namely: producing, selling, or distributing goods in Canada or elsewhere, or importing into Canada goods produced outside of Canada.

Typically, TCHC purchases goods from third parties who have engaged in the production, sale, distribution and importation of goods, and TCHC does not engage in these activities directly itself. An assessment undertaken by Legal Services of TCHC’s activities in fiscal year 2023 indicates that TCHC has not engaged in the production, sale or importation of goods beyond what

would constitute a minor dealing and that a reporting obligation on account of these activities would not be triggered.

However, it has been determined that in fiscal year 2023, TCHC engaged in the distribution of goods where a transfer of ownership occurred such that a reporting obligation under the Act has been triggered. This distribution activity occurred principally through TCHC's delivery of the Air Conditioning ("AC") Exchange and Replacement Program in 2023, whereby portable terminal AC units that TCHC purchased were provided to tenants who took ownership of the new units. The number and value of the AC units distributed in 2023 brings this activity beyond what would be considered a minor dealing.

The report, "Toronto Community Housing Corporation 2023 Report - *Fighting Against Forced Labour and Child Labour in the Supply Chains Act*" included as Attachment 1, and recommended for approval by the BIFAC, satisfies the content requirements for reports prescribed by the Act, including to outline those measures in place in 2023 to prevent and reduce the risk that forced labour or child labour was used by TCHC or was present in its supply chain.

IMPLICATIONS AND RISKS:

While the first year of the reporting requirement is likely focused on education rather than enforcement, the Act makes it an offence for entities with a reporting obligation to fail to approve and to submit an annual report in accordance with the requirements of the Act, to knowingly make a false or misleading statement in a report, and to obstruct an investigation into compliance or fail to comply with a compliance order. Offences are punishable by fines of up to \$250,000, and directors and officers can be held personally liable in instances where they are found to direct, authorize, assent to acquiesce or participate in the commission of an offence.

The approval by BIFAC, the submission to the Minister of Public Safety, and the posting on TCHC's website of the report included as Attachment 1 satisfies TCHC's reporting obligations under the Act for fiscal year 2023.

It is anticipated that further guidance from Public Safety Canada on the application of the Act will be issued throughout 2024, which will be reviewed in conjunction with an assessment of TCHC's participation in any of the prescribed activities over the 2024 fiscal year and to determine if TCHC will have a reporting obligation for 2024. Concurrently, Legal Services will review

with Strategic Procurement opportunities to enhance TCHC's ability to identify potential risks of child labour and forced labour in TCHC's supply chain, and additional measures that may be implemented to reduce any such risks.

SIGNATURE:

"Darragh Meagher"

Darragh Meagher
General Counsel & Corporate Secretary

ATTACHMENT:

1. Toronto Community Housing Corporation 2023 Report-
Fighting Against Forced Labour and Child Labour in the Supply Chains Act

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Item 11 – 2023 Report Approval - Fighting Against Forced Labour and Child Labour in Supply Chains Act
Public BIFAC Meeting – May 28, 2024
Report #: BIFAC:2024-59
Attachment 1

Toronto Community Housing Corporation Report for Fiscal Year 2023
Fighting Against Forced Labour and Child Labour in the Supply Chains Act

1. Introduction

This report is made by Toronto Community Housing Corporation (“TCHC”) pursuant to the requirements of Section 11 of the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “Act”) for the fiscal year ending December 31, 2023.

2. Steps Taken to Prevent and Reduce the Risk of Forced Labour or Child Labour in the Supply Chain

In 2023 measures taken to prevent and reduce the risk of forced labour and child labour in TCHC’s supply chain include the following:

- TCHC’s Vendor Code of Conduct, which contains legal and compliance requirements mandating that vendors conduct their employment practices and business in full compliance with applicable laws and regulations, which includes employment standards and health and safety laws. The Vendor Code of Conduct contains an explicit prohibition against the use of child labour.
- TCHC’s procurement policy and supporting protocols, procedures and processes that guide its procurement activities and the selection of qualified, reputable vendors.
- Vendor agreements that require compliance with applicable laws, contain record keeping and audit provisions regarding goods and services provided, and incorporate TCHC’s Vendor Code of Conduct.
- TCHC’s Whistleblower Policy which is a mechanism through which instances of forced labour and child labour involving TCHC or its vendors can be reported without fear of reprisal for doing so.

