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Chair: Mr. Ken Hardie



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• (1830)

[English]

The Chair (Mr. Ken Hardie (Fleetwood—Port Kells, Lib.)): I call the meeting to order.

Welcome to meeting number 22 of the House of Commons Special Committee on the Canada–People’s Republic of China Relationship. Pursuant to the order of reference of May 16, 2022, the committee is meeting on its study of Canada–People’s Republic of China relations, with a focus on investment funds.

I’d like to offer a few comments for the benefit of the witnesses and members.

Today’s meeting is taking place in a hybrid format, pursuant to the House order of June 23, 2022. Members are attending in person in the room and remotely using the Zoom application.

Please wait until I recognize you by name before speaking. For those participating by video conference, click on the microphone icon to activate your mike. Please mute your mike when you’re not speaking.

There is interpretation. For those on Zoom, you have the choice at the bottom of your screen of either floor, English or French audio. For those in the room, you can use the earpiece and select the desired channel. I’m sure that those on Zoom are pretty much housebroken in terms of what we need to do here. We need to click the little planet at the bottom of the screen.

Although this room is equipped with a really excellent audio system, feedback events can occur. We need to avoid them. These can be extremely harmful to interpreters and cause serious injuries. The most common cause of sound feedback is an earpiece worn too close to a microphone. We therefore ask all participants to exercise a high degree of caution when handling the earpieces, especially when your microphone or your neighbour’s microphone is turned on. In order to prevent injuries and incidents, and to safeguard the hearing health of the interpreters, I invite participants to ensure that they speak into the microphone into which their headset is plugged. Avoid manipulating the earbuds, placing them on the table, away from the microphone, when they are not in use.

All comments should be addressed through the chair. For members in the room, if you wish to speak, please raise your hand. For members on Zoom, please use the “raise hand” function. The clerk and I will manage the speaking order as best we can. We appreciate your patience and understanding in this regard.

In accordance with the committee’s routine motion concerning connection tests for witnesses, I am informing the committee that all witnesses have completed the required connection tests in advance of the meeting.

We have quite a number of folks sitting in. MP Garnett Genuis is substituting for MP Raquel Dancho. The shoes are killing him.

Mr. Maninder Sidhu is substituting for MP Rob Oliphant.

Mr. Francesco Sorbara, when he gets here, will be substituting for MP Emmanuel Dubourg.

Mr. Alexis Brunelle-Duceppe is substituting for MP Denis Trudel.

We also have Mr. James Bezan substituting, probably for Michael Chong, for a wee bit.

There’s also Mr. Fast, of course, with his lawn sign there. Mr. Fast is in here for Mr. Seeback.

Before we welcome our witnesses for the first panel, I know that I’ve probably seriously jeopardized my chance for a Christmas card from you guys for having this meeting tonight, but we needed to finish the panels for our study on the investments. In order to do that, we have two more panels to hear from. With that, our analysts can then set about drafting the report. That’s why we are here.

With respect to that report, I’ll let everybody know that you will be able to submit instructions to the analysts by email. I would ask for them later this week—let’s say by Friday noon. Friday noon gives you lots of time to come up with any instructions that you might wish to pass along.

With that, I’d like to welcome our witnesses for the first panel. From the Department of Finance, we have James Wu, director general, funds management division, by video conference; and Kathleen Wrye, director, pensions policy, financial crimes and security division.

From the Department of Foreign Affairs, Trade and Development, we have David Hutchison, director general, trade portfolio strategy and coordination; and Jodi Robinson, acting director general, Northeast Asia.

Each department will have up to five minutes to deliver some opening remarks.

• (1835)

We will start with the Department of Finance.

Ms. Kathleen Wrye (Director, Pensions Policy, Financial Crimes and Security Division, Department of Finance): Thank you, and good evening, Mr. Chair and members of the committee.

My name is Kathleen Wrye, and I'm the director of the pensions policy team in the financial sector policy branch of the Department of Finance.

I would like to thank the committee for this invitation to appear.

I am here today to answer your questions about federally regulated registered pension plans, so I would like to take this opportunity to provide you with a bit of context on the federal pension standards legislation—the Pension Benefits Standards Act, 1985, or PBSA.

Under the PBSA, the federal government regulates the workplace pension plans of Crown corporations and private-sector employers in areas under federal jurisdiction, such as telecommunications, banking and interprovincial transportation, as well as private pension plans in the territories.

The Office of the Superintendent of Financial Institutions is responsible for supervising federally regulated plans, with the mandate to protect the rights and interests of plan beneficiaries.

Most workplace pension plans in Canada are provincially regulated, with approximately 7% of registered pensions in Canada being regulated at the federal level. At this time, there are over 1,200 federally regulated pension plans.

Federal pension legislation imposes a fiduciary duty on plan administrators with respect to the administration of the plan and the investment of the assets. Ultimately, plan administrators must act in the best interests of all plan members and beneficiaries.

As fiduciaries, plan administrators are required to act prudently and account for any factor that could materially affect the financial performance of the pension fund. This includes, for example, considerations such as geopolitical issues, human rights, governance and climate risks, to the extent that they could materially affect the financial performance of plan investments.

There is growing acceptance that environmental, social and governance, or ESG, considerations may be relevant to the risk-adjusted returns of pension plans and should be taken into account when making investment decisions.

The Canadian Association of Pension Supervisory Authorities, which is a national association of pension regulators, has been consulting on draft guidelines to support pension plan administrators in fulfilling their fiduciary duties and giving appropriate consideration to ESG factors. These draft guidelines note that pension administrators should consider whether any particular ESG factors are relevant to investment performance and take appropriate action based on that determination.

They also suggest that plan administrators may determine that it is consistent with their fiduciary duty to use ESG information, including ethical or impact investing considerations, as a deciding factor between otherwise equivalent investment options.

