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Chair

Mr. Dean Allison

Standing Committee on Foreign Affairs and International Development

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• (1100)

[English]

The Chair (Mr. Dean Allison (Niagara West—Glanbrook, CPC)): Pursuant to Standing Order 108(2), our study of corporate practices by companies supplying and manufacturing products in developing countries for Canadian consumers will get started.

I want to thank all our witnesses for being here today as we look at this issue.

We have with us, here in Ottawa, Peter Iliopoulos, who is a senior vice-president of public and corporate affairs with Gildan Active-wear Inc. Welcome and thank you for being here.

Joining us via video conference from Toronto, we have Diane Brisebois, who is the president and chief executive officer of the Retail Council of Canada. Diane, welcome. It's good to see you again.

Then joining us from Vancouver, British Columbia, we have Peter Chapman, who is executive director of the Shareholder Association for Research and Education. Peter, thank you, and welcome to you as well.

Why don't we start with your opening remarks, Peter? Then we'll go to Diane for her opening comments, and then we'll finish off with the other Peter's remarks. After that, we will move around the room for questions for the remaining hour.

Peter, I'll turn the floor over to you.

A voice: Thank you very much—

The Chair: I'm sorry, I want to start with a video conference. We have two Peters—my bad.

Go ahead, Peter in Vancouver.

Mr. Peter Chapman (Executive Director, Shareholder Association for Research and Education): That makes it all the more complicated, having two Peters.

My name is Peter Chapman. I'm the executive director of the Shareholder Association for Research and Education. SHARE is a Canadian organization that helps institutional investors integrate environmental, social, and governance factors into the investment process. We do this through research, education, and the provision of responsible investment services. Our clients are pension funds, foundations, and endowments, with assets under management of approximately \$12 billion.

I would like to speak this morning from an investor perspective about the risks associated with global supply chains such as those that became apparent in last month's tragedy in Bangladesh. In a recent public statement by 15 global pension funds and fund managers, the Rana Plaza building collapse was characterized—as well as earlier incidents—as illustrating the significant reputational, operational, and legal risks that are ubiquitous in global supply chains. It underscores the urgent need for companies to know their suppliers, ensure compliance with safety standards, and fully disclose their supply chains.

My comments will focus in three areas. The first is the importance of corporate disclosure about sourcing practices and monitoring of global supply chains. The second will be the constructive role investors can play in aligning corporate responsibility and long-term wealth creation when environmental, social, and governance factors are considered in investment decision-making processes. The third is the positive investor response to the Accord on Fire and Building Safety in Bangladesh.

Shareholders depend upon the companies they invest in to manage risks related to supply chains. However there's relatively little disclosure by companies today about how they manage such risks. Improvements in disclosure will reduce investor uncertainty and assist investors in managing risks effectively.

To lessen the uncertainty that exists today, shareholders are seeking assurances that the companies they invest in have adopted responsible sourcing practices in their global supply chains, including performing human rights due diligence; negotiating commercial terms with suppliers sufficient to provide for safe, healthy workplaces and a living wage; establishing robust oversight of suppliers; and disclosing information on supply chain practices and outcomes.

To achieve this, clear and comparable reporting requirements by public companies should be established, including reporting on human rights due diligence. The most widely used such standard is the Global Reporting Initiative's sustainability reporting framework. Precedents exist for environmental, social, and governance—or ESG—disclosure requirements in other jurisdictions. For example, the Danish Financial Statements Act requires that the 1,000 largest corporations in Denmark—and all state-owned limited liability companies—report on CSR in their annual reports.

In addition to initiatives by governments, stock exchanges are also playing a role in encouraging greater corporate disclosure of ESG information. For example, in South Africa more than 450 companies listed on the Johannesburg Stock Exchange are required to produce an integrated report including information on social, environmental, and economic performance alongside financial performance. If they do not issue this integrated report, they're required to explain why.

More targeted disclosure is required in some jurisdictions. For example, the Transparency in Supply Chains Act of the State of California requires retailers and manufacturers with more than \$100 million in worldwide gross receipts to disclose information on their websites regarding their efforts to verify that slavery and human trafficking are eliminated from their supply chains. Disclosure under this act is intended to assist consumers and investors in distinguishing between companies that are taking adequate steps to address these risks from those that are not.

Forced labour and trafficking are unfortunately still serious risks in some countries and industries—for example, in the harvesting of cotton in Uzbekistan.

• (1105)

In addition to these general disclosure requirements related to ESG issues, investors are urging that apparel brands, retailers, and manufacturers publicly disclose the names and addresses of factories used in the assembly of consumer apparel goods. Some companies have already taken this step.

In recent months the retail giant H&M has voluntarily disclosed the factories it uses, saying:

...we can now incentivize our suppliers for taking ownership over their sustainability and recognize the progress they make. And we can take another step in making our industry more transparent and ultimately more sustainable.

The consensus is growing amongst institutional investors that ESG factors such as supply chain oversight are important components of risk management and a potential source of value creation over the long term. The draft high-level principles on long-term investment finance by institutional investors currently under discussion at the OECD are an example of the expression of widespread concern about the negative impacts of short-termism by institutional investors.

In spite of evidence that ESG factors can have a material impact on investment performance, some fiduciaries in Canada are reluctant to incorporate these criteria into their investment decisions because they fear doing so constitutes a breach of their duty to beneficiaries. Clarifying that pension fund trustees and other fiduciaries may consider environmental, social, and governance factors in their investment decisions will help align investors and publicly traded corporations in the pursuit of corporate responsibility, a step already taken in a number of jurisdictions internationally.

This position was supported in the 2007 “Capital Markets and Sustainability” report of the National Round Table on the Environment and the Economy, which states:

Clearly, pension fund trustees must be made aware—perhaps via regulators issuing guidelines or, where appropriate, enacting regulations and/or legal changes by government—that considering ESG factors in capital allocation decisions is not in conflict with established fiduciary duties and that, in fact, not considering them may actually be a potential breach of such duty.

Fiduciaries and asset managers that evaluate plan investments with a full range of risks and opportunities in mind, including those related to supply chains of companies in which they invest, are better positioned to prevent losses and enhance gains. Governments can assist this process by providing a positive policy environment in this regard.

Finally, I'd like to turn to investor support for the Accord on Fire and Building Safety in Bangladesh. Recently, several international investor groups with combined assets of more than \$2.5 trillion have welcomed the decision by apparel companies sourcing from Bangladesh to join the Accord for Fire and Building Safety in Bangladesh, and to work with the International Labour Organization and companies under this collaborative program to conduct robust inspections of the factories they use. We commend Loblaw Companies Limited for its leadership in supporting the accord.

The accord, which sets out a regime of independent inspections, public disclosures of the results, mandatory building renovations to eliminate hazards, and union access to factories to educate workers on their rights, is a major step forward for Bangladesh and provides the conditions for greater investor certainty that occupational safety in Bangladesh will be realized.

We believe that the dispute resolution mechanism in the accord sets it apart from previous failed attempts at voluntary programs in Bangladesh without imposing undue risks for signatory companies. The binding nature of the dispute resolution mechanism in the accord ensures accountability to the commitments contained in it. This accountability gives investors assurance that the signatories are committed to managing the risks associated with sourcing from Bangladesh.

In closing, I would like to thank the committee for this opportunity to participate in your deliberations on the important questions raised by the complex global supply chains of today's economy.

Thank you.

• (1110)

The Chair: Thank you, Mr. Chapman.

We're going to now move to Diane, from the Retail Council of Canada, for her remarks.

Ms. Diane Brisebois (President and Chief Executive Officer, Retail Council of Canada): Thank you.

Good morning. My name is Diane Brisebois, and I serve as the president and chief executive officer of Retail Council of Canada.

Mr. Chair and members of the committee, thank you for the opportunity to speak to this matter. I apologize for not being present during the hearings, but as you may have been told, we are just a couple of days from our annual conference, so I had to remain in Toronto.

While my remarks will be short, I will be pleased to answer all of your questions.

Retail Council of Canada is a not-for-profit industry association representing more than 45,000 storefronts in Canada. Its membership includes independent merchants, regional and national chains, mass merchants, big box retailers, and online merchants. Its membership also covers all categories of retail, including general merchandise, grocery, and drugs.

The recent tragic factory accidents and horrific loss of life in Bangladesh have generated shock and outrage, but also a renewed commitment to action. The buyers of Bangladesh-made garments, apparel brands, retailers, and manufacturers recognize the responsibility to initiate action that will have an immediate, positive, and sustained impact on the safety and lives of garment workers in Bangladesh.

Our members believe that any successful effort to address the problem of building safety in Bangladesh will require support, shared responsibility, and action among buyers, factory owners, the Bangladeshi government, factory workers, and other stakeholders. Therefore, Retail Council of Canada is fully committed to working with these groups toward effective global solutions to the building safety problems in Bangladesh, which may also serve as a model to address such problems that may arise in other supplier countries.

Immediately following the tragic factory accident in Bangladesh, Retail Council organized several conference calls with all interested parties and also began to act as a hub for information on current and new initiatives. The role of Retail Council is to provide its members with information with respect to the various initiatives that have been proposed, including the Accord on Fire and Building Safety, and the North American Bangladesh worker safety initiative.

In partnership with other associations in North America, which include the American Apparel & Footwear Association, the Canadian Apparel Federation, the National Retail Federation, and the Retail Industry Leaders Association, RCC is working to develop a common framework for action and is also in the midst of surveying its members on their activities, including vendor codes and safety standards, in order to revise and develop industry guidelines for our members in Canada.

Garment industry jobs have been instrumental in helping or in moving forward the role of women in the economy and even within their own families in Bangladesh. It is important to continue to support the garment workers and to make significant contributions to workplace safety and to facilitate industry support for their economic empowerment.

