Submission

by the

Canadian Labour Congress

to the

United Nations Working Group on Business and Human Rights

regarding
the consultation

“Corporate human rights due diligence – identifying and leveraging emerging practice”

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As Canada’s largest labour organization, the Canadian Labour Congress (CLC)
not only represents 3 million Canadian workers, but is also committed to social
justice for workers and communities around the world. The CLC believes that
governments and industry must do more to fulfill their human and labour
rights obligations and ensure that companies respect these rights throughout
their operations, regardless of national borders or the complexity of value
chains. In this spirit and with the aim of supporting national and international
efforts to increase and enhance human rights due diligence (HRDD) and, in
turn, the realization of decent work for all, the CLC respectfully
submits this
input to the UN Working Group on Business and Human Rights’ (UNWG)
consultation on corporate human rights due diligence.

Challenges and remaining gaps

In the spring of 2017, the UNWG conducted an official country mission to
Canada during which they met with government, business, communities, CSOs
and trade unions. The UNWG’s End of Mission Statement noted that cases of
alleged human rights abuse by Canadian companies abroad “continue to be a
cause for serious concern”¹ and that the Canadian government and Canadian
companies should be playing a greater role in promoting and protecting human
and labour rights overseas. The statement noted:

“We believe that there is greater room for both federal and
provincial governments, industry associations and companies,
to consider their activities both domestically and overseas
through a human rights lens, using the UN Guiding Principles
as a baseline to assess corporate respect for human rights.”²

¹ United Nations Working Group on Business and Human Rights. (June 1, 2017) Statement at the end of
visit to Canada by the United Nations Working Group on Business and Human Rights. Retrieved May
² Ibid.
The statement further encouraged “the federal government to examine how it might use regulatory measures focused on mandatory due diligence and non-financial disclosure as means of promoting respect for human rights.”

The CLC fully supports the UNWG’s assessment and recommendations. Worldwide, national participation in global supply chains (GSCs) has risen at an unprecedented rate in the past decade, growing on average 4.5 percent annually between 2005 and 2010. This growth coincides with a rising number of GSC-related jobs, which have increased by 157 million, or 53 percent, since 1995. By 2013, there were 453 million GSC-related jobs globally.

Although this rapid growth may present opportunities for workers and their communities, it has also had severe and negative implications as increased global competition has placed downward pressures on wages, working conditions and respect for the fundamental rights of workers, among environmental and human rights’ abuses. Recent polling has shown that Canadians are increasingly concerned about the working conditions and business practices of the companies supplying the products that they use and consume on a regular basis, whether it be clothing, food, electronics, or any other product.

In some cases, complex supply chains may keep the violation of human and labour rights hidden from companies higher on the value chain, which points to the need for stronger company HRDD throughout their GSCs. In other cases, parent companies may have chosen to operate in countries where they can take advantage of weak labour laws or corrupt legal systems, allowing for widespread human and labour rights abuses, injured and killed workers, environmental destruction, and corruption. This points to the need for HRDD legislation to establish corporate liability for adverse impacts, adequate sanctions, and remedy.

In Canada, there are currently a number of high profile cases where it is argued that the companies involved should have been aware that human rights abuses were taking place within their operations. One of these cases involves a Canadian company, Nevsun Resources, which owns and operates 60 percent of the Bisha gold, copper and zinc mine in northwest Eritrea. Dozens of Eritreans have now joined a historic civil action in Canada, alleging they experienced forced labour, horrendous working conditions and a climate of fear and intimidation.

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This case is unique not because of the allegation of forced labour, but because of the fact that it was brought to light and made its way to Canadian courts.

Most cases of forced labour, or other labour or human rights violations, either remain hidden or, if exposed, are not brought to court due to a range of legal, logistical, and financial barriers. As noted in the preceding paragraph, this points to the important role for governments regarding human rights due diligence since it is government action that will ultimately determine the extent to which companies conduct human rights due diligence. Governments, including the Government of Canada, must create binding legislative measures that not only mandate corporate human rights’ due diligence, but that also establish corporate liability for adverse impacts, adequate sanctions and remedy.

Although some governments have established some form of national legislation, or are in the process of doing so, challenges remain. For example, there remains of lack of clarity surrounding international obligations and the narrow scope of some government actions reflect this ambiguity. For example, national legislation should reflect the fact that companies cannot “pick and choose” which human rights abuses to address. Although there is a recognition that companies may have to prioritize on the basis of severity and likelihood, they must conduct human rights due diligence on all internationally recognized human rights norms.