With respect to federally regulated pension plans, in budget 2022 the government announced that it would move forward with requirements for disclosure of ESG considerations for federally regulated pension plans.

Legislative amendments were made through Budget Implementation Act, 2022, No. 1, and the department is currently working on regulatory amendments that will contain these detailed disclosure requirements.

To close, I would like to thank the committee for allowing me to provide some additional context. I look forward to answering any questions you may have.

● (1840)

The Chair: Thank you very much, Ms. Wrye.

Now, for the Department of Foreign Affairs, Trade and Development, who will be speaking?

Mr. Hutchison, you have the floor.

[*Translation*]

Mr. David Hutchison (Director General, Trade Portfolio Strategy and Coordination, Department of Foreign Affairs, Trade and Development): Thank you, Mr. Chair.

Thank you for the opportunity to address the committee. My name is David Hutchison and I am the Director General of Trade Portfolio Strategy and Coordination at Global Affairs Canada. My branch is a part of the Canadian Trade Commissioner Service, or TCS.

[*English*]

Canada's trade commissioner service, the TCS, is a network of over 1,000 international business professionals working in over 160 locations around the world and across Canada. The TCS is a client-service organization that helps Canadian businesses export goods and services to the world.

Over 90% of TCS clients are small and medium-sized Canadian exporters of goods and services. The TCS also promotes foreign direct investment into Canada.

Given the committee's focus on Canadian institutional investors, I should note that promoting Canadian direct investment abroad, CDIA, is not a core mandate of the TCS. Our engagement with Canadian investors abroad is limited and takes place on a responsive basis.

[Translation]

I would like to give you an overview of how responsible business conduct, or RBC, fits into the consulting services of the TCS. It is important to have robust RBC practices to get the best human rights and sustainable development outcomes. By encouraging businesses to identify and mitigate risks, robust RBC practices also contribute to making them more resilient and more competitive. Hence, training our clients in RBC is very much a part of the TCS' consulting services.

[English]

It is important to note that TCS services are offered on a discretionary basis. They can be withdrawn at any time. When credible questions about a client's conduct are raised, the TCS will engage with the client to reinforce expectations concerning RBC.

It is important to note that the vast majority of Canadian exporters and TCS clients are honest and ethical business people, and they are a credit to our country. However, in rare instances, when we are made aware of clear violations of Canadian law and/or policy related to RBC, we have withdrawn and will withdraw services for clients.

The TCS also has procedures in place to alert the RCMP to allegations of bribery involving Canadian companies.

[Translation]

With respect to China in particular, I would like to start by giving you an overview of the Canada-China economic relationship.

China is Canada's second-largest export market. Canadian exports to China totalled \$36.7 billion in 2022.

With a population of 1.4 billion people, China remains an important market for Canadian businesses of all sizes and from all sectors, including many clients of the Trade Commissioner Service.

We recognize that doing business in China requires a sober strategy that allows us to take a clear look at the situation. We know, for example, that there is substantial and credible evidence of systematic human rights violations in China and of the use of forced labour in various sectors of the economy.

[English]

As with other markets, the TCS aims to help our clients understand not only the opportunities, but also the potential risks of doing business in China, and to help them mitigate those risks.

Engaging with clients about the situation in Xinjiang is especially important. Committee members may be aware that in January 2021 the government announced a range of measures, including a Xinjiang integrity declaration for Canadian companies seeking support from the TCS, a business advisory on doing business with Xinjiang-related entities, and enhanced education and advice on this issue for TCS clients.

These measures are in addition to Canada's existing prohibition on imports of goods made using forced labour. Just to note, the TCS does not oversee or administer Canada's import prohibition. This work is led by ESDC and CBSA.

• (1845)

[Translation]

Let me end by noting that promoting responsible business conduct is a priority for the Trade Commissioner Service and an essential part of the services we offer our clients.

The TCS will continue to support Canadian exporters working in China and in other foreign markets. We will continue to advise them on international trade opportunities and on the relevant risks and challenges, including on human rights abuses.

[English]

The Chair: Thank you, Mr. Hutchison.

We'll now begin our questions with Mr. Genuis, for six minutes or less.

Mr. Garnett Genuis (Sherwood Park—Fort Saskatchewan, CPC): Thank you, Chair.

I want to start by asking our finance officials about Canadian investments in the Asian Infrastructure Investment Bank.

Our party has long opposed Canadian entry in the AIIB. At the time of initially expressing this opposition, we were aligned with the Obama administration, which saw this bank as Chinese state controlled and as a tool of China's state foreign policy. We didn't see any point in having Canadian taxpayers fund that.

According to the latest edition of the public accounts, Canada has shares worth about \$1 billion U.S. in AIIB, some of which are paid in, although most of which are not paid in and are callable. The government has just recently announced suspending activity with the bank in response to some of these criticisms, which are in fact long-standing but have since been repeated by someone who used to work for the bank. In the midst of suspending activities with the bank, though, large portions of Canadian capital are already in the bank.

I wonder if you could clarify what it actually means to say that Canada has suspended activities with the bank, given that a substantial amount of taxpayers' money is already in the bank and presumably continues to be available to the bank for its use.

Ms. Kathleen Wrye: I'm afraid I'm not able to answer questions with respect to the Asian Infrastructure Investment Bank, as my area of expertise is federally regulated pensions policy.

Mr. Garnett Genuis: Thank you.

Is Mr. Wu able to answer those questions?

Mr. James Wu (Director General, Funds Management Division, Department of Finance): Mr. Chair, similarly, the Asian Infrastructure Investment Bank is not part of the purview for our discussion today. I would flag and I note that, of course, the Deputy Prime Minister provided a press release June 14 stating that the Department of Finance is conducting a review at this time, so we're in the process of gathering—

Mr. Garnett Genuis: Yes. I can read the press release. Are you able to give me information beyond what's in the press release or not?