We look forward to working with the Government of Canada in improving working and building conditions in developing countries. We also commit to keeping this committee abreast of our ongoing activities and progress in this area.

In closing, I give you our commitment that Retail Council will ensure that its ethical trading committee continues to be active, engaged, and assisting all members in the industry.

Thank you.

•(1115)

The Chair: Thank you, Ms. Brisebois.

We're going to continue with Mr. Peter Iliopoulos of Gildan Activewear Inc., who is here.

Sir, the floor is yours.

Mr. Peter Iliopoulos (Senior Vice-President, Public and Corporate Affairs, Head Office, Gildan Activewear Inc.): Thank you, Mr. Chair.

Let me begin by expressing my sincere gratitude for the invitation to appear today. We have tremendous respect for the work of your committee. In particular, we are excited about contributing to your examination of the corporate practices of companies manufacturing products in developing countries for Canadian consumers.

[Translation]

My name is Peter Iliopoulos and I am the Senior Vice-President of Public and Corporate Affairs at Gildan.

[English]

I would like to start by giving you a brief overview of Gildan's operations.

We are a vertically integrated apparel manufacturer with our primary manufacturing hubs located in Central America and the Caribbean basin. In 2010, we acquired a vertically integrated manufacturing facility in Bangladesh, which is currently servicing our markets in Europe and the Asia-Pacific region.

As part of our vertical integration, we also conduct yarn-spinning operations in the United States. We employ over 33,000 people worldwide. We service our product in two primary markets. We sell T-shirts, sports shirts, and fleece in the wholesale distribution channel. Currently, we have the largest market share in Canada and the United States—ranging over 70% in each of these two markets. We've also expanded our product line to include socks and underwear in order to provide a full product line offering in the retail channel.

With respect to our operations in Honduras, which represent the most significant piece of our overall manufacturing production, we operate four textile manufacturing facilities, two integrated sock manufacturing facilities, and four sewing facilities, which are responsible for producing our activewear and underwear products.

In total, this represents a capital investment of over \$500 million in the last five years alone. We have over 20,000 employees in the country. We established our manufacturing operations in Honduras because of its strategic location in servicing our primary market in the United States. Our experience has shown that there is a very skilled workforce in Honduras, resulting in the development of a strong, decentralized, local management team to run our operations in the country.

In Honduras, we can also leverage the CAFTA-DR free trade agreement, which provides goods manufactured in Honduras and the Dominican Republic with duty free access into the U.S. market. With Canada signing a free trade agreement with Honduras in 2011, we are looking forward to the ratification of that agreement as well, which will allow us to effectively service the Canadian retail market, particularly against competing Asian imports.

Our vertically integrated manufacturing facility in Bangladesh employs 2,000 people and represents less than 5% of our overall production capacity. Since our acquisition of this facility in 2010, we have invested over \$1 million in building enhancements, the installation of a waste water treatment plant, and an upgrade of equipment. However, our experience in Bangladesh has proven to be difficult, with many outside forces and factors influencing the operational environment at our facility.

Our corporate social responsibility program, the Gildan genuine stewardship commitment, is based on four core pillars: people, environment, community, and product. CSR represents a key component of our overall business strategy, and we believe our practices position us as a leader in the industry. Our social compliance program includes a strict code of conduct based on internationally recognized standards, and it encompasses a very thorough audit process, which includes the conducting of independent and third-party audits at each of our facilities on a regular basis.

Our labour compliance program has been accredited by the Fair Labor Association since 2007. In fact, Gildan was the first vertically integrated apparel manufacturer to be accredited by the FLA. In addition, each of our sewing facilities has been certified by the Worldwide Responsible Accredited Production program. Since 2009, Gildan has been annually recognized by Jantzi-Macleans as one of Canada's 50 best corporate citizens.

The working conditions that we offer our employees at our worldwide locations include competitive compensation significantly above industry minimum wage; 24-hour access to on-site medical clinics staffed with doctors and nurses, seven days a week; free transportation for our employees to and from work; and subsidized meals. We are currently in the process of implementing a best-in-class ergonomics program in collaboration with the Ergonomics Center of North Carolina, which we expect to complete in Honduras by the end of 2014 and subsequently roll out in each of our other locations. Most recently, in the past year, we have inaugurated three schools for back health in Honduras.

To better integrate our production processes and corporate social responsibility practices in Bangladesh, we have leveraged our more than 10 years of experience in Honduras and have sent a team of skilled managers to train the local management team and help them integrate the Gildan standard. Amongst the many safety measures implemented in Bangladesh since the acquisition is the reinforcement of the building structure following the recommendations of an independent, U.S. based engineering firm; annual audits by third-party safety, loss, and prevention specialists; the installation of external fire escapes; and regular inspections and fire drills. In 2012 alone, over 1,300 hours were spent on training related to health and safety.

Overall, the working conditions that we offer our employees, which represent our greatest asset and success factor, are of paramount importance to us.

● (1120)

From an environmental perspective we have a strict environmental policy, environmental code of practices, and environmental management system. Similar to our labour compliance program, we conduct regular environmental audits at each of our facilities. We also operate waste water treatment facilities to ensure the water we discharge into public rivers is clean, as well as biomass steam generation to produce energy, resulting in a significant reduction of our greenhouse gas emissions.

From a community perspective our emphasis has been on partnering with the communities in which we operate with a focus on youth education and humanitarian aid. As one example, in 2005 we spearheaded the development of an industry-wide initiative for the creation of a technical school in Honduras. This represents a \$1.5-million investment and has resulted in 6,000 students in the country graduating from this school.

With respect to product sustainability, we ensure that all of our products are OEKO-TEX Standard 100 certified, thus ensuring that no harmful chemicals or materials are found in their composition.

This has been a brief summary of Gildan and our CSR practices. I would like to conclude by addressing the role Canada should play going forward, in particular, in light of the recent tragedies in Bangladesh.

First and foremost, we believe Canada should play a leading role in corporate social responsibility by establishing mechanisms to ensure all products entering the commerce of Canada originate from manufacturers that adhere to internationally recognized labour standards, and health and safety practices, in working conditions. In fact, Canada has typically included labour agreements along with their free trade agreements.

Specifically, we ask that the Canadian government reconsider the existing duty-free access for Bangladesh under the least developed country tariff, as a means of pressuring manufacturers in Bangladesh to improve safety standards in the country to an acceptable level and to ensure that the country is in full compliance with internationally recognized labour standards. Take into consideration that Bangladesh is the second largest exporter of apparel to Canada, after China, and remains by far the largest LDCT beneficiary, with imports into Canada increasing by 27% in 2011 alone, to over \$1 billion.

Furthermore, Bangladesh is the third largest supplier of apparel, by volume, to the United States, despite the fact that unlike in Canada they do not benefit from duty-free access, and notwithstanding the fact that many other apparel suppliers have duty-free access to the United States. In addition, local manufacturers in Bangladesh benefit from government subsidies relating to power costs and yarn purchases.

All of the above data supports the hypothesis that Bangladesh is the lowest cost global supplier of apparel, and the imposition of labour and safety standards will not hurt the competitiveness of the country as they can easily compete without tariff concessions.

In closing, I would like to once again thank the committee for this invitation. I look forward to your questions.

Thank you.

● (1125)

The Chair: Thank you, Peter.

I think we have time for two full rounds, so let's get started with Mr. Dewar for seven minutes, please.

Mr. Paul Dewar (Ottawa Centre, NDP): Thank you, Chair. Thank you to all our witnesses.

Chair, before I get into my comments, I note that we've had requests from other groups to meet. We've chatted about that. I look forward to making the opportunity for them to present if we can find time for another meeting on this very important issue that I think has seized many Canadians.

On March 25, 1911, there was a factory disaster, a catastrophe in the United States. It was the infamous Triangle Waist Factory disaster. It led to the changes in production of textiles in the United States and in Canada. It changed health and safety. It changed working conditions. In that infamous fire of 1911, 146 people were killed, mostly women.

April 24, 2013, will go down in history as another event that hopefully changed the world for the better, but as we all know now, over 1,100 people died, many of them women and children. On that day, a young girl, Tahmina Sadia, went to work. She didn't want to go to work. In fact, she asked to not go into the building. Reports said that she was slapped by her supervisor and told to go to work. She started working at 11 years of age because she had to. I say that because we're going to get into a lot of technical aspects about standards, which are important; protocols, which are important; and obligations, which are important. But I think it's important for people to go back and read the history of what happened in 1911 and what just happened in April.

This is about people. This is about people who, for reasons of survival, go to work in places they shouldn't have to go to work in. Let's remind ourselves of that.

I'll start with Peter in Vancouver.

We were the party that brought forward this motion for Foreign Affairs to study this issue because of its importance. I'm glad to see the government supported a study on this issue. On May 9, I wrote to our Minister of Foreign Affairs and asked if our government would call on the Bangladeshi authorities to guarantee respect for key labour health and safety standards as codified in the ILO agreements and conventions to which Bangladesh is a signatory.

I also asked him to engage with the international community to develop and implement a common response to holding the Government of Bangladesh accountable for what's just happened, in particular with response to the high-level ILO mission to Bangladesh, that they be a partner to push forward these provisions

within the conventions that Bangladesh is a signatory to. I said that because I think Canada can and should play a role here.

You've made some points in your submission. What do you think our government should be doing? Specifically, what should our government be doing to work with the Bangladesh government, and the ILO and other international organizations, to ensure that girls like Tahmina will not suffer from this kind of exploitation? Also, that we do not abandon Bangladesh—no one wants to see that.