**Recommendations related to specific questions in “Background Note”**

The “Background Note” prepared by the UNWG for the consultation process to inform its 2018 report to the UN General Assembly poses several specific questions. This brief has provided input to the following questions:

**Would a deeper focus on certain of these elements or sub-elements [four main components of human rights due diligence] be useful?**

The CLC supports the UNWG’s tentative plan to “address all the four main components of human rights due diligence” since all such elements and sub-
elements are integral to effective and sustainable human rights due diligence. With this in mind, the CLC nevertheless believes that a deeper focus on the following four points would be useful: 1) the scope of human rights due diligence; 2) stakeholder engagement; 3) the role of government regarding tracking, monitoring, and follow-up; 4) whistleblower protections; and 5) remedy.

The scope of human rights due diligence: The first main component of human rights due diligence - identify and assess any actual or potential adverse human rights impacts with which a company may be involved either through its own activities or as a result of its business relationships – is essential. Yet, there remains a lack of clarity surrounding the scope of this component, particularly in relation to which enterprises should be conducting human rights due diligence and to which human rights they should refer.

Regarding which enterprises should conduct due diligence, it must be made clear that, as stated in UNGP 14, “the responsibility of business enterprises to respect human rights applies to all enterprises regardless of their size, sector, operational context, ownership and structure.”

Although “the scale and complexity of the means through which enterprises meet that responsibility may vary according to these factors,” no enterprise is free of responsibilities outlined in the UNGPs. In the past, factors listed in UNGP 14 (size, sector, operational context, ownership and structure) have been used by enterprises as an excuse to avoid accountability. Furthermore, there has been misunderstanding surrounding the terms ‘cause,’ ‘contribute to,’ and ‘directly linked to.’ Enterprises are only required to provide remedy when they have ‘caused’ or ‘contributed to’ harm, but not when they are ‘directly linked’ to harm. Given the different requirements of enterprises based on whether they ‘cause’, ‘contribute’ to, or are ‘directly linked’ to harm, it is essential that clear distinctions are made between these terms.

The CLC believes a deeper focus on encouraging every enterprise to conduct HRDD, with support and information on how to adapt processes to the uniqueness of each enterprise, would be useful.

- Integrate findings and take appropriate actions following on from impact assessments in order to prevent and mitigate adverse human rights impacts.
- Track the effectiveness of how actual or potential adverse human rights impacts are being addressed.
- Communicate externally on how the company addresses human rights impacts, particularly when concerns are raised by or on behalf of affected stakeholders.
Regarding which human rights should be addressed in HRDD, clarity must be provided. As stated in UNGP 12,

“The responsibility of business enterprises to respect human rights refers to internationally recognized human rights – understood, at a minimum, as those expressed in the International Bill of Human Rights and the principles concerning fundamental rights set out in the International Labour Organization’s Declaration of Fundamental Principles and Rights at Work.”

Although recent international attention given to child labour and modern day slavery has led to some positive steps towards the elimination of such egregious violations of human rights, this increased attention has arguably come at the expense of other human and labour rights.

Every individual is entitled to enjoy human rights without discrimination and these rights are all interrelated, interdependent and indivisible. With this in mind, the CLC recommends a deeper focus on the impact of prioritizing certain rights over others, whether it be in enterprise-level due diligence or national level legislation.

Stakeholder engagement: Each of the four main components of human rights due diligence would benefit from meaningful consultation and engagement with affected groups and relevant stakeholders, including trade unions and civil society organizations (CSOs). A deeper focus on how to conduct and enhance such engagement at each stage of HRDD would be useful.

The role of government in tracking, monitoring and follow-up: As stated above, the extent to which companies conduct HRDD will ultimately be determined by government action. As such, not only should governments legislate mandatory due diligence, but they must also play an active role in tracking, monitoring and follow-up. In Canada, there is a lack of transparency as to whether the government is currently tracking which companies conduct due diligence. Although some departments, such as Natural Resources Canada8, have made public their efforts to track which companies under their purview conduct due diligence, these efforts are extremely scarce in detail and there is uncertainty whether other departments have done similar tracking. There is no indication as to whether departments have conducted further monitoring or follow-up.

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Whistleblower protections: As stated by the former UN High Commissioner for Human Rights, Navi Pillay, in July 2013, “Snowden’s case has shown the need to protect persons disclosing information on matters that have implications for human rights, as well as the importance of ensuring respect for the right to privacy.” Shortly following this statement the UN Independent Expert on the Promotion of a Democratic and Equitable International Order, Alfred-Maurice de Zayas, stated that, “specific protection must be granted to human rights defenders and whistleblowers.”