Mr. James Wu: Not at this time.

Mr. Garnett Genuis: Your minister is the governor of the bank. I would welcome a response to the committee in writing from the department, if one is available. The last time I raised this issue was with Michael Sabia, who was at the time the deputy minister. He strongly denied my assertions that the bank was Chinese state controlled. I think it would be useful to find out where the government stands now and what it means by suspending that activity.

I'd also like to know what the timeline is for this review. Is this just a "say we're reviewing it to get out of the news" issue, or is there an actual serious review whereby we're going to hear back with a decision and a series of actions in response? These criticisms are not new. They're long-standing.

I'll move on to some other items.

Mr. Hutchison, in terms of your testimony, you talked about how, if there are violations of Canadian law, you will withdraw services from companies. Does it go any further than that? Is public information released that certain companies have been found to be violating the law or involved in serious violations of human rights? Do you refer the matter to law enforcement? Are there any next steps, or do you just quietly say they can't have any help from you anymore and then move on?

Mr. David Hutchison: Mr. Chair, the TCS takes allegations of misconduct by clients seriously. In the event of a clear violation of Canadian or international law, we could refer it to law enforcement.

The other thing we do is that if we withdraw services, we will advise other members of our portfolio, such as EDC and CCC, but we will also maintain commercial confidentiality. We don't name the companies that we no longer provide service to.

• (1850)

Mr. Garnett Genuis: If you're breaking the law and are receiving government services in the process, then you have the comfort of knowing that your privacy will be protected nonetheless.

How many instances have there been in which you have referred these matters to law enforcement in, let's say, the last 12 months?

Mr. David Hutchison: Mr. Chair, I don't have a precise answer on that. I would be happy to endeavour to provide an answer to the committee.

Mr. Garnett Genuis: Thank you. If you're coming back to the committee with that information, I would like you to be able to pro-

vide, for each of the last five years, let's say, how many companies have had services withdrawn and in how many of those instances you have provided a referral to law enforcement. Would you be able to provide that information to the committee, broken down by year?

Mr. David Hutchison: Mr. Chair, we will look into, in terms of following our procedures, what we can release to the committee, which we will be very happy to share.

Mr. Garnett Genuis: Just to reiterate, although I think there should be some public information around the names, I am in this instance not asking for that. I'm just asking for numbers of companies per year and what proportion of those were referred to law enforcement. I don't see any reason why you wouldn't be able to provide that information. The committee is asking you for it. Can you assure us that you'll be able to provide that information?

Mr. David Hutchison: Mr. Chair, we'll endeavour to provide all the information we can.

Mr. Garnett Genuis: Okay. Thank you.

Finally, to our finance officials, you talked about what's in the best interests of investors. Human rights factors could be taken into consideration insofar as that may impact financial performance. If I understand you right, though, human rights factors are taken into consideration only to the extent that they impact financial performance. If they don't impact financial performance, then investors are not to take that into consideration. Is that correct?

The Chair: Mr. Genuis, your time is up.

Perhaps we could get a written response to that, please. All written responses, by the way, should be sent to our analysts, and through them to the committee members. Again, we'd appreciate something by the end of the week, so that we can work on that draft report.

We'll now go to Mr. Fragiskatos, for six minutes or less.

Mr. Peter Fragiskatos (London North Centre, Lib.): Thank you, Chair.

Thank you to the officials for being here tonight.

I want to pick up on the discussion of human rights, but I want to understand in general terms the place of human rights and the applicability of it within the overall framework when it comes to pensions.

Maybe I could go to Ms. Wrye to begin with, and then Mr. Hutchison to follow.

Ms. Kathleen Wrye: As I alluded to in my opening remarks, the legal frameworks for federal pensions all rely heavily on the concept of fiduciary duty, that duty with respect to the plan beneficiaries. As fiduciaries, plan administrators are required to account for any factor that could materially affect the financial performance of the pension fund, including ESG. Those are environmental, social and governance factors, so you would imagine that issues with human rights would fall within the social aspect.

Plan administrators may consider that it is consistent with that fiduciary duty to consider all these factors as another lens, as they would consider any risks to pension funds and to their investments.

Mr. Peter Fragiskatos: I did say I was going to Mr. Hutchison, but I'll stay with you, Ms. Wrye, for a moment. Maybe ranking is not the right word, but in terms of factors that exist within the overall framework, is there anything you can share about the place of human rights within analyses that are given on such questions?

Ms. Kathleen Wrye: I can't really speak to a ranking within pension legislation. As I said, it relies generally on the concept of fiduciary duty, and within that, there is the responsibility to consider all factors. The factors that would be considered would be relevant to what the actual investment was and what country it was in, all of those things. Plan administrators would need to look to see all the factors that need to be considered.

• (1855)

Mr. Peter Fragiskatos: Would it be accurate to say that there's no single factor that is more important than other factors? Are these factors taken together?

Ms. Kathleen Wrye: I think each investment decision is unique. As to which considerations are perhaps more important than others, it would be difficult, really, to say, other than that fiduciaries are required to take all factors into account in making considerations about investment decisions.

Mr. Peter Fragiskatos: Mr. Hutchison, do you have anything to add on the matter?

Mr. David Hutchison: Mr. Chair, the Department of Global Affairs Canada doesn't really play a role in terms of pension funds.

Mr. Peter Fragiskatos: Okay.

I want to stay with the concept of human rights but be a little more specific, because the Deputy Prime Minister has been quite vocal on the idea of “friendshoring”, which is the notion that we would engage particularly in relations with countries that share our values—in particular, human rights values—on questions pertaining to economic development. Pensions would fit within that.

I'll go back to Ms. Wrye here. Given everything you've said, within the framework we're focused on here, what can you share relating to the place of friendshoring within analyses that are given relating to pension decisions?