What should the Government of Canada be doing to ensure that we do our part?

Mr. Peter Chapman: Thank you very much for the question.

From an investor perspective, it's very difficult to drill down and deal with individual companies, individual situations, when you hold a company in your common stock portfolio and own a very small fraction of that individual company. It becomes very difficult for investors to engage substantially and individually with many companies in their portfolios.

It becomes very important for investors to see international standards such as the ILO fundamental rights and principles at work, the core labour standards widely acknowledged and supported.

I think, efforts by the Canadian government to support Bangladesh, recognizing and implementing core labour standards, would be a very positive move from an investor perspective because it deals with systemic problems. Risk associated with Bangladesh is very hard to manage on a portfolio basis because individual companies, members of the Retail Council, will have sourcing from many different countries.

A broad, systemic approach to this is very helpful for investors. We also believe that international agreements to which Canada is a party, such as the fundamental rights of the ILO, are one of the bedrock standards for good, responsible investment.

● (1130)

Mr. Paul Dewar: In other words, you can't do a loan, obviously. Companies can't do a loan, and there is a role for government here.

I have 30 seconds, Peter, just for your response to the point. Do you think government should be playing a key role here, and that we shouldn't just rely on business to do it on its own?

Mr. Peter Iliopoulos: Yes, governments should most definitely be playing a very proactive role in leveraging ILO principles. For example, there is also the Better Work program, which the ILO is a part of, that exists currently in Haiti. That could be something that they could look at implementing, but certainly government should be playing a very active role to ensure that these core principles are being respected, especially given that the large level of product that's coming into Canada from Bangladesh, for example, is of critical importance, and everyone has a role to play here. It shouldn't be isolated to one organization, one company, or one association.

As I mentioned during my remarks, we have a very strict code of conduct. We ensure that the standard that we implement is based on the highest level and we do that in uniform throughout all the various locations in which we operate.

The Chair: Thank you, Peter. That's all the time we have.

Thank you, Paul.

We're going to start with Ms. Brown for seven minutes, please.

Ms. Lois Brown (Newmarket—Aurora, CPC): Thank you very much, Mr. Chair.

Maybe we'll get a chance to carry that on, Peter.

First of all, I'd like to say that our hearts go out to the families who have lost loved ones in this terrible catastrophe in Bangladesh. I was in Bangladesh four years ago. I met a lot of people when I was there and I would hate to think that any one of them lost a loved one in this catastrophe. Every one of us wants to see things improve there.

Bangladesh is a country that has great potential. They've done a lot of things right in the last 40 years, but there is still much to be done, so all of us can be participants in that.

I'm not an engineer, but I worked in the drafting department of an engineering company when I was putting myself through my degree. I had the opportunity to look at a lot of building code issues, and so out of my own personal interest I just took a look at where Bangladesh was at with its own building code. I understand that they adopted their first building code in 1993. They updated that in 2006 on the recommendation of the centre for fire science and technology at the Tokyo University of Science, so they've had some good input.

They have a lot of old buildings there, and in my observation, a lot of the rebar they use comes from old ships that have been sunk in the harbour, so probably the standard of rebar that we would expect here is not what we would see there. I also noted that in the magazine *Popular Mechanics* there was quite an article about why concrete crumbles, and some of the things that we look at here are just not the issues that we see in some of these emerging economies.

Peter, you were saying that when you go into a country you have—in Honduras perhaps this was alone—a U.S. based engineering firm that gives you a report on the buildings that you would go into. Can you talk about the process that you've used? How did you come to use this particular company? What do you look for and what would be your response to a report that's given to you by an engineering company?

• (1135)

Mr. Peter Iliopoulos: When we acquired the facility in Bangladesh in 2010, as part of the due diligence process that we went through before closing the acquisition, we hired a very reputable U.S. based.... We did an extensive search and review to ensure that we had a very reputable engineering firm based on the highest level of standards, and we're looking at North American standards here. We had this firm conduct a detailed assessment of the facility that we were looking to acquire in Bangladesh.

They did a detailed review of the foundation, the structure, surveys. They looked at the plan, etc., in quite extensive detail, and they came back with certain recommendations. They concluded in this particular case that the building was safe, but they did come back with recommendations to improve the structure of the facility. That was part of our integration plan, once we did acquire the facility, to really implement these recommendations, reinforcing the concrete, adding reinforced steel to ensure that the building is safe.

I mentioned that of paramount importance to us is the health and safety of our employees. We employ 33,000 people worldwide, and we're not going to operate in a facility if we have the smallest of concerns that the structure is not safe. We went through a very extensive diligence process. We do similar-type processes in the facilities that we've constructed in Honduras, for example. That's really part of the process that we look to in terms of establishing either a situation where it's a greenfield project or we're building a facility from scratch, similar to what we did in Honduras, or in the case of Bangladesh, where we went through an acquisition.

Over and above that, what we do in Bangladesh on an annual basis is that we have a review done for safety and fire prevention, again by independent third parties, that come and review the facility to ensure that the standards are up to the highest level.

Ms. Lois Brown: When I was there, Peter, I noted that the construction is done with bamboo scaffolding. It was an eye-opener to me because I've worked in workplace safety for a number of years. So when I see people on scaffolding made out of bamboo and wearing flip-flops, you recognize that we're dealing with a completely different set of circumstances.

Do you think that the Government of Canada can have an encouragement to the Government of Bangladesh to change some of these, and how hopeful are you that there are people there who are willing to listen?

Mr. Peter Iliopoulos: I definitely think there is a role the Canadian government can play. Again, I go back to the example that I referenced. Bangladesh is the second largest exporter into Canada, and just by virtue of that, there's a responsibility that we should take forward to ensure that the product we're sourcing from other countries like Bangladesh is sourced from manufacturers that are operating in ethically sound facilities with the highest level of labour standards and health and safety practices. Most definitely I think there is a role there for the Canadian government to play.

Ms. Lois Brown: Are there any comments from our other two guests? Peter in Vancouver....

Ms. Diane Brisebois: Hello. Thank you. I'd like to comment.

I don't think anyone would deny that the Gildan recommendations are sound. I think it's important, though, to note, as you mentioned, that we're looking at a completely separate set of circumstances. In Gildan's case, as the gentleman mentioned, they acquired an asset in Bangladesh. In most cases vendors, and in fact, retailers are not acquiring assets or buildings or factories but working with factory owners in Bangladesh. It's extremely important that the community come together. You've heard the accord mentioned, which is also an North American initiative. I think that what is most important is to ensure that this time everyone comes together, develops the highest standards, and works with the ILO and other organizations to make sure that, both short term and long term, there are principles and practices in place to make sure that workers are safe and that buildings are safe.

Let me just add one point that I disagree with from the gentleman from Gildan. While he suggests that there probably should be import duties for Bangladesh, I think that in fact that would work against the development of Bangladesh. I don't think we should use tariffs to, in fact, give one supplier or country an advantage over another developing country. We should be very careful when we're looking at different ways the government can be engaged and involved. We, certainly from the Retail Council's perspective, don't believe it's by slapping on tariffs.

• (1140)

The Chair: Thank you very much.

We're going to Mr. Rae, for seven minutes, please.

Hon. Bob Rae (Toronto Centre, Lib.): Thank you.

Mr. Iliopoulos, could you tell me a little bit about the history of Gildan? You were a Canadian-based manufacturer, isn't that right?

Mr. Peter Iliopoulos: Yes, that's correct.

Hon. Bob Rae: When did you decide to basically source your operations outside Canada?

Mr. Peter Iliopoulos: We originally started back in 1984 when we had textile manufacturing operations and sewing facilities in Canada. Starting in the 1990s, we started production simultaneously in Central America and the Caribbean basin. Our last operations in Canada were closed in 2007, primarily due to the fact that we were dealing with the competition coming from low-cost imports from Asia.

We've designed our supply chain around the western hemisphere production. Our primary market is in the United States. In 2005, the United States signed a free trade agreement with Central America and the Dominican Republic. As I mentioned, we had started our operations earlier in Honduras, the Dominican Republic, and Nicaragua, and one of the key necessities for us was to leverage these existing trade agreements in order to compete against Asian imports.

Hon. Bob Rae: You have 20,000 employees in Honduras. What would the average wage be of an employee in Honduras?

Mr. Peter Iliopoulos: We pay our employees...when you look at the benefit.... First of all, we pay them significantly above the industry minimum wage—

Hon. Bob Rae: I'm looking for a dollar amount.

Mr. Peter Iliopoulos: As a percentage it could range anywhere from 10% to 30%. Over and above that, we—

Hon. Bob Rae: That's 10% to 30% of what?

Mr. Peter Iliopoulos: It's above the industry minimum wage. Over and above that, we will provide benefits to these employees. We have on-site medical and clinic staff, with doctors and nurses who operate 24 hours a day, seven days a week, so if there's a problem they're serviced on site—

Hon. Bob Rae: Not to interrupt, but I've read the material.

In Bangladesh, do you know what the average wage would be there?

Mr. Peter Iliopoulos: Again, I don't have the specific numbers, but we do provide wages significantly above the minimum wage and benefits over and above that.

Hon. Bob Rae: That's understood.

Is there a reason why you operate your facility in Bangladesh as a...I take it that it's a wholly owned subsidiary?

Mr. Peter Iliopoulos: It's our own owned manufacturing—

Hon. Bob Rae: It's your own manufactory.

In relation to the point that was made by Madame Brisebois, the reality is that most supply chains are not achieved by owning facilities in Bangladesh. We could be talking about anywhere; Thailand, China, there are a whole bunch of places. You don't have to just go to Bangladesh to see bamboo being used in the construction of big buildings. You can go to China. It's all over the place. That is what's used.