Although the UNGPs do not specifically mention whistleblower protection, international law, including internationally recognized human rights to which the UNGPs refer, clearly provides provisions protecting whistleblowers. A common basic protection for all whistleblowers is provided in the International Covenant on Civil and Political Rights (ICCPR). ILO Conventions that confer protection to whistleblowers include no. 158 on Termination of Employment, no. 111 on Discrimination (Employment and Occupation), no. 87 on Freedom of Association and Protection of the Right to Organise, no. 98 on the Right to Organize and Collective Bargaining, no. 29 on Forced Labour and no. 105 on Abolition of Forced Labour. Through these conventions, it is clear that freedom of expression and other rights formulating some level of protection for whistleblowers are within the scope of the UNGPs.

Not only is whistleblowing, in itself, a human right to be protected, but it is also an essential tool to ensure that other rights are strictly respected. As argued by Poitevin, whistleblower protection strengthens the protection of affected stakeholders by enhancing consultation, oversight and reporting, as well as strengthening the remedies mechanisms framework.

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The CLC encourages the UNWG to apply a deeper focus on the role of whistleblowers in the implementation of the UNGPs and explore potential opportunities to encourage companies to incorporate whistleblower protections into their HRDD processes.

Remedy: The element of HRDD that has been the most underdeveloped in Canada is access to remedy. This is not only the case for company level due diligence, but is also lacking in other non-judicial grievance mechanisms, such as the National Contact Point for the OECD Multinational Guidelines (NCP). The lack of remedy for alleged victims of human rights abuses has been noted by both Canadian CSOs and trade unions, as well as by international bodies, including the UNWG on business and human rights.

Under the heading “Access to effective remedies,” the UNWG’s End of Mission Statement (Canada), noted that “we found evidence of the victims of human rights abuses continuing to struggle in seeking adequate and timely remedies against Canadian business.” The statement further stated “steps should be taken to ensure that even individuals and communities impacted by the overseas operations of Canadian business are able to obtain effective remedy in Canada in appropriate cases.”

The creation of legislation that mandates HRDD and establishes corporate liability for adverse impacts and adequate sanctions will be essential to increasing remedy. As part of this, a deeper focus on providing clarity surrounding the terms ‘cause,’ ‘contribute to,’ and ‘directly linked to,’ specifically between that latter two terms, will be necessary.

Would a special focus on certain human rights issues, groups, sectors or operational contexts be useful?

As pointed to above, the CLC believes that HRDD should include all internationally recognized human rights, and should not discriminate based on group, sector or operational context. This is especially important given the interdependence and interrelatedness of human rights. Simply focusing on the most visible or egregious human rights abuses may present challenges in achieving sustainable and long lasting solutions. Similarly, the responsibility of business enterprises to respect human rights applies to all enterprises regardless of their size, sector, operational context, ownership or structure. Still, as highlighted in UNGP 14 “the scale and complexity of the means

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through which enterprises meet that responsibility may vary according to these factors and with the severity of the enterprise’s adverse human rights impacts.”14

As long as the above point continues to be promoted and it is made clear that businesses cannot “pick and choose” between which rights should be included in company level HRDD, and similarly governments do not limit legislation or policies too narrowly, then the ability to focus on certain elements may prove useful.

For example, Canada has recently announced (January 2018) that it will be creating a Canadian Ombudsperson for Responsible Business Enterprise (CORE) alongside a Multi-Stakeholder Advisory Body on Responsible Business Conduct (MSAB). While recognizing the importance of addressing all human rights, as they affect all groups, across all sectors, regardless or operational context, we have also made the decision that the CORE and MSAB will begin with a focus on the extractive and garment sectors, with the intention to expand these bodies over the coming years. Approximately half of the worlds publicly listed mining and exploration firms are headquartered in Canada. These 1,344 companies are present in 101 foreign countries.15 The incredible reach of this sector, combined with the high number of alleged human rights abuses in the overseas operations of these Canadian companies, has led to the CORE’s initial focus on sector. Still, the CLC maintains that binding HRDD should required of all Canadian companies, regardless of sector.

Is practice aligning around the HRDD concepts of the UN Guiding Principles on Business and Human Rights (UNGPs), or are we seeing divergence? If the latter, where?