Additional details on these measures are provided in section 4 of this report.

3. Structure, Activities and Supply Chains

Structure

TCHC is an Ontario corporation under the *Business Corporations Act*, with the City of Toronto as its sole shareholder. TCHC is also a Local Housing Corporation under the

Housing Services Act, 2011 pursuant to which the City of Toronto exercises operational oversight as its Service Manager. TCHC operates on a non-profit basis. Its head office is located at 931 Yonge Street, Toronto, ON, M4W 2H2.

Activities

TCHC is the largest social housing provider in Canada, providing rental homes to over 41,000 low and moderate-income households comprising over 92,000 residents. TCHC mission is to provide clean, safe, well maintained, affordable homes for residents. Approximately 86% of households pay rent-geared-to-income (RGI), with most RGI rent assessed at 30 percent of gross income.

In addition to the operation and maintenance of rental housing, TCHC engages in community revitalization projects whereby it works with the City of Toronto, its tenants and community residents, and private development partners to transform TCHC's aging housing infrastructure to build better homes and communities.

Supply Chains

TCHC's supply chain consists of suppliers engaged to deliver goods and services to TCHC in Toronto. It includes purchases from local, regional, national, and to a limited extent, international suppliers. In addition to conventional third-party supply relationships, some goods and services are procured through tenant vendors, and as a component of our revitalization process with our private development partners. Goods that are procured from our vendors are manufactured in both domestic and foreign jurisdictions.

Goods and services procured relate primarily to the operation, repair, maintenance, construction and development of TCHC's rental housing properties, and the administrative, office and information technology functions required to support its operations and mandate.

A procurement operational review which is underway at the time of the submission of this report will provide TCHC with enhanced insights into its sourcing and supply chains for 2024.

4. Policies and Due Diligence Processes in Relation to Forced Labour and Child Labour

Vendor Code of Conduct

TCHC has a Vendor Code of Conduct ("VCC") in place that applies to its vendors which sets the standards that they must adhere to in their business relationship with TCHC. Acknowledgement and agreement to comply with the VCC is obtained as a condition of participation in a formal procurement process, and as a requirement of contract and the vendor onboarding process.

The VCC contains legal and compliance requirements mandating that vendors conduct their employment practices and business in full compliance with applicable laws and regulations, which includes employment standards and health and safety laws.

The VCC provides that vendors shall never use child labour, as defined in local laws and regulations, and that under no circumstance shall a worker be younger than the age of 16 or the compulsory age to be in school, whichever is higher.

The VCC makes vendors responsible to ensure that the VCC requirements are communicated to, and adhered to by their representatives, including their suppliers and subcontractors, and further provides that vendors are expected to monitor their own compliance and that of their representatives.

Vendors are to immediately report any violation of the VCC or the unethical behavior of any vendor either through a confidential online reporting portal or telephone hotline listed in the VCC. Any retribution by a vendor against an individual who has reported a violation is deemed a material breach of the VCC and may result in termination of the vendor's contract and disqualification from working with TCHC in the future.

Where a vendor is non-compliant with the VCC, TCHC reserves the right to immediately terminate work under any agreement or terminate entirely the agreement and the relationship with the vendor.

Vendor Selection Process

TCHC maintains a procurement policy approved by its Board of Directors, with supporting protocols and procedures that guide its procurement activities and the selection of qualified, reputable vendors. The policy statement in the current procurement policy provides that it will promote ethical, legal, efficient, effective, professional, and accountable sourcing strategies.

Establishing criteria to select qualified, reputable vendors is typically done collaboratively between TCHC's Strategic Procurement Unit and the relevant business unit(s) with knowledge of TCHC's needs, the goods and services, and the respective industry and supply chain. In addition to evaluating price and capability to deliver the required goods or services, evaluation criteria can include a consideration of broader factors such as economic, environmental, and social risks that are relevant to the procurement. References are often sought from other public sector organizations who have purchased similar goods and services from the vendor.