I'm just wondering if there's a reason you haven't used subcontractors.

Mr. Peter Iliopoulos: We typically develop our supply chain around our own owned manufacturing. We have direct control over their operations and it allows us to implement the highest level of standards, so we're not in a situation where we're dealing with sourcing goods from another manufacturer. From our perspective, this allows us to ensure we have the highest level of control over the standards that we can implement and over the quality of product that we can provide our customers. We really believe this is a key advantage for us in terms of servicing our clients. It is a part of our success factor in terms of ensuring that the standards we provide our employees, regardless of where we're operating, are at the highest level.

• (1145)

Hon. Bob Rae: Thank you.

Mr. Chapman, how does Canada compare internationally, if you were to do a ranking of how we're doing with respect to CSR and reporting disclosure accountability? I was very interested in your comments about Denmark. Do you guys have a ranking system where you look at what the comparable numbers or standards are around the world?

Mr. Peter Chapman: We don't have a formal ranking system.

A few years ago we did a study for Environment Canada, looking at how different jurisdictions were helping incent pension funds, particularly, to take greater accord with environmental, social, and governance factors in the investment process. We did a survey showing that many OECD countries now require pension funds to disclose how they take environmental, social, and governance factors into account. In Canada, we do not have a similar regime.

The Ontario government, actually, in a budget speech in the previous year, indicated it will bring that in. That is certainly a very positive step that could be implemented in Canada federally, as well as provincially.

With regard to CSR reporting by corporations, Canada has a definitely strong record in the resource sector, but as you move away from the resource sector it's less consistent.

Hon. Bob Rae: On that point, it would be both a federal and a provincial effort if we were to formally ask either larger companies or companies above a certain size to indicate exactly what they were doing to ensure the integrity of their products, the integrity of their supply chain, and the level of accountability that would be required. Is that right?

Mr. Peter Chapman: In regard to corporate law there are options that would cover federally incorporated companies, which would deal with most of the large companies in Canada, but something could also be done through the Canadian securities regulators or from the pension fund disclosure point of view through CAPSA, the Canadian Association of Pension Supervisory Authorities.

You're right. It is a mix of federal and provincial responsibilities and we have bodies that help coordinate.

Hon. Bob Rae: To be clear, Madam Brisebois, you were saying that you disagreed with Gildan's proposal to increase tariffs on Bangladeshi products?

I want to be clear that I understand this. If we have a bit of a disagreement it would be interesting to know that clearly.

Ms. Diane Brisebois: Yes, we do in fact have a disagreement. We don't believe that we should be adding tariffs. In fact, we believe that would make the work we are now initiating more difficult and it would be a burden on the workers in Bangladesh. The fact that they can, in fact, export their products without tariffs in Canada is allowing us to be more active in the country and ensuring we can help with worker safety as well as building safety.

The Chair: Thank you very much.

We will start our second round of five minutes.

Mr. Williamson, five minutes, please.

Mr. John Williamson (New Brunswick Southwest, CPC): Thank you, Chair.

Thanks for being here today everyone.

Peter from Gildan, I'm going to start off with you because you mentioned the role of government and I'm concerned about this. I want to challenge you a little bit on that and particularly in terms of the Canadian government. Don't get me wrong, I think the

responsibility for workers' rights and construction quality does rest with the government, but it's not the Canadian government. I don't think we want to be in the position of policing the actions of nations around the world in a global economy.

Frankly, this sounds like business, which generally looks for greater freedom to conduct its business, now scurrying for government protection to double-check or review when things do go horribly wrong. I think labour organizations, and workers, and politicians in Bangladesh have to do their job to improve their safety. I don't see the need or the value for the Canadian government. This begins, depending on how far it goes, to sound more and more like a non-tariff barrier that would potentially protect some at the expense of others from bringing in goods from overseas. At home I think it's up to consumers.

I want to challenge you on that because it's opening up quite a role for the federal government, and if you follow some of the other arguments that are made here, potentially the provincial governments as well. I'm happy to hear from others on this, but I do want to bat that right back at you. Why is it the responsibility of government to review the actions of your firms and others that are choosing to operate in these countries?

● (1150)

Mr. Peter Iliopoulos: The perspective we're coming from is that given all the recent tragedies that have happened in Bangladesh and given the level of exports that Bangladesh has into Canada—as I mentioned it's the second largest after China and it has reached over a billion dollars in 2011—our perspective is that there is a role the Canadian government should play to ensure that the manufacturers that are supplying this product into Canada for Canadian consumers....

There's a role for Canadian consumers to play as well. There's no question. I'm not proposing at all to pin this on just the government's responsibility. The responsibility is partly on consumers. There's a responsibility on government. There's a responsibility on corporations that are sourcing goods from Bangladesh or manufacturing goods from Bangladesh and other countries to ensure that the products that are brought into this country are—

Mr. John Williamson: Okay. It's your responsibility. If you're not pleased with the level of infrastructure in Bangladesh, go to another country.

Earlier we mentioned bamboo. That's true in Bangladesh. It's also true in mainland China. It's also true in Hong Kong. We see flip-flops, which are in Asia jokingly referred to as Chinese workboots. There are different levels of development around the world, but if your company wants to source from Bangladesh, it's your responsibility to ensure workers there are being well treated, in conjunction with labour organizations in Bangladesh and the government of Bangladesh.

It's not the role of the Government of Canada or any level of government in this country to police your actions or to sign off on what you're doing and be held responsible. There are just too many actors in a free and open market to source products from around the world to suggest that at the end of the day your company is off the hook if something goes wrong and the Canadian government is partially liable.

Mr. Peter Iliopoulos: From our perspective, certainly with respect to our operations in terms of where we manufacture, be it in Bangladesh or Honduras or Dominican Republic, we ensure that our strict standards and our strict code of conduct—

Mr. John Williamson: Yes, I'm sure you do. But you're also there, just to follow up on a question from Mr. Rae, because it is a low-wage manufacturing centre. The fact that you can't even provide us with the wage rates—if it's \$1 a day, \$1.50 a day, or if it's less—I think indicates a reluctance to tell this committee the average wage for your employees there. You are there for a reason. But there is a downside to that as well, and that's not having the infrastructure that will safeguard workers' rights.

It troubles me that business then comes to this committee and suggests that government should be doing something to take the heat off decisions that are made by businesses that are there doing work on their own free choice.

Mr. Peter Iliopoulos: Again, we're saying there's a role not simply on the part of government; there's a role for.... As you mentioned, there are a number of actors. We think there's a proactive role that the Canadian government can play as one of the actors.

Ultimately, we're a manufacturer in Bangladesh. We ensure that we offer the best possible working conditions for our employees, at the highest standards. That's paramount to our CSR program, be it in Bangladesh or whatever other country in which we operate.

The Chair: Thank you.

Thanks, John. That's all the time we have.

We'll go to Madame Laverdière, and I guess Mr. Dewar, for five minutes.

[Translation]

Ms. Hélène Laverdière (Laurier—Sainte-Marie, NDP): Thank you very much, Mr. Chair.

Thank you to our three witnesses for being with us today following the terrible tragedy in Bangladesh.

I would like to start with a comment. Listening to all three of you, I was struck by the fact that there is a general consensus. In fact, I will repeat what you said. You stated

• (1155)

[English]

that we need to work together; that we can't do it in isolation.

[Translation]

There truly is a consensus that everybody must work together, be it the industry, the government, international organizations, the unions, civil society, investors or consumers. I find that very striking. It is simply a comment I wanted to make.

The government has cut the funding it provided to the Corporate Social Responsibility Centre of Excellence. The centre is now funded only by the industry, which puts civil society in a bit of ambiguous situation. It therefore decided to withdraw. It seems to me that things are moving in the exact opposite direction to the consensus here, which is that all players need to work together.

Now, I do have a quick question for you, Mr. Iliopoulos. I would like to congratulate you on all the work you have done in terms of corporate social responsibility and on your achievements. You said that you have built three schools in Honduras. Did you build them using your own funds?

[English]

Mr. Peter Iliopoulos: Yes. Our biggest investment has been a technical school in Honduras. The objective of that school is really to get youth into a school, learn a trade, and be able to parlay that, to turn that, into employment in the future. It's not specific to the textile industry or our industry. There are various different industries. It could be computer engineering. It could be in textile apparel. The school offers a number of different programs.

The objective for us, and the role that we've played in that, is really part of our CSR program—to really partner in the different communities in which we operate. We don't just come and make an investment and turn around and manufacture our product. We will partner with the various local organizations and try to have an impact on the community.

So this is one thing that we did. About 6,000 students have graduated from this school. The job placement record is over 90%. These individuals may end up working at Gildan, they may end up working at a competitor, or they may end up working in a different industry.

This is a \$1.5-million investment we've made, and there are other partners. The Honduras government, for example, is involved as well. It's an initiative we started back in 2005. It's just one example of what we're doing in the communities in which we operate.

[Translation]

Ms. Hélène Laverdière: Thank you.

[English]

Mr. Paul Dewar: Thank you, Chair, and again, I just wanted to ask our friend here in Ottawa a question.

On this side, we see corporate social responsibility as an advantage for Canadian companies abroad. We think government has a role to play, clearly, in this. To that end—and maybe if there's time for the others to give their opinions on this too—one of the things I asked Minister Baird to engage his colleagues in was to conduct a full review of Canada's CSR policies. It seems that this is a case scenario where there's an opportunity here to see what more we can do.

In line with the idea of looking at supply chains, looking at binding agreements with those companies and countries where we do business, do you think it would be a smart thing to do, to take a good, solid review, not tonnes of study, but a good review to look at Canada's CSR policies?