Ms. Kathleen Wrye: It would really be difficult for me to speculate on what each plan administrator is thinking about when they're looking at a specific investment, but I think an example of things that pension plan administrators may take into account are things such as friendshoring or human rights issues. When they're looking at the long-term best interests of their beneficiaries, they want to consider all things that may have a long-term impact on

that investment. If certain countries or certain investments are looked at in a different light, politically I would think that would be part of their considerations.

Mr. Peter Fragiskatos: Is there a view taken within the Department of Finance that moves in the direction of friendshoring on such matters? Is this gaining traction, or is this still an idea that's so new, so to speak, that there hasn't been the time necessary to apply it and make it policy relevant?

Ms. Kathleen Wrye: It's another area I could not really speculate about. The pension legislation sets out a broad framework of fiduciary duty, which then puts into the hands of the plan administrators the responsibility to consider all things, ultimately, that are in the best interests of their plan members. Pension legislation doesn't set out rules or requirements with regard to those investments. It is the fiduciary duty framework that sets the rules.

Mr. Peter Fragiskatos: I have only about 30 seconds left, but if I have another opportunity at some point tonight, I want to drill down a little more to understand how decisions are made with a human rights lens, what sort of criteria are looked at, all the way down to what sorts of reports are assessed at the organizations you're looking at in terms of understanding points of view that exist on country X, Y, Z, so to speak, when decisions are made. If I have a chance and you're still here, I'll come back.

Thank you, Mr. Chair.

The Chair: Thank you, Mr. Fragiskatos.

We will go to Monsieur Brunelle-Duceppe for six minutes or less.

[*Translation*]

Mr. Alexis Brunelle-Duceppe (Lac-Saint-Jean, BQ): Thank you, Mr. Chair.

Thank you to all the witnesses for being here tonight.

I am subbing for a colleague, but I still have several questions, since this is somewhat related to my files.

Mr. Hutchison, you spoke about the Canadian legislation that bans the import of goods produced using forced labour. Our neighbours to the south, the Americans, have adopted the Uyghur Forced Labor Prevention Act. Since this law came into force, the U.S. customs service reports that, of a total of 3,588 shipments, 490 were refused, 1,323 were admitted and 1,778 are waiting to be processed.

Do you know how many shipments Canada sent back to China under the new Canadian law on forced labour?

• (1900)

[*English*]

Mr. David Hutchison: I believe the issue related to the import ban act is led by CBSA, so I'm not in a position to speak to that issue.

[Translation]

Mr. Alexis Brunelle-Duceppe: Mr. Hutchison, you mentioned it in your opening remarks, so I thought you might know. Let me therefore give you the answer: only one boat has been turned back.

The Canadian law came into effect on almost the same date as the American one. For their part, the Americans are doing their job, but Canada has only sent one boat back. I expect both of us is an expert on their file. Could you tell me what the difference is between the American legislation and the Canadian one?

[English]

Mr. David Hutchison: Mr. Chair, I'm not in a position to speak to import legislation. The trade commissioner service works on exports.

[Translation]

Mr. Alexis Brunelle-Duceppe: Can any of the other witnesses explain the difference between the Uyghur Forced Labour Prevention Act and the Canadian law on forced labour?

[English]

Ms. Kathleen Wrye: I'm sorry; I'm not able to speak to that either.

[Translation]

Mr. Alexis Brunelle-Duceppe: In that case, I will tell you: in the United States, the burden of proof is on the exporter. Indeed, the people who ship the goods to the United States are the ones who have to show that they were not produced using forced labour. In Canada, however, it is the customs agents who are tasked with showing that the goods were produced using forced labour. It seems to me some departments still have a lot to learn.

Ms. Wrye, in your opening remarks, you said we have to act prudently with respect to investments. I imagine your department developed certain scenarios. Recently, my uncle Raymond told me that, in his view, Taiwan would soon be invaded by China.

If my uncle Raymond, who is not necessarily a geopolitical expert, is talking to me about China invading Taiwan, I imagine your department has in its files a scenario where this plays out. In your opinion, what will happen to the retirement funds invested in China if China invades Taiwan? Have you considered a scenario for such a situation?

[English]

Ms. Kathleen Wrye: I'm sorry; I don't think I can directly respond to that question. I couldn't really speculate on what would happen, other than to say that geopolitical risks are something that pension plan administrators should be taking into account when they are making their investment decisions.

[Translation]

Mr. Alexis Brunelle-Duceppe: I will be more direct. Regarding Canada's investments in China, has your department worked out a scenario in case of a possible invasion of Taiwan by China?

[English]

Ms. Kathleen Wrye: I'm afraid I can't really answer that question either. My area of expertise is federally regulated pension plan policy, and that's not the type of analysis that we do.

[Translation]

Mr. Alexis Brunelle-Duceppe: All right.

You were unable to answer my previous question, but perhaps you will have an answer to this one: what does it mean to "act prudently"?

[English]

Ms. Kathleen Wrye: Which part of my opening statement were you referring to? In general, I'd say that a pension plan administrator should be considering all factors, including geopolitical risks, in making their investment decisions, but that would be the extent of my comments on that.

Was there something more specific that you were wondering about?

[Translation]

Mr. Alexis Brunelle-Duceppe: No. I do not think I will get an answer to my question.

On April 24, the special committee heard from two academics on several risks associated to investing in the People's Republic of China, including challenges in investing in a non-democratic country with a secretive regime. According to one of the witnesses, Canada can choose one of two paths: either to completely avoid investing in the People's Republic of China to eliminate any risk, or to put in place much more binding risk reduction or risk mitigation strategies.

To ensure that public pension funds will not be invested in businesses of the People's Republic of China that are complicit in human rights abuses, what other approaches has the federal government considered?

[English]

Ms. Kathleen Wrye: Again, this is not something that I can speak to directly, as pension legislation doesn't set out specific rules with specific types of investments. It sets out a broad framework for the fiduciary duty and puts the onus on the plan administrators to take all factors into consideration that could have an impact on a pension plan's funded status and the benefits of members.