Despite growing global interest in the HRDD concepts of the UNGPs, there is divergence in practice. Looking at countries that have introduced, or are in the process of introducing, measures aimed at strengthening due diligence conducted by companies, including binding legislative measures, there is divergence in approaches taken or rights taken. For example, France’s “duty of vigilance” law (2017) has the widest scope, covering human rights, health, safety and the environment, whereas Netherlands “Child Labour Due Diligence Bill” focuses solely on child labour and the UK’s “Modern Slavery Act” focusses

solely on forced labour. Comparing legislative developments in Europe (France, Netherlands, Switzerland\textsuperscript{16}, and the UK) all include disclosure reporting but not all include mandatory due diligence (UK does not). Only two countries (France and Switzerland) include corporate (civil) liability.

Based on a scan of binding legislative measures, there seems to be the most divergence in relation the scope of rights covered and the inclusion of corporate liability.

**Is HRDD more developed in relation to certain human rights risk?**

Yes, as noted above, HRDD is more developed in relation to forced labour and child labour. While recognizing the importance of addressing these particularly egregious practices, the CLC believes that HRDD should not be limited to these human rights risks and instead include all ILO fundamental principles, including freedom of association and the effective recognition of the right to collective bargaining and the elimination of all forms of discrimination in respect of employment and occupation.

**Are organizational and resource-related obstacles to implementing HRDD being overcome? How?**

Concerning new and proposed measures that encourage and promote business and human rights, Canadian businesses have often brought forward concerns in relation to their ability to maintain competitiveness. Despite costs and resources associated with such measures, including company-level due diligence, the CLC maintains that it is the lack of political leadership, for example in the form of national legislation mandating due diligence, that threatens business growth and international competitiveness. Providing consistency in expectations and obligations would level the playing field for all companies and address concerns regarding competitive disadvantage. Human rights abuses within a company’s operations and value chains pose operational, reputational, financial, and legal risks. Despite these risks, a company that chooses to individually conduct HRDD raises concerns surrounding fair competition. As such, it is essential that governments deliver harmonised legislation, regulation and corporate incentives to ensure a level playing field, nationally and internationally. This would allow all companies to take steps to eradicate and prevent human and labour rights’ abuses within their supply chains without being put at a competitive disadvantage.

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\textsuperscript{16} Switzerland’s “Swiss Responsible Business Initiative” is still in the proposal stage.
**What should the role of government be in company HRDD?**

Despite the existence of a range of standards and associated guidelines that provide direction on corporate human rights due diligence, including the UNGPs, the OECD MNE Guidelines and the ILO’s Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration), there remains a lack of company compliance and efforts in relation to business and human rights. In light of the newly adopted OECD Council Recommendation to the promote and implement the new OECD Due Diligence Guidance for Responsible Business Conduct, there is yet another excellent resource in place that explains how companies should conduct due diligence to avoid adverse impacts. Still, compliance lags and it is becoming increasingly clear that it is government action that will ultimately determine the extent to which companies conduct due diligence.

As such, the CLC encourages the UNWG to put greater emphasis and focus on the lack of voluntary compliance from industry and to examine the role of regulation and government policy in enhancing compliance. Specifically, a strong focus should be placed on the need for binding legislative measures. Such legislation should mandate company due diligence that covers all internationally recognized human rights, including health and safety and the environment. It should apply to large and small enterprises, their supply chains and business relationships. It should require companies to disclose their supply chains as well as conduct due diligence. Stakeholder engagement should be central at all stages of due diligence, obliging companies to engage with trade unions in the parent company, subsidiaries, subcontractors and supply chains. Finally, such legislation must establish corporate liability for adverse impacts, adequate sanctions (fines that are a percentage of sale revenue and not a fixed amount) and remedy.

A deeper focus is necessary in relation to the question of policy coherence. For example the UNWG should explore the extent to which binding due diligence clauses are replicated and introduced in trade and investment agreements, export credits and insurance, development finance, and public procurement law.

Governments role in company due diligence must be ongoing, with dedicated resources to monitor company compliance with binding due diligence and to follow-up with enforcement measures. This should not only include the promotion and monitoring of private sector company due diligence, but also of state-owned enterprises.
What concrete examples of government regulation, policy and initiatives might be useful to highlight?

Despite concerted calls from the Canadian public, CSOs, and international bodies, the Canadian government continues to fall short and lag behind its European counterparts in implementing binding mechanisms to mandate HRDD and promote business and human rights. The CLC maintains that the Canadian government must do more to eliminate human rights violations both within Canada and within the international operations and supply chains of Canadian companies. Canada should also take steps to facilitate the prosecution of perpetrators and ensure adequate remedy to victims of human rights abuses. Alongside the creation of binding due diligence legislation, this will necessitate a multifaceted response that addresses an array of forces, whether they are economic, social, cultural or legal.