Mr. Peter Iliopoulos: I believe so. I think there's value that will come out of it, both for Canadian companies operating in Canada and for Canadian companies that have international operations all over the world. We'd be very happy, as the company Gildan, to play any kind of role the government would like for us to play and to share our experiences in the different countries in which we've operated and what it's meant for the communities in which we've operated, for our employees, their families. I definitely believe there is value there.

Mr. Paul Dewar: Perhaps we can just have time for the other two

The Chair: Just very quickly, we're almost out of time.

Diane and Peter, do you have a quick response to Paul's question here?

• (1200)

Ms. Diane Brisebois: Let me jump in. I think it's a great idea to bring the different manufacturers, retailers, and the different industries together to share best practices and to assist in forming what we would call guidelines or a framework to educate companies in Canada that are both operating in Canada and around the world. I think that is something we would welcome. In fact, we have been working with government on a document that would assist small to mid-sized companies now looking at importing as well as exporting. There are activities under way, but certainly we would always encourage the sectors to come together with government to share and to assist other players.

The Chair: Peter, can we have one last final comment from you, very short, before we wrap up?

Mr. Peter Chapman: Thank you very much.

If you look at the investment policies of some of Canada's largest pension plans, including the Canada Pension Plan Investment Board, you will see a statement something like this: companies with superior corporate responsibility practices are a better long-term investment. We have a commitment in Canada, by very large institutional investors, to pursue investment in companies with superior CSR practices.

The suggestion that the federal government examine how it might create an environment that would allow Canadian companies to compete more effectively and to allow investors to support that through better disclosure, through better market mechanisms, would be a very positive step.

Thank you.

The Chair: To our witnesses, thank you very much for being here today. We're going to suspend just for a couple of minutes to get set up for our next meeting.

With that, have a great day.

• (1200)

(Pause)

• (1205)

The Chair: If I could get all the members back to the table we'll get started.

I want to welcome this afternoon, as an individual, Chris MacDonald, who is the director of the Jim Pattison ethical leadership

education and research program at the Ted Rogers School of Management. Chris, welcome, sir. We're glad to have you here today.

From Loblaw Companies Ltd., we have Bob Chant, who is a senior vice-president of corporate affairs and communications. Bob, welcome to you as well today.

Chris, why don't we start with you, sir? You have 10 minutes for your opening presentation, and then we'll go to Mr. Chant. Then we'll go around the room and ask questions just like we did in the first hour.

Mr. MacDonald, we turn the floor over to you, sir.

Prof. Chris MacDonald (Director, Jim Pattison Ethical Leadership Education and Research Program, Ted Rogers School of Management, As an Individual): Thank you, Mr. Chair.

I'd like to thank the members of the committee for this chance to speak to you today. The Jim Pattison ethical leadership program and the Ted Rogers School of Management appreciate the opportunity.

I want to make clear at the outset that I do not represent any constituency or interests. I'm neither primarily a critic of business nor a defender; nor am I particularly attached to any industry or sector. I'm a philosopher by training and a professor of business ethics. It is from the point of view of someone concerned with understanding the role of ethics in business quite generally that I speak today.

The role of ethics in business is not to render business saintly, nor is it to cure all that is wrong in the world. Neither is it to be mere window dressing, mere pretty words, or platitudes mouthed to make us feel better. The role of ethics in business is to act as a moderating force, in an attempt to make sure that the net benefits of our economic activity are positive and that fundamental rights are respected along the way, to mutual benefit.

If business is, roughly speaking, the set of practices related to making things and providing services for others in return for money, then ethics is about finding reasonable limits on those practices. Ethics in business is, in other words, an attempt to civilize a rough but productive game. Just how to do that is seldom obvious.

With regard to the subject matter of today's meeting, I have three questions to pose, questions to which I will suggest answers. I will then have three recommendations to make.

First, do Canadian companies have an ethical obligation to go beyond the legal minimum required by the governments of the countries in which they operate?

The answer here is clearly yes. Adherence to the law is seldom enough to guarantee that a company or individual has met all relevant ethical obligations. Even in well-governed countries, the law protects only the most central of interests and is further limited by what is feasible to prohibit or to require. Ethics, embodied in a wide range of moral responsibilities, often goes much further and can offer guidance beyond what is feasible for even thoughtful and thorough regulations.

This is nowhere truer than in the world of commerce. In business, opportunities to take unfair advantage are common, and regulation can only go so far towards remedying this. Government cannot be everywhere, and if it could be, we wouldn't want it to be. So responsible companies seek to go beyond the letter of the law both because it's the right thing to do and to forestall being the target of additional, potentially burdensome regulations.

This responsibility to go beyond the dictates of the law is of special significance in developing countries with underdeveloped legal and regulatory systems. When operating at home, Canadian companies can, and with some justification, take the following stance: let government set the rules and we will play by them. In a country such as Canada, we have capable if imperfect regulatory agencies that enjoy the benefit of the finest in technical expertise on a broad and affluent tax base.

Other countries are not so lucky. In countries marked by a deficiency or absence of regulatory capacity, or in which governments are indifferent or even antagonistic to the well-being of their citizens, companies do not have the luxury of assuming the kind of moral division of labour that characterizes commercial life in industrialized democracies. Indeed, I think the burden of proof rightly rests on the shoulders of companies that do business in faraway places to assure themselves and Canadians that they are being particularly responsible in under-regulated contexts.

Here is my second question. Should Canadians expect companies operating in places like Bangladesh or China to adhere to Canadian labour standards?

The answer here is no. Perhaps no one really expects Canadian companies doing business in developing nations to implement fully Canadian or western European standards, but the point is worth making, nonetheless.

To be blunt, Canadian workers enjoy high pay and high labour standards because we can afford them. Other countries are not there yet, but the fact that their labour is cheaper is precisely what attracts foreign business and foreign investment to their shores. Insisting on Canadian standards for developing nations would be deadly both to national economies and ultimately to the employment prospects of the citizens of those nations.

But there are a few things that Canadians can rightly expect of Canadian companies operating abroad. First, they can reasonably expect Canadian companies to respect and to an extent to promote the fundamental human rights of those employed within their extended supply chains. No one should tolerate slavery or other forms of forced labour. No one should accept corporate practices that restrict freedom of association or freedom of expression or that involve collusion with despots. Human rights represent a line in the sand.

Second, Canadians also have the right to expect companies that fly the Canadian flag to behave in a way that reflects well upon Canada as a whole. While there is no obligation in business to be a saint, there is nothing wrong with wanting Canadian companies to be part of an upward trend rather than of a race to the bottom. Canadians have, in other words, the right to expect Canadian

companies to take a leadership role where possible on the international stage.

● (1210)

My third question is as follows. Given the concerns shared by many Canadians over the regrettable working conditions and risks recently highlighted by the tragic events in Bangladesh, what's the best way for Canadians to contribute to the well-being of those in factories abroad?

It is to the credit of Canadian consumers that they show considerable concern for the lives and fates of workers in faraway places, but Canadians are divided on how best to act on their concerns. The most fundamental way in which Canadians can help, of course, is to buy goods made in countries in which the economy badly needs the help. The thing that will ultimately raise wages and safety standards in developing nations is competition driven by demand. This is why boycotts are unhelpful to the point of irresponsible, as I think are campaigns aimed at promoting the exclusive purchase of goods made in Canada.

The second way Canadians can help is through charitable donations, for instance donations to organizations that do humanitarian work, but especially to NGOs that can act as third-party verifiers and certifiers of corporate supply chain practices. Canadians can also usefully support organizations that work to promote greater education, and hence, productivity in developing nations. Greater productivity generally means higher income. Perhaps most fundamentally, Canadians can contribute to organizations that seek to promote good governance and to fight corruption, since corruption and poor governance are liable to play a crucial role in allowing labour conditions to deteriorate.

The final thing Canadians can do is to continue paying attention to this issue, and to continue encouraging Canadian institutions of all kinds to work towards making things better. The Canadian government, Canadian businesses, and Canadian NGOs all have a role to play in encouraging and offering guidance on the pursuit of incremental improvements in working conditions.

Lastly, I have three principles to put before you very briefly. I hope these will be recognized as flowing from what I've already said.

One, Canadian companies should adopt progressive standards for workplace health and safety wherever they operate and should expect the same from the companies with which they do business. They should look diligently for cost-effective ways to keep workers safe and well treated throughout their supply chains, and they should be transparent about the standards they adhere to, whether those standards are unilateral or the result of collective action. The Government of Canada should encourage and facilitate such behaviour.

Two, Canadian companies should respect and promote human rights. Where that cannot be done, Canadian companies must not operate. The Government of Canada should encourage and facilitate such a standard.

Three, Canadian companies should help to spread Canadian know-how in areas such as governance and anti-corruption, and should promote, wherever they go, both the ethical and commercial importance of the rule of law. The Government of Canada should encourage and facilitate that commitment.

In conclusion, improving the lives of workers in developing nations is not a straightforward task. Economic development is the key, and economic development cannot be legislated. Canada needs a balanced policy that encourages Canadian companies to invest in and do business with developing nations but to do so in ways that both respect human rights and make reasonable steps towards continuous improvement in working conditions.

I thank the committee again for this opportunity to speak.

The Chair: Thank you, Mr. MacDonald.

I'm now going to turn it over to Mr. Chant.

Sir, go ahead for 10 minutes, please.

Mr. Bob Chant (Senior Vice-President, Corporate Affairs and Communication, Loblaw Companies Limited): Good afternoon.

My name is Robert Chant, and I serve as the senior vice-president of corporate affairs and communications at Loblaw Companies. Included among my duties is leading our corporate social responsibility initiatives, including community investment and charitable giving.