With respect to public pension plans, that is also outside my area of expertise, as I am responsible for federally regulated private sector pensions. All of the large public sector pension plans, when you think of Canada, of the Maple Eight, they are not under the purview of my department. They are largely provincially regulated or, in the case of the CPPIB, a shared jurisdiction, and the Public Service Pension Plan Investment Board is the responsibility of Treasury Board Secretariat.

● (1905)

The Chair: Thank you, Mr. Brunelle-Duceppe.

We will now go to Ms. McPherson for six minutes or less.

Ms. Heather McPherson (Edmonton Strathcona, NDP): Thank you, Mr. Chair.

Thanks very much for being here. I have just a couple of questions.

Maybe I'll start with you, Mr. Hutchison, if I could. I want to be clear: When previous questioners were asking how many companies had had services withdrawn from them, can you tell us how many companies the government supports through the TCS, and perhaps how many in China?

Mr. David Hutchison: The TCS supports roughly 10,000 clients. From year to year, it's around 10,000.

Ms. Heather McPherson: In China particularly...? This is the Canada-China committee.

Mr. David Hutchison: I don't have that figure.

Ms. Heather McPherson: Go ahead, Ms. Robinson.

Ms. Jodi Robinson (Acting Director General, North East Asia, Department of Foreign Affairs, Trade and Development): It really depends on the year. For example, due to COVID there was a significant drop-off. I would say that probably at the pinnacle of our relationship in 2018, we were supporting around 3,500 clients. This past year it's gone down to about 1,500. Keep in mind that the clients are those who actually make contact with the TCS themselves. It's not a proactive necessary basis.

Ms. Heather McPherson: If those companies commit a human rights violation, or if they are accused of committing a human rights violation, the TCS then withdraws the services in a confidential manner. Is that accurate?

Mr. David Hutchison: The TCS takes all allegations seriously, but we go through various steps before withdrawing services.

Ms. Heather McPherson: Would that include the core? How would those steps be done? Has it ever been done? I know that you aren't able to provide us with the number of times it has been done, but has it ever been done?

Mr. David Hutchison: Yes. The TCS has withdrawn services for clients. It's very rare. I'd like to emphasize that.

Ms. Heather McPherson: My understanding, from the testimony we heard in the international trade committee, is that there are multiple instances of Canadian companies being accused of human rights violations, and that support was not withdrawn from those companies. I think you mentioned that there is a need to bring in the RCMP if there is Canadian legislation, but I'm not sure which Canadian legislation that is.

My understanding is that the international trade minister, for example, has the mandate to create legislation that has not been created. In fact, Bill S-211, which came forward recently, actually doesn't impose any sorts of penalties on companies. Basically, it nicely asks companies to do better.

Is that accurate?

Mr. David Hutchison: The law that comes most to mind in terms of referral to law enforcement would be the Corruption of Foreign Public Officials Act.

Ms. Heather McPherson: Do you feel that it's sufficient to hold Canadian companies to account if they are committing human rights violations abroad? We have heard quite frequently, particularly within the garment industry and particularly within the mining and extractive industries, that Canadian companies do not protect human rights. They do not protect environmental rights. They do not protect indigenous communities.

Do you feel that this legislation is strong enough to meet the needs of those communities, or do you think the minister should in fact live up to her mandate letter? That's a tricky question for you. Do you think the legislation is fine and is sufficient?

Mr. David Hutchison: I can't comment or speculate on whether current legislation is sufficient in terms of accountability. I would note that the government in budget 2023 announced a commitment to introduce legislation by 2024 to eradicate forced labour from Canadian supply chains.

Ms. Heather McPherson: They announced it quite a bit sooner than that and haven't actually done that yet. Obviously, I'm not implying that it's your issue. It's the government's issue.

I have one last question that I wanted to get some clarity on. You spoke about the fact that you require an integrity declaration, that you "reinforce expectations" with companies and that you will "withdraw services", but you will not share the names of the companies from which you have withdrawn services. It does seem a bit like you're asking companies to play nicely. If they don't play nicely, you're protecting them by not releasing that information publicly. Is that accurate?

• (1910)

Mr. David Hutchison: I can speak only to our process. Trade commissioner services are discretionary and can be withdrawn at any point.

Ms. Heather McPherson: I have just one last question.

How do you find out that there are potential human rights abuses being committed by a company? How does that process happen, and, ultimately, who determines that? Is that a ministerial determination? Is that determined with the department? How is that decision made?

Mr. David Hutchison: I'd like to provide the committee with a really precise answer to that important question, because it's fairly complex. If the committee would accept, we would be prepared to submit a written answer on that.

Ms. Heather McPherson: Thank you.

That's not very complex, but does the final decision sit with the minister?

Mr. David Hutchison: I don't believe the final decision on that rests with the minister.

Ms. Heather McPherson: Thank you very much for answering my questions.

The Chair: Thank you, Ms. McPherson.

We'll now go to our second round, and we'll begin with Mr. Kmiec for five minutes.

Mr. Tom Kmiec (Calgary Shepard, CPC): Thank you, Mr. Chair.

I want an answer to Mr. Garnett Genuis's question.

Human rights matter only when they materially impact financial performance. Is that correct, Ms. Wrye?

Ms. Kathleen Wrye: I would say that issues such as human rights are definitely a consideration that should be taken into account in all investment decisions by pension plan administrators.

Mr. Tom Kmiec: Do they, or don't they? You were very specific in your language. You said, "materially affects financial performance", so if it doesn't materially affect financial performance, then it doesn't matter and is not considered. Is that correct?

Ms. Kathleen Wrye: I wouldn't say that it is not considered. I'd say that things are considered to the extent that they would materially affect the financial interests of the pension plan. Ultimately, the purpose of the pension plan is to provide benefits to all members and retirees.