While standard evaluation criteria do not specifically address child labour and forced labour, TCHC's solicitation documents include the VCC and require that to be eligible to respond to the procurement process the vendor must affirm they have read and will comply with the VCC.

Agreements

TCHC's standard vendor agreements for the purchase of goods and services incorporate the VCC and contain provisions which require compliance with applicable laws, which

includes applicable employment and workplace safety laws. A failure to comply with applicable laws can give rise to a default under the contract terms, and ultimately a right for TCHC to terminate the agreement. The standard vendor agreements also include obligations for vendors to retain records of pertinent information regarding the goods and services provided under the agreement and give TCHC the right to access and audit these records to ensure compliance where TCHC reasonably believes there may be compliance irregularities.

Whistleblower Policy

TCHC has a whistleblower policy that applies to employees, Directors of TCHC and TCHC's tenants. The policy supports TCHC's commitment to promote integrity, accountability and transparency in its operations by promoting the reporting of wrongdoing taking place within TCHC and providing protection from reprisal for those who report. It is a mechanism through which instances of forced labour and child labour involving TCHC or its vendors can be reported without fear of reprisal for doing so.

5. Parts of Our Business and Supply Chains that Carry a Risk of Forced Labour or Child Labour and Measures Taken to Assess and Manage Such Risks

While TCHC did not undertake a formal risk assessment of its supply chain in 2023, the possibility is acknowledged that, not unlike other organizations with similar mandates and activities, some of the goods and services it procures could present some risk of forced labour or child labour. For example, this may include equipment, electronics and office supplies that are manufactured in foreign jurisdictions that have a higher risk of forced labour and child labour.

TCHC manages these risks through its policies and due diligence processes that apply to its vendors and procurement process, including through its Vendor Code of Conduct, vendor selection process and standard vendor agreements, which are outlined earlier in this report.

In 2024, TCHC plans to examine the potential to adopt measures to both enhance its ability to identify parts of its supply chain that carry a risk of forced labour or child labour and to manage any such risks.

6. Any measures taken to remediate any forced labour or child labour

In 2023 there were no instances of forced labour or child labour reported to or identified by TCHC, and therefore no remediation measures were taken in response to any such instances. If any such instances were to have been identified, the measures available in the VCC and the provisions in the relevant agreement with the vendor outlined earlier in this report, which may include the termination of the agreement and the relationship with the vendor, would have been available for TCHC to exercise.

7. Any Measures taken to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in our activities and supply chains

In 2023 there were no reported or identified situations where any measures undertaken by TCHC to eliminate the use of forced labour or child labour in its activities or supply chains resulted in a loss of income to the most vulnerable families.

8. Training provided to employees on forced labour and child labour

In 2023 TCHC did not provide training to its employees on forced labour and child labour. In 2024 TCHC will evaluate the implementation of training for procurement staff and business unit staff who are involved in the procurement of goods and services that may carry a risk of forced labour and child labour.

9. Assessment of effectiveness in ensuring that forced labour and child labour are not being used in our business and supply chains

As previously noted, in 2023 there were no instances of forced labour or child labour in TCHC's supply chain that were reported to or identified by TCHC.

In 2023 TCHC did not have in place a formal assessment process for the effectiveness of the measures it has in place to reduce the risk of forced labour and child labour in its supply chain. In 2024, in addition to examining the potential to adopt measures to both enhance its ability to identify risks of forced labour or child labour in its supply chain and to manage any such risks, TCHC will also examine the potential to enhance its ability to assess the effectiveness of the measures that are implemented.

10. Approval and Attestation

This report was approved by the Business Investment, Finance and Audit Committee ("BIFAC") of Toronto Community Housing Corporation on May 28, 2024.

In accordance with the requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entity listed above. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

I have the authority to bind Toronto Community Housing Corporation

Nick Macrae
BIFAC Chair and
Member of the TCHC Board of Directors
May 28, 2024