Mr. Chair, thank you very much for the opportunity to speak to this matter.

On behalf of the entire Loblaw organization, I'd like to first extend, once again, our sympathy and our thoughts and our prayers to the victims and families who lost loved ones in the tragic building collapse in Savar on April 24.

At Loblaw, we have a very robust social responsibility regime and a strong commitment to ethical sourcing that includes vendor agreements that require inspections—audits, if you will—of our vendors' facilities, including the one in Savar. Clearly, it wasn't enough to ensure safe working conditions in this case. Frankly, it has not been industry practice to audit the structural integrity of the facilities our vendors use—clearly it should be.

In the hours following the collapse, we determined we had production occurring in the building. That day we informed the media, our employees, and our customers, and gave our commitment to keep them apprised as the situation developed. We were obviously shocked and deeply saddened by this senseless tragedy. We began to take immediate action with local authorities, with the Canadian government, with the Department of Foreign Affairs and International Trade, and with industry to determine how we could help. Our executive chairman, Galen G. Weston, publicly committed to a plan of action, which I'd like to discuss with you today.

It involves creating and funding a relief plan for victims and their families, establishing a new standard at Loblaw for our control brand products—those are our private label products—and enforcing that standard with Loblaw people on the ground in Bangladesh and across the region. Our approach is a combination of actions, both specific to Loblaw and related to our participation in broader industry initiatives. We believe this is the right approach for us as we work to drive lasting change in countries like Bangladesh.

Please let me elaborate further on how we are executing our commitments.

In the days after the tragedy, a team of senior Loblaw executives travelled to Bangladesh. I was part of that team, and I can tell you it was critical for us to go, to learn first-hand about the situation, and to be able to determine how to deploy resources in a manner that means the most to the Bangladeshi people. To that end, we have committed to a three-pronged relief program for the victims and their families to provide support now and in the future.

This includes, first, direct financial assistance. In working with labour, industry, and government, we will be particularly focused on ensuring that the money reaches those who need it the most: the families and the victims.

Second is rehabilitation for injured workers. We will provide support for injured workers through a local rehabilitation hospital in Savar to aid the recovery of injured workers, and when possible, their re-entry into the working place. I was pleased to see that Carolyn Scott, who's associated with that hospital, is here today as an observer.

Third is a community-based program with Save the Children Canada and Save the Children Bangladesh, which will provide life skills education, and workplace support for garment industry workers and their families, particularly in the Savar area of the capital city of Dhaka. Helping victims and their family members find and hold a job is a critical piece of the recovery process, because jobs in the garment industry help improve the quality of life of the people of Bangladesh. It has been well documented that of the nearly 4 million garment industry workers in Bangladesh, the vast majority are young women.

Garment industry jobs have been instrumental in bolstering the role of women in the economy and even within their own families. As *The Globe and Mail's* south Asia bureau chief, Stephanie Nolen, wrote recently: Women with jobs and income get a bigger voice in their family decisions; their children go to school, get vaccinated.

•(1215)

Amit Chakma, the president of the University of Western Ontario and a native of Bangladesh, also commented that the most significant contribution of the garment industry “is the economic empowerment of a vast number of women by providing them with a source of income”. That’s why we have committed to keeping our apparel production in Bangladesh. Our chairman said the apparel industry can be a force for good by staying and improving workplace conditions. We believe that properly inspected, well-built factories can be an agent for economic development and stability in countries like Bangladesh.

To drive that forward, we have undertaken two very important initiatives. First, we have signed on to the Accord on Fire and Building Safety that will establish a program that strives to protect workers from fire, building collapses, and other accidents. It sets out specific timelines for remediation of facilities, requires the cooperation of the signatories, and will make audits publicly available. But its overarching purpose and mission is to protect the workers not only from further disasters but also from income interruption while remediation work takes place on the factories that require remediation.

In addition to the accord, we have established our own Loblaw standard that states that Loblaw control brand products must be made in facilities that respect local construction and building codes. Vendors that want to do business with Loblaw must comply. To increase our visibility to, and ensure compliance from, our vendors, we will have Loblaw people on the ground in Bangladesh and the region in general to work with our suppliers and regularly visit factory sites. They will report directly to us and work to ensure that goods produced for sale by us were made in an environment that reflects Canadian values.

Twenty years ago the international apparel industry aligned with local governments to address the issue of child labour. Through a collaborative effort tremendous progress has been made. We must come together again to ensure the poor structural integrity that led to this unspeakable tragedy in Savar does not happen again.

In closing, I’d like to thank the officials at the Department of Foreign Affairs and International Trade who worked with us in Bangladesh and here in Canada. In particular, I would like to thank Heather Cruden, Canada’s high commissioner to Bangladesh, and her terrific team for the support and engagement that they provided us before, during, and after our visit. I’ve been in touch with them every day since our visit. They’ve been absolutely tremendous and were essential and integral to the success of our trip. Canada can be very proud of the work they’re doing.

We look forward to the Government of Canada’s continued participation with industry on improving working and building conditions in developing countries. I’d also like to thank the membership of the United Food and Commercial Workers and the Canadian Labour Congress for supporting us in our response to the tragedy and in our participation in the accord.

One message we received loud and clear from the day we arrived in Dhaka was, please don’t leave. To the Bangladeshi people, we

want you to know that we hear you, and we’ll work with you to drive positive change in the apparel industry.

Thank you.

•(1220)

The Chair: Thank you, Mr. Chant.

We’re going to start with Mr. Dewar, for seven minutes please.

Mr. Paul Dewar: Thank you, Chair. Thank you to our guests for succinct and clear presentations with some ideas as to what the government can focus on, or we can focus on.

I mentioned the story of a young girl, Tahmina, who’s the same age as my son, and who didn’t want to go to work on that fateful day but had to. Could you both comment on whether we need to also look at standards on work refusal, something we have in this country? I’m sure you heard, Mr. Chant, when you were on the ground, that people actually were concerned and had been told that the integrity of the building was under question before the tragedy happened.

Can you tell me what your recommendation would be in that instance, in the case of Tahmina going to work in similar circumstances? If she was to refuse work, would she be able to refuse work? If not, how are you going to deal with that kind of dilemma?

Mr. Bob Chant: That’s a very good question, and it’s a tough question to answer.

I’ll start by reflecting on the comments that our chairman, Mr. Weston, made at our annual general meeting a couple of weeks ago, in which he said very clearly that he was troubled by the fact that we participate in a culture—or wondered what our contribution is to a culture—that would force people back into a building that had been declared so unsafe. It is very unclear to us why that happened, other than that there was a lack of enforcement of the local laws.

I would suggest that this is a common theme that you’ll hear from me today. I’m not by any means trying to place any undue responsibility on local authorities, because we certainly recognize our responsibility in this instance and in general terms. But I believe there is a fundamental lack of infrastructure in Bangladesh that makes very difficult the enforcement of both existing labour laws that are in place today....

I can’t say I’m an expert on them, but I certainly have talked to enough people over the last few weeks to be comfortable in saying that there are reasonably good labour laws in place in Bangladesh, and we’re looking forward to the labour law reform package that I think is to be brought forward in June.

But fundamentally, there exists a culture that would allow this to happen.

A combination of increased inspections and of their intensity and the presence, in the case of Loblaw, of people on the ground on a frequent basis; the demands that buyers can place on and will place on our suppliers—both our vendors or agents and the factory owners, whom we sometimes deal with directly, and sometimes we deal with another... Ultimately, the factories will feel that pressure, combined with improved infrastructure and inspection capabilities.

I'll mention a meeting that I had—

• (1225)

Mr. Paul Dewar: I have only so much time, so I'll come back to you in a second, Mr. Chant.

Mr. MacDonald, you talked about human rights. Let me narrow the question down further. Should not a part of the human rights you talk about be the right to refuse work, if it's not safe, and to join a union?

Prof. Chris MacDonald: Sure, I think that's right. The hard part, of course, is what it is that a Canadian company can do to make sure that someone acting on their behalf, or on behalf of someone acting on their behalf, is not violating people's human rights. I think this requires Canadian companies to learn a lot more about what is going on in the local scene, in terms of both cultural and economic factors.

The other thing to point out, of course, is that this is not unique to foreign settings. There are all kinds of situations in Canada in which someone acting on behalf of a company, either internally or externally, does something bad. We have to get better at figuring out—and it's as much a management problem as it is an ethical problem—how we structure workplaces and contracts and working relationships so that we're not encouraging that kind of bad behaviour.

Mr. Paul Dewar: This question is to both of you.

I should have declared a conflict of interest at the beginning, Mr. Chant—that your company helps feed my family. But Tahmina and the other kids help clothe our family as well, and that's why this is personal to all of us, I guess.

I want to build on what you were just saying. Is there not a role here for government, then?

Your most recent example, Mr. Chant, was of working with the embassy on the ground. Would you not say, as Mr. MacDonald was saying, that there is a role for our Canadian embassies wherever we have a proliferation of trade deaths around the world?

Is there not a role here for our government representatives to work with Canadian industry on the ground and with other players—you mentioned the United Food and Commercial Workers and the CLC—to help do that job?

Mr. Bob Chant: I honestly don't think it's my place to pass judgment on government policy in this regard. I do think there is a role for the Bangladesh government to play in solving this challenge and I would encourage the Government of Canada to look at any opportunities that may exist.

But I'm not an expert in public policy, so I'm not going to—

Mr. Paul Dewar: I commend both Mr. Weston and you for going to see what's happening on the ground. You mentioned you benefited from that. You also acknowledged the role of our high commissioner there. Was that not a benefit? You're saying that if we could look at recommendations, wouldn't that be important for our embassies and our trade desks to work in concert with industry?