Mr. Tom Kmiec: If I can earn a great return in Xinjiang province by running a T-shirt factory using cotton from slave labour, what happens then?

Ms. Kathleen Wrye: I can't speculate on the investment decisions of pension plan administrators, other than to say what I have already mentioned. They have a fiduciary duty to plan members and beneficiaries, and as part of that duty, they're required to take all factors into consideration when making investment decisions.

Mr. Tom Kmiec: Pardon me, but we all follow the news, and this has been an ongoing issue since before the pandemic. Before the pandemic, legislation was passed in the United States, and Canada is trying to do it too, to clamp down on what's happening in Xinjiang province. Parliament passed a motion saying that there is an ongoing genocide of the Uyghur population.

I don't really care what the returns are. Wrong is wrong. I'm trying to understand what the rules are when it comes to private sector pensions in Canada. If they can earn a return, it sounds like there are no rules, and if it doesn't materially impact the pension plan, it's considered discounted, and they carry on. Am I correct?

Ms. Kathleen Wrye: I'd like to say that in some respects the whole framework rests on fiduciary duty, so it is up to each plan administrator to determine what is considered when making investment decisions. As I said, there's a growing acceptance that ESG considerations have an impact on investment decisions, and plan administrators should be taking them into account.

Mr. Tom Kmiec: You've said before that specific companies are not excluded. There's not a restricted entities list. Is that correct?

Ms. Kathleen Wrye: That is correct.

Mr. Tom Kmiec: That is correct.

Years ago, when the Canada Pension Plan came before the finance committee, in their passive investments they had two companies they had invested with that were credibly found to be organizing and setting up the technology being used in some of these concentration camps where Uyghurs are being led, persecuted and

abused. One was Hangzhou Hikvision, and the other was Xinjiang Aquatech.

At the time, the CPP then followed up with me to inform me that they had divested themselves, and that they knew this was a risk to their investments. Have any private sector pensions come to you asking those types of questions about specific companies they should be divesting themselves from because they could be a risk to them?

• (1915)

Ms. Kathleen Wrye: No. That is not an area that my team or, I'd say, the Department of Finance gets into. We are primarily focused on the overall framework and pension policy.

Mr. Tom Kmiec: Even really bad technology companies, then, that are continuing the persecution by setting up IT.... I mean cameras. They're setting up video technology in these camps. They're allowing for biometric surveillance of Uyghurs who are being released after being abused in these camps. Even though there are specific companies that are in the news, if you're proactively asked by a private sector pension plan, your branch section won't tell them that they should probably not invest in it, because it could impact their bottom line. Is that correct?

Ms. Kathleen Wrye: That's not the type of question the department would receive with respect to specific investments. I would say that it is possible that pension plan administrators might speak with the Office of the Superintendent of Financial Institutions, which is responsible for supervising and regulating private sector plans. I can't really speculate on what types of questions OSFI may receive, but that's not the type of question that would be asked of the department.

Mr. Tom Kmiec: Does your section send out any notices, then? How do you inform private sector pension plans about their responsibilities or about potential risks in investing in the People's Republic of China, specifically Xinjiang province? Would you send out a notice to administrators in Canada that these are the things they should pay attention to, just as a forewarning?

Ms. Kathleen Wrye: That's not something my department would do. However, as I mentioned in my opening statement, there is the Canadian Association of Pension Supervisory Authorities, which is the body of national regulators. It's represented by all pension regulators across the country. For the federal government, it's represented by OSFI. Guidance on these kinds of areas is a thing that this group does.

As well, OSFI issues guidance. They are working on draft guidelines at the moment with respect to ESG considerations in investment. It was out last year for consultation. I believe it's going out again for a second round.

That's the area where pension plan administrators could look to seek guidance on things that they should be considering as part of their investment role.

Mr. Tom Kmiec: You said “could” look, but this is—

The Chair: Excuse me, Mr. Kmiec. You are out of time. Thank you.

Mr. Cormier, you have five minutes or less.

[Translation]

Mr. Serge Cormier (Acadie—Bathurst, Lib.): Thank you, Mr. Chair.

Mr. Hutchison, if I recall correctly, you said earlier that you help businesses export to other countries, such as China. You also said that China was Canada's second-largest export market.

An area of great interest to me, to my riding and to the Atlantic provinces is the fisheries sector. New Brunswick's exports totalled \$2.2 billion in 2022, of which almost \$1 billion went to China.

In your portfolio, do you help businesses from the fisheries sector export their products to China or other foreign countries?

[English]

Mr. David Hutchison: Yes, the trade commissioner service assists exporters from all sectors in collaboration with some partner departments, such as Agriculture and Fisheries and Oceans.

[Translation]

Mr. Serge Cormier: Is the fisheries sector one that you are actively looking at, seeing as there are more and more investments from both sides, that is, by Canada in China and by China in Canada? Is that something you are taking more and more seriously, seeing as this sector has seen tremendous growth over the past few years? In terms of Canadian exports to China, we are talking about an increase of almost \$2 billion in just a few years.

Do you work with this sector more often than with other sectors, or is it no more important than any other sector?

[English]

Mr. David Hutchison: I think it is a very important sector among many others. I personally don't have a lot of expertise in that sector, so I wouldn't be able to comment much further than that.

[Translation]

Mr. Serge Cormier: All right. That is perfect.

You also said before that...

[English]

The Chair: Excuse me, Mr. Cormier. I believe Ms. Robinson wanted to chime in on that as well, if you're okay with that.

[Translation]

Mr. Serge Cormier: Yes, of course. Thank you.

• (1920)

[English]

Ms. Jodi Robinson: Thank you, Mr. Chair.