Rather than taking this comprehensive approach, the Canadian government has instead pointed to two mechanisms - the Office of the Extractive Sector Corporate Social Responsibility Counsellor17 and the National Contact Point to the OECD Guidelines for Multinational Enterprises – as bodies that can address these violations. As has been highlighted in numerous CSO reports and in the UNWG End of Visit Statement, these mechanisms are neither adequate nor appropriate to respond to these problems.

In line with principles laid out in the ILO Declaration on MNEs, the UNGPs, and the OECD Guidelines for MNEs, as well as in accompanying guidelines, the UNWG should encourage all countries, including Canada, to adopt and implement national legislation that incorporates mandatory transparency, mandatory due diligence and public procurement provisions. Taking this approach will not only reduce human rights violations and promote decent

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17 On January 17, 2018, the Government of Canada announced the creation of an independent Canadian Ombudsperson for Responsible Business Enterprise (CORE). As outlined on the Government's website “The CORE will be mandated to independently investigate allegations of human rights abuses linked to Canadian corporate activity abroad... It will be empowered to independently investigate, report, recommend remedy and monitor its implementation. The CORE’s scope will be multi-sectoral, initially focussing on the mining, oil and gas, and garment sectors, with the expectation to expand, within a year of the Ombudsperson taking office to other business sectors.” The government has suggested that upon the creation of the CORE, Canada’s NCP “will continue to fulfill its mandate of dialogue facilitation or mediation for all sectors for a wide range of issues, such as disclosure, employment and industrial relations, environment and bribery. The Ombudsperson will focus on investigations and on making public recommendations. Where appropriate and upon agreement by both parties, the CORE may provide assistance in dispute resolution. The roles of the Canadian NCP and the new Ombudsperson will be complementary, whereby the Ombudsperson may refer cases to the NCP where appropriate and where parties are in agreement.” The mandate of the Extractive Sector Corporate Social Responsibility Counsellor expired in May 2018. The intention is to move the advisory roles of the CSR Counsellor into the Ombudsperson’s portfolio.
work, it will also level the playing field for all businesses, giving them a common and predictable regulatory environment.

Given the global interest and movement on this issue, we are in the fortunate position of being able to draw on international best practices. Legislation being implemented in other jurisdictions, including mandatory transparency, mandatory due diligence, and public procurement, should be analyzed and applied to other national contexts.

The CLC recommends that the UNWG encourage countries, including the Canadian government, to develop and implement human rights legislation that draws on international best practices and includes all three key components: mandatory transparency, mandatory due diligence, and ethical public procurement. As outlined\(^\text{18}\) by the International Trade Union Confederation (ITUC), the CLC recommends that the content of such human rights legislation include the following regulatory provisions:

Transparency provisions:
- Disclosure of instances of human and labour rights abuses in operations and supply chains;
- Application to large and medium-sized companies above a certain revenue threshold;
- Have extra-territorial reach;
- Require high-level approval and sign-off and prominent disclosure of the statement on the company’s website;
- Require annual statements;
- Provide monitoring and enforcement mechanisms and impose sanctions where appropriate;
- Provide clear official guidance prior to the law taking effect.

Due diligence provisions:
- Refer to the human rights due diligence standards set forth in the ILO Declaration on MNEs, the UNGPs and the OECD Guidelines;
- Require large companies to publish an effective due diligence plan;
- Provide for corporate liability where appropriate;
- Allow individuals, trade unions and NGOs to file complaints in case of company non-compliance;
- Apply mandatory due diligence to companies’ activities abroad, sub-contractors and suppliers;

- Seizure of goods if a company fails to demonstrate due diligence from high-risk regions;
- Enable victims to access civil and criminal remedy.

Public procurement provisions:
- Mandatory due diligence reporting obligations for relevant public bodies;
- Inclusion of human rights provisions in social clauses of public procurement;
- Include mandatory exclusion provisions for certain suppliers.

The development and implementation of human rights due diligence legislation, alongside the creation of the newly announced CORE (see footnote #12), would provide for valuable tools for Canada to promote and protect internationally recognized human and to bring remedy to victims. Alongside this, the level of policy coherence must be examined, specifically in relation to trade and investment agreements, export credits and insurance, development finance, and public procurement law.

Such actions will expand government leadership on human rights, progressive trade and responsible business conduct, specifically supporting the implementation of the UNGPs, and simultaneously creating a level playing field for businesses to grow and prosper.