Mr. Bob Chant: It could prove to be very helpful.

Mr. Paul Dewar: Okay.

Mr. MacDonald.

Prof. Chris MacDonald: The ability of embassies to affect local goings-on is probably one of the oldest problems in the history of foreign affairs. It's a good example of how it's going to depend a lot on local circumstances. Some embassies are very well placed and have very good relationships and are going to have a lot of influence. In other situations, I suspect that's much less the case.

Again, this points to another obligation for companies, which is to get to know your local embassy in addition to the ways you already do to find out how they're going to be useful in these kinds of matters.

• (1230)

Mr. Paul Dewar: Thank you.

The Chair: Thank you very much.

Mr. Bob Chant: The department has been extremely helpful now because they are the people on the ground. That's one way they have made a very positive contribution.

The Chair: Thank you.

Thank you, Mr. Dewar, Mr. Chant, and Mr. MacDonald.

Now we're going to turn it over to Mr. Dechert for seven minutes, please.

Mr. Bob Dechert (Mississauga—Erindale, CPC): Thank you, Mr. Chair.

Thank you, gentlemen, for being here and sharing your thoughts with us.

Mr. Chant, you recently returned from Bangladesh. Can you tell us in some detail what you saw there generally in manufacturing facilities, and in particular where this terrible tragedy happened? Tell us what you think about the local working conditions, and elaborate on what kind of assistance the Government of Canada gave and could have given in that kind of situation. Tell me also, if you can, about what you think the Bangladeshi government's obligations are under both domestic law and the International Labour Organization standards, and whether or not you think those are being met.

Mr. Bob Chant: That's a multi-pronged question, so bear with me.

I've travelled in that part of the world to a certain extent, so I wasn't particularly surprised by what I saw. My immediate reaction was what I expected, which was very high-density populations. There are a lot of people in a very small area. That's true for the entire country. I heard, over and over again, that one of the biggest challenges is that property is either extremely expensive or difficult to acquire, and therefore you get expansion this way, not this way. People were expressing that to me in explaining why this particular facility had been built the way it was and why that seems, not to be a common thing but something that happens regularly.

I did not visit the site of the tragedy. My colleague did. By the time we were there, to be honest with you, most of the reclamation had occurred. But he did visit the Centre for the Rehabilitation of the Paralysed in Savar, which is the hospital I was speaking to. He was very moved by the work that was being done, by the visits he had with people who were severely injured. My immediate thoughts go there.

As I mentioned in my opening remarks, virtually every person I spoke to, whether it was in the Bangladeshi government or industry, NGOs, whoever I was talking to, all asked us not to leave, or congratulated and thanked us very much for not withdrawing because that would be the worst thing we could do. They also said, some of them on the side, that the Government of Bangladesh is not capable of solving this problem on their own. Industry has to step up. We have perhaps the best opportunity to exert influence on the factory owners and the industry on the ground there to ensure very quick action is taken.

If you look at the terms of the accord, the inspections would take place during a fairly lengthy time period. Our company has decided we're going to undertake inspections, including building integrity inspections, hopefully in 60 days, at maximum 90 days, so we will be able to provide that information to the accord, the group, and that information will be transparent. If the 40 members of the accord act that quickly, we should get most of the factories inspected, and at least identify the high-risk challenges.

Mr. Bob Dechert: I'm glad you mentioned the accord because I did want to ask you about that. Is there anything else about the specific details of the accord that you want to tell us? Do you think those measures—I assume you do—would ensure that such an event as this wouldn't happen again?

Let me ask you one other question, and I want both of you to answer the question if you can. Do you think the Government of Canada can facilitate the building of capacity within the Bangladesh government and other similar kinds of governments in terms of enforcing the laws they already have on the books?

Mr. Chant, you mentioned they have pretty good laws if you read them. We have seen this in other countries where they pass the laws, but then they don't enforce them. Largely that is because they don't have the capacity or expertise to do so. That's perhaps something that Canada could provide. What do you think of that idea?

• (1235)

Prof. Chris MacDonald: I don't know the Bangladeshi government well. I do know it's a troubled place. I know they have serious corruption problems. When the corruption rankings come out, Bangladesh is not at the good end of the scale. So there's only so much you can do under that set of circumstances. But I think given our trade relationship with Bangladesh, it seems like something that's worth some pretty serious high-level conversations, if for nothing else but to illustrate what the economic and ethics literature says over and over again, which is that corruption is bad for your economy.

It's not like regrettable labour conditions that you may put up with because it helps to grow your economy. Corruption does not grow anyone's economy. Everyone should be on the same page about that.

Mr. Bob Dechert: We have laws on that.

Mr. Chant, would you like to comment?

Mr. Bob Chant: I certainly wouldn't disagree with that. I would add though.... I will read the document that was given to me by the chief inspector when I walked into his office during our visit. "The Department of Inspection for Factories and Establishments is under the Ministry of Labour and Employment and it was established in 1970. The present sanctioned posts of the department is 314", which

I read as there are 314 positions. "However only 181 are acting in different offices in the country" so I think only 181 are filled. "Among the sanctioned posts only 103 are factory inspectors, but now 51 factory inspectors are functioning."

Mr. Bob Dechert: Can you provide a copy of that to the committee?

Mr. Bob Chant: Yes, I absolutely can. I have a bit of handwriting on it but I'd be happy to.

He said that and then he looked at me and said he had 51 inspectors. Two of them were there talking to him right then—they were sitting beside me—and none of them have a vehicle. He told me he had a vehicle but none of them had vehicles, and apparently his vehicle wasn't in great running condition.

Mr. Bob Dechert: Sorry, I'm running out of time and I want to quickly ask Mr. MacDonald a question.

Mr. MacDonald, you wrote an article on May 17 that addressed the Accord on Fire and Building Safety in Bangladesh, but you argued in that article that it might not be in the best interests of companies or their employees. Can you elaborate on that a bit?

The Chair: We're out of time so a quick response, Mr. MacDonald.

Prof. Chris MacDonald: I just wanted to open up the possibility that for some companies it might make sense. I wasn't arguing against the accord, but I was saying it might be reasonable for companies that feel like they have the right kind of command over their supply chains and the right kinds of local capacity to go their own way. That's all.

The Chair: Thank you.

Mr. Rae, you have seven minutes.

Hon. Bob Rae: Thank you, Mr. Chairman. I think this is a very important discussion. I hope both of you would agree with me that the internationalization of production is a fact of life.

Mr. Chant, you mentioned the number of people who told you they wanted you to stay. You are not a charitable institution, you are a business organization, and you said you're staying because people want you to stay. I would suggest you are also staying because that's how you are able to manufacture and market your products at a price that you feel Canadian consumers are ready to pay and that your competitors are also charging.

If Joe Fresh shifts its production somewhere else and it ends up costing consumers twice as much to buy a Joe Fresh product, you're going to have a hard time selling it. Isn't that right?

Mr. Bob Chant: Fair enough, but I wouldn't necessarily agree with your assumption or your proposition that it's the only choice we have. We source from a dozen countries. We don't source from hundreds, but we source from a dozen countries. It's a very competitive industry. There is no question that price is a significant component to that. I would say however that the quality of garment from Bangladesh is very good. So the combination of the two is where the magic is in this case. It's not just price or the cost of doing business in Bangladesh that's keeping us there.

There was a very healthy discussion within our organization before this tragedy occurred—I participated in one after—about whether or not we should in fact stay in Bangladesh.

• (1240)

Hon. Bob Rae: Well, I'm interested in this question, and I really do think it's important for Canadians to try to come to grips with it, because for a long time we've been in a state of denial collectively about where this suit is made, where this product is made, and what the conditions are under which they're made. For a long time everyone argued that we should try to get as much production in Canada as possible. In the last 50 to 60 years, clearly, almost our entire clothing and textile industry has left the country. We now have to say, "Well, we have no choice but to follow the supply chain."

You made the decision to stay in Bangladesh even though you should have known that there were only 51 factory inspectors and that only one of them had a car. I mean, you make a decision as a company to say, "We're going to stay there anyway." Presumably—I'm asking the question—has this event.... Obviously, it has forced you to take, or you have taken.... I commend you for the actions you've taken. I'm not being critical of that at all. I think they're essential.

I think you're to be commended for showing leadership, and I disagree with those critics. I think Mr. Corcoran in the *National Post* was taking a shot and saying that this isn't the way to do business.

Mr. Bob Chant: Mr. O'Leary, I think.

Hon. Bob Rae: Mr. O'Leary. Sorry, I take it back.

He said it, too, I think, but I don't want to cast aspersions on anyone.

But there is a philosophical view that says companies are not about exercising social responsibility, they're about making money in the most efficient way possible. If that means shifting production to other countries, so be it. This event presumably has changed.... As Paul has said, and I think quite rightly, this is an historic tragedy, because it forces everyone to look long and hard at what it means to be a global player today in terms of where we get our products and how we get our products.

Gildan has made one decision. They've said, "Wherever we go, we're going to make our own." Your company seems to have made another decision, which is that you're going to continue to work with local suppliers, but that places an even higher burden on you to ensure that the production conditions and the conditions under which products are made are up to a standard that you can live with and that Canadians can accept.

That's for both of you.

Mr. Bob Chant: I'll try to be brief.

First of all, we are a grocer, primarily, and the apparel business is part of our business. It's not the main part of our business. Our approach to product procurement is that we source from vendors—not produce it ourselves—in almost all cases. That's our overall approach.

We were shaken to our core, I would say. We take this very seriously and I think are responding accordingly. As I said, and this

isn't to share blame, the industry did not think to inspect for building integrity. We don't do it in developed parts of the world and even in developing parts of the world. So this is new, and unfortunately it required something of this magnitude to get us to collectively act, but it's on the radar now, and as quickly as we can get this fixed, it will be fixed.