I just wanted to respond that fisheries and the export of our fish products to China, as well as the diversification of our exports, is something that my team works on very closely with the Canadian Food Inspection Agency and Agriculture Canada. While they have the lead, we work with our trade commissioner service around the region, not only to deal with market access issues but also to find new markets for our products.

[Translation]

Mr. Serge Cormier: I will continue with the same line of questioning.

Have you ever heard of any Chinese companies who do business with Canadian companies and who are responsible for human rights or other violations in this sector?

[English]

Ms. Jodi Robinson: I have not been made aware of any human rights violations specifically in the fisheries sector.

[Translation]

Mr. Serge Cormier: All right.

Earlier, you said you wanted to have a credible strategy that would allow you to have a clear look at the situation. So far, have you found that Canadian companies are taking these human rights factors into account? Are they more careful about whom they do business with? Have you seen a change in attitude these past years, since the geopolitical climate has changed a bit? I am not just talking about the fisheries sector. I am talking about any other export sector or other businesses with which you do business or which you help.

[English]

Ms. Jodi Robinson: Business investment decisions are undoubtedly impacted by geopolitical tensions. We are hearing this from many companies, not just Canadian companies but among our allies as well.

Foreign investment decisions, whether institutional or business oriented, are based on the interplay between risk and return, as you know. While China has benefited and continues to benefit from foreign investments and has offered good returns for investors, as we continually hear, it's increasingly seen as an unpredictable business environment. We have heard from several companies that are re-considering some of their investment decisions at this time.

The Chair: Thank you, Mr. Cormier. Your time has expired.

We'll now go to Mr. Brunelle-Duceppe for two and a half minutes or less.

[*Translation*]

Mr. Alexis Brunelle-Duceppe: Thank you, Mr. Chair. I have to say, I thought it was interesting that Mr. Hutchison mentioned in his opening remarks the new Canadian law prohibiting the import of goods made using forced labour but then, when we asked him questions about it, he claimed he couldn't answer them because it isn't his area of expertise. Next time, witnesses might consider not talking about issues they don't want to answer questions about.

Mr. Hutchison, in your opening remarks, you said that China was Canada's second-largest export market while making a connection to human rights. If China was our 54th export market, would you have emphasized it as well, or would you have chosen not to talk about it? Since China is our second-largest export market, does that mean we can afford to take that into consideration when human rights issues come up?

[*English*]

Mr. David Hutchison: I'm not in a position to respond to that question.

[*Translation*]

Mr. Alexis Brunelle-Duceppe: Listen, I think you might consider reviewing your opening remarks. You should really expect to be asked questions about the points you choose to raise.

Here's what I want to know: Since we've learned about the genocide being committed in Xinjiang, have the results of Canadian businesses in terms of respecting human rights in the supply chains, in imports as well as exports, improved at all thanks to the work you've done?

[*English*]

Mr. David Hutchison: I'm not in a position to respond to that question.

[*Translation*]

Mr. Alexis Brunelle-Duceppe: Mr. Chair, I'm going to stop asking questions, because I can see they're refusing to answer each and every one.

When you appear before a committee, you need to do your homework and come prepared to answer parliamentarians' questions, which are legitimate. There are analysts who prepare questions and documents for us. I think that officials have access to everything that's prepared by the analysts, who do incredibly important work. Their work helps us, and I suppose that the witnesses who appear before the committee to answer parliamentarians' questions usually do their homework and come prepared.

What I'm seeing today, however, are people who made opening remarks that highlight certain points, but that are unable to answer when we ask them questions about the very points that they themselves raised. I think the departments ought to review the way they prepare their officials to come testify before our committees. It is pretty appalling.

I'll yield the rest of my time to my colleague from Edmonton Strathcona. Thank you.

● (1925)

[*English*]

The Chair: Thank you, Mr. Brunelle-Duceppe.

I believe you have the disadvantage of not having been here for some of the earlier panels, where perhaps some of those answers could have been forthcoming. If time permits, perhaps somebody can ask the panellists here who best could in fact answer those questions.

If I were sitting in your chair, I would ask for a written response from them to some of the questions you have.

[*Translation*]

Mr. Alexis Brunelle-Duceppe: Mr. Chair, I just have one question about what occurs in the context of a discussion: When witnesses raise a point in their remarks, am I wrong or am I right in thinking that, normally, they would expect to get questions on that point?

[*English*]

The Chair: Well, I can't disagree with you, sir, but we will have to move on at this point to Ms. McPherson for two and a half minutes.

[*Translation*]

Mr. Alexis Brunelle-Duceppe: Great, thank you.

[*English*]

Ms. Heather McPherson: Thank you very much, Mr. Chair, and thank you all for being here tonight.

My colleague's questions do bring up the point that it is very difficult to get transparency with regard to how decisions are made—the process by which decisions are made—which puts parliamentarians in a bit of a tricky situation. We are meant to be enforcing and ensuring that Canadian companies are living up to our obligations, yet we aren't able to get the information we need to answer those questions, so there is a transparency issue.

When I have asked about some of the processes, I've been told they're very complex.

I appreciate, Mr. Hutchison, that you're going to bring us a written document that gives us a bit more information about that.

Perhaps, Ms. Wrye, I could ask you some questions as well in terms of the transparency around this. I still don't quite understand how it is determined that there is risk, that there are human rights abuses taking place, that there is environmental degradation, that there's investment in these companies, particularly considering those companies.... It could change over time. On day one it could be fine and on day two it could not be. How is that evaluated? Who does that, and how frequently is it done?

Ms. Kathleen Wrye: It's difficult to answer because of the way that pension legislation is put together. There is generally a broad framework of fiduciary duty.

As I mentioned, the onus for evaluating these risks—which, as you mentioned, are evolving—really does fall on each plan administrator who is making these investment decisions. I don't think it's possible for the government to be privy to all of the investments that are being considered and the decisions that are being made. I would say that with respect to ESG and transparency, in the previous budget the government announced that we would be moving forward with disclosures with respect to ESG considerations in investment decisions for federally regulated plans. Doing so is meant to help increase transparency in the decision-making process of plan administrators. They will have to show how ESG considerations are being taken into account in their investment decisions.

Ms. Heather McPherson: It is 2023 and this has been an issue for some time, for quite a long time, and the government has now said it is going to do this work. Certainly I would hope that the work would happen quite soon, but just digging down a little more, let's say we have a—

The Chair: Maybe you can get to that in the next round, Ms. McPherson. Get your shovel ready, and you can do the digging then.

We're going to round off and get a complete second round in, and then we'll do the same for the second panel.

We will now go to Mr. Chong for five minutes or less.

Hon. Michael Chong (Wellington—Halton Hills, CPC): Thank you, Mr. Chair.

Clearly there's a lot of interest here in ensuring that pension funds are not investing in companies in the People's Republic of China that are either partnered with the People's Liberation Army or engaged in gross human rights violations.

Two U.S. administrations now have issued executive orders banning U.S. investments in a number of companies in the PRC under one of two rubrics, either gross human rights violations—such as the case of Hikvision or Huawei, which is engaged very intimately in the propagation of a genocide against the Uyghurs in Xinjiang—or being closely aligned with the PLA, which is obviously threatening a lot of the countries in the Indo-Pacific region.

Here is my question for you. About 10% of pensions in Canada are federally regulated. With respect to those federally regulated pensions, if the Government of Canada wants to ban pension investments because of human rights violations or because of proximity to the PLA, what is the right instrument for the Government of Canada to use to implement a ban on certain federally regulated pension investments in certain companies in the PRC? Does statute currently provide for those powers through regulation, or does new legislation need to be introduced? What instrument, if any, is available to do that?

• (1930)

Ms. Kathleen Wrye: I'm not really in a position to be able to speculate on future changes—

Hon. Michael Chong: I'm not asking you to speculate. I'm asking what instruments are available if a government wanted to ban, let's say, Royal Bank, which has a defined benefit pension plan, from making investments in certain companies in the PRC. What instrument is available to the Government of Canada?

Ms. Kathleen Wrye: Again, it's not a question I can really speak to, as to what legislative or regulatory vehicle the government may or may not decide to use.

Hon. Michael Chong: Are you familiar with the federal statute called the Pension Benefits Standards Act?

Ms. Kathleen Wrye: Yes.

Hon. Michael Chong: Are there powers granted to the Governor in Council to ban federally regulated pensions from making investments outside of Canada?

Ms. Kathleen Wrye: In order to be clear, I'd like to get back to the committee in writing on that question.

Hon. Michael Chong: Sure. That would be helpful.

In respect of the Canada pension plan, which as you know is a joint federal-provincial arrangement, what instrument could be used there to prevent the CPPIB from making investments into companies, either directly or indirectly, through indices in the PRC? What would be the instrument or the mechanism by which to do that? Would there have to be a reopening of the federal-provincial agreement on this, or are there instruments available to the government to use presently?

Ms. Kathleen Wrye: Unfortunately, the Canada pension plan is outside of my area of expertise.

Hon. Michael Chong: Okay, so it's a Finance question.

Ms. Kathleen Wrye: Perhaps I would see whether my colleague Mr. Wu has anything to add.

Mr. James Wu: The Canada pension plan investments are governed by both legislation and regulations. To give you a more precise answer, I would also like the opportunity to take this away and consult with our Department of Justice colleagues as to the answer.

That said, in order to make any changes, whether to the legislation or to the regulations, it requires two-thirds of the participating provinces to also agree to any potential changes, representing not less than two-thirds of the population. I believe this is an area that the CPP Investment Board has spoken to this committee on in the past. I believe it was Michel Leduc who kindly participated and provided answers on these issues as well.

Hon. Michael Chong: Thank you, Mr. Wu, for that answer.

I'm going to put a point on the record, Mr. Chair.

Look, I think the ESG stuff is a lot of marketing and not a lot of action. I recall 10 years ago the whole mantra about CSR, corporate social responsibility, and that kind of morphed into ESG.

My view is that if we're going to prevent investments in corporations that are complicit in human rights violations or corporations that are assisting the People's Liberation Army in promulgating its threats throughout the Indo-Pacific region, the government has to use mandatory measures under law and regulation to prevent companies from making these kinds of investments.

The ESG provisions that were inserted into the Pension Benefits Standards Act through the last budget are not, I think, going to amount to much if it's just a continuation of the ESG that I've been reading about for the last several years from the corporate community. I think it's a lot of marketing and not a lot of action.

• (1935)

The Chair: One might suspect that some recommendations might emerge out of your perspective.

Hon. Michael Chong: Thank you, Mr. Chair.

The Chair: We will now end this round with Ms. Yip for five minutes.

Ms. Jean Yip (Scarborough—Agincourt, Lib.): Thank you, Chair.

Thank you for coming tonight.

Mr. Hutchison, you were talking about the TCS services being offered on a discretionary basis. How many times has TCS withdrawn services?

Mr. David Hutchison: If the question is on how many times the trade commissioner service has withdrawn services, I'm not in a position to provide an exact number at this time. I think we've offered to provide some information to the committee related to that separately.

Ms. Jean Yip: What types of industries or businesses seem to have been impacted?

Mr. David Hutchison: Occasions when services have been withdrawn are extremely rare. However, I would share that on one occasion, a company refused to sign the Xinjiang integrity declaration, and in that instance, services were withdrawn and our partner organizations, EDC and CCC, were informed.

Ms. Jean Yip: Ms. Wrye, have the federally regulated pensions heard from the government about what more they could be doing to strengthen their ESG processes?

Ms. Kathleen Wrye: As I mentioned in one of my responses to a previous question, Mr. Chair, the government has communicated through budget 2022 that it would be moving forward with disclosure of ESG considerