

The Honourable Howard Wetston, Senator
Chair, Standing Committee on Banking, Trade and Commerce
The Senate of Canada

Dear Senator Wetston:

The Principles for Responsible Investment (PRI) welcomes the Bill S-216, *Act to enact the Modern Slavery Act and to amend the Customs Tariff and the current study of the bill by the Standing Senate Committee on Banking, Trade and Commerce*. The PRI is the world's leading initiative on responsible investment, with over 4,000 signatories (pension funds, insurers, investment managers and service providers) globally with approximately US \$103 trillion in assets under management.

The PRI recognises forced labour and child labour, as covered in the bill, to be human rights issues of the utmost importance. To this end, the PRI has previously participated in the Finance Against Slavery & Human Trafficking project under the Lichtenstein Initiative.

Additionally, in order to align the act with international standards and emerging regulation in other jurisdictions, the PRI recommends four alterations to the bill:

- 1. The bill should cover all human rights as set out in the International Bill of Human Rights and the ILO's core conventions and build on international standards such as the UN Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises (OECD Guidelines).** These international standards set out companies' responsibility to conduct due diligence and provide access to remedy where harm has been caused or contributed to. Since their endorsement, the UNGPs have been integrated or is being integrated into various national (Columbia, Denmark, France, Indonesia, Netherlands, Norway, Tanzania), regional (African Union, ASEAN, EU) and international (IFC, ISO, OECD, UN SDGs) frameworks targeting private sector conduct. This level of adoption creates a uniform level playing field and a degree of clarity which is unique in the sustainability arena and which the committee should utilise in promoting harmonisation of responsible business practices.
- 2. The bill - in addition to disclosure - should include a requirement to continuously identify, prevent and mitigate negative human rights impacts.** Research shows that, almost ten years after endorsement of the UNGPs, they have only been sporadically adopted by companies. This is a result of the inadequacy of voluntary measures and disclosure requirements which alone have been insufficient to incentivise companies to act responsibly and mitigate negative consequences for people and associated risks for both companies and investors.
- 3. The bill should specify that the scope include companies' own operations (incl. subsidiaries) as well as their value chains.** Such an approach would align with international standards and emerging regulation in other jurisdictions and recognise that

negative human rights impacts can occur throughout the full value chain including downstream in relation to customers and end-users.

4. The bill should introduce an appropriate accountability and enforcement mechanism.

This is essential to ensure compliance with proposed legislation. Supervisory functions – such as the National Contact Points (NCP) of the OECD – have limited merit and capacity in successful enforcement, and we’ve seen poor implementation of modern slavery regulation in other jurisdictions in the absence of appropriate accountability.

These improvements to the bill are crucial for institutional investors to avoid subjecting them and their portfolio companies to deviating national standards. Institutional investors are increasingly expected to conduct their own due diligence to manage human rights impacts. The United Nation’s Office of the High Commissioner for Human Rights has [confirmed this responsibility](#), it’s set out in [OECD guidelines](#) specifically for investors and [recently by the PRI](#) in relation to our 4,000 signatories. Due diligence requirements on human rights have also been introduced for investors in financial regulation in the EU both in the Sustainable Finance Disclosure Regulation and the minimum social and governance safeguards provision of the Environmental Taxonomy.

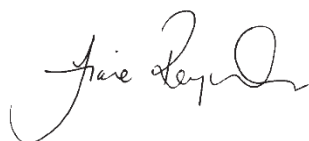
There are obvious economic benefits from promoting corporate respect for human rights. To name a few examples, companies can reduce operational and legal costs by [avoiding community conflicts](#), they can [increase productivity](#) through non-discrimination policies and by ensuring gender and racial diversity at management and board-level or by promoting satisfaction in the workplace which is associated with [higher long-term stock returns](#). **Driving responsible human rights practices is good business and can ultimately improve the competitiveness of Canadian companies while reducing related societal costs** (e.g. health and safety, right to a minimum wage, right not to be subject to forced labour, right to privacy) **with clear benefits for the government and the general public.**

There could be a short-term financial impact on companies that are not complying with international norms, but harmonisation will benefit both leaders and laggards in the medium to long-term as it drives consistency in markets and reduces compliance and reporting cost.

In addition, the PRI supports the investor letter submitted to the committee by SHARE. For further conversation and follow up, please contact:

- Lindsey Walton, Head of Canada, lindsey.walton@unpri.org
- Nikolaj Halkjaer Pedersen, Senior Specialist, Human Rights, nikolaj.halkjaer@unpri.org

Yours sincerely,



Fiona Reynolds
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Principles for Responsible Investment