But it is going to take some time and it is going to take the collective efforts of everyone: labour, government, business, NGOs, everybody. The Canadian government, the Bangladesh government, the U.S. government, the British government, everybody.... But I firmly believe, having chatted with I think everybody who we possibly could have talked to over there, that we can solve this and in fairly short order. The political situation in Bangladesh, the social conditions, and the culture there are an enormous challenge, but I think it can be addressed.

• (1245)

Hon. Bob Rae: Thank you.

Do you want to comment on that, Mr. MacDonald?

The Chair: You have about 30 seconds.

Prof. Chris MacDonald: Yes. I would just say that one of the things we have to watch out for a little bit with this issue, in the light of a tragedy like this, is to not focus entirely on Bangladesh and the particular circumstances there.

I would say also that I think one of the challenges companies like Loblaw face in all of these areas is that safety and working standards are going to be along a spectrum. In trying to figure out where on that spectrum it's reasonable to expect your factories to be and how or to what extent that dovetails with Canadian expectations, local norms, and local values, I think the answers here are not obvious.

Hon. Bob Rae: There's also the issue of competitive growth. We're living in an economy in which you're competing with other people who are going to be driving those market conditions all the time. I don't think anybody could sit here and from a political perspective say they have the instant answer. I think we've all recognized how much the world has changed over 50 years and the impact that it's having on all of us.

I just want to commend both of you for your statements today.

The Chair: Thank you very much, Mr. Rae.

We're going to start the second round of five minutes beginning with Ms. Grewal.

Mrs. Nina Grewal (Fleetwood—Port Kells, CPC): Thank you, Mr. Chair. I'll be sharing my time with Mr. Harris.

While we commend Loblaw for compensating the victims, Mr. Chant, in a recent CTV story regarding Loblaw's decision to sign the fire and building safety code in Bangladesh, your company made a statement that the accord aligns with and addresses the company's commitment to a new standard that all of its control brand products must be made in facilities that respect local construction and building codes.

Please explain Loblaw's commitment to construction in light of what occurred in Bangladesh and how your company plans on sticking to this new agreement.

Mr. Bob Chant: We have, in the past, conducted social compliance inspections or audits. We hire a third party that is internationally recognized. We've used the two main companies that do this sort of work, Intertek and Bureau Veritas, over the past number of years. We're currently using Intertek. I don't think that's a secret anymore. There aren't as many secrets anymore with regard to this issue. They're both highly recognized and respected, and the audits that are conducted are standard throughout the industry and they cover the areas of environment, fire safety, labour, and human rights. They're conducted on an annual basis.

For the most part, we believed that these were sufficient to cover off those issues. As I said, they don't cover building inspection anymore. What we're requiring them to do now is to go back and audit all 47 of the factories that we deal with directly or that our vendors deal with, in regard to those issues and to ensure that the appropriate local building codes have been adhered to or complied with and that they have the right certification. If that doesn't exist, then we will stop dealing with that factory.

There is an ongoing challenge with regard to the authenticity of some of the certification. That's a challenge we have to deal with. Our effort, in the short term, is focused on getting these places audited and identifying which ones are high risk and which ones aren't. Then going back, and if necessary, doing a full structural integrity audit of those that are high risk. I think most of the accord players are looking at things in roughly the same way. The accord will operate in a way that ensures thorough and regular inspections of all of the factories in the country and we'll make all that information transparent. We intend to provide our information to the group so that we can get the ball rolling, and others are going to do the same thing.

Some of the other conditions that are part of the accord require that buyers help with the remediation, ensuring financing for factories that need remediation or need to move, and also ensuring that workers' wages are paid while the factory may be closed for any kind of remediation work. That worked for Loblaw. I can't speak for anyone else, but that made a lot of sense to us.

• (1250)

Mr. Richard Harris (Cariboo—Prince George, CPC): Mr. Chant, I want to commend Loblaw. It is certainly a great Canadian company. How your company has responded to this tragedy, which could not have been foreseen, is a measure of the integrity of your company. I know that you know, and your company knows, that the world will be watching—the media will be watching—the follow-up on the things that you've said.

I, for one, have no apprehensions that you're going to fail. Loblaw has shown over and over in Canada that they are a great corporate citizen. They do care about the social aspect of their operations. Good for you; you have a great company.

I also know that you probably know that your customers here in Canada are going to be watching what you're doing. I'm hoping you will keep an open dialogue with the public on the progress that your company makes through these plans and the goals you've set for yourself. I think a surprisingly larger than anticipated number of Canadians are interested in hearing how this tragedy has turned into something that will be good in the future, where Canadians will

continue to be able to enjoy reasonably priced retail merchandise that is made in a way that enables them to sleep at night.

Thank you for efforts.

The Chair: Thank you, Mr. Harris. That's all the time we have.

We're going to move over to Madame Péclet, for five minutes.

[Translation]

Ms. Ève Péclet (La Pointe-de-l'Île, NDP): Thank you very much, Mr. Chair.

Mr. MacDonald, my first question is for you.

You must know about the report by Mr. Ruggie, the UN Special Representative of the Secretary General on Human Rights and Transnational Corporations and Other Business Enterprises. Are you familiar with his report?

In his report, he makes a number of findings regarding social corporate responsibility. One of his main conclusions is about the role of the state, which is required to protect us when third parties, including corporations, violate human rights within and outside of Canada.

A business that is registered in Canada is to be considered as a Canadian entity and falls under Canadian law. The state has the obligation to adopt legislation requiring that businesses respect human rights.

In his conclusions, Mr. Ruggie stated in particular that there are jurisdictional and non-jurisdictional mechanisms in place for investigations to be conducted when human rights have been violated.

Could you comment on Mr. Ruggie's conclusions regarding corporate social responsibility?

[English]

Prof. Chris MacDonald: Sure. I think the key difficulty that you run into with the kinds of recommendations that Mr. Ruggie put forward, which I think have been generally well received and well respected, has to do with two things—the difference between, on the one hand, respecting human rights, which pretty much everyone agrees everyone has to do, versus, on the other hand, promoting human rights. We all promote human rights. The harder question becomes how far down a supply chain is a Canadian manufacturer responsible for ensuring that human rights are respected?

So when it's not just a subcontractor, it's a subcontractor to a subcontractor, there it becomes much harder. It starts to strain our general sensibilities about what counts as fair and what counts as an action for which I or a company could be responsible, when it's far enough away that it starts to become implausible that I could have any direct control.

I think the obligation to respect human rights is clear and pretty much airtight. The other part about promoting, or there's another word he uses.... At that point it becomes much more an aspirational thing, and something where I think companies need to try to figure out just how far we can plausibly go to achieve goals that we all agree are worthy ones, but there may be practical limitations.

•(1255)

[Translation]

Ms. Ève Péclet: In addition to the promotion of human rights, this report also states that we should ensure that international institutions do not prevent businesses from respecting human rights. In a number of free trade and other agreements, the principles of the respect for human rights have been removed. For example, in terms of trade, there is the WTO where these principles are not included.

It is therefore important that the state not only adopt national legislation, but that it also ensure that there is consistency in terms of international policy.

Would you like to comment on this?

[English]

Prof. Chris MacDonald: Without knowing the particular bits of legislation or international agreements that you are referring to, I think we all could agree that it's unfortunate if human rights protections are eroded. Hopefully, that's an unintended consequence of various kinds of agreements, and hopefully those are the kinds of things that we can work towards remedying.

One of the things about rights is that they are not supposed to be balanced against well-being. They are supposed to more or less be absolute. The problem comes when protection of rights starts to have significant negative impacts, which it occasionally does, though not that often. The example that came up last summer was Victoria's Secret sourcing cotton from Burkina Faso and the use of child labour, in many cases where children didn't have any other options. So their options were either to harvest cotton or engage in prostitution or something worse.

The Chair: Thank you, that's all the time we have.

Thank you, Madam Péclet.

Do you have just a quick question, John?

Mr. John Williamson: I appreciate your presentation. It was very good and very helpful. The actions of Loblaw following this tragedy have been commendable.

Mr. MacDonald, I thought your presentation was insightful and very interesting.

Very quickly, I want to raise a topic that has not been touched on here—the role of corruption. China has a great constitution that guarantees freedom of the press. The Soviet Union promised political rights. I'm not suggesting Bangladesh is in the same category, but words alone aren't enough. If we have institutions that are dysfunctional, what is the responsibility of corporate Canada if they go into a country.... Across the spectrum, if you look at the corruption index, Bangladesh is at the bottom of the pack—they are the worst of the worst. They've gotten worse from 2011 to 2012.

What's the responsibility of the business community to suppliers to factor that in, when you recognize that paperwork, decisions, or commitments might not actually mean anything?

Mr. Bob Chant: I would simply say it is in part our responsibility, and we take that responsibility very seriously. I think that's reflected in the actions of not just Loblaw but many of the companies that have responded to this issue.

Prof. Chris MacDonald: I would say that I think it's an excellent question. I think the first thing to say is that, even when corruption is common in a place, that doesn't mean it's acceptable, and it certainly doesn't license Canadian companies to engage in corruption just because local business is corrupt.

As I said in my presentation, I think we have to at least open up the possibility that there should be some places where Canadian businesses just can't do business. Unfortunately, sometimes that makes things worse off. But this was famously the case in South Africa, where we all said we just couldn't do business in a place like that anymore, until they cleaned up their act.

The Chair: Thank you, John.

To our witnesses, thank you very much for your testimony today.

To my colleagues, that is all for today. The meeting is adjourned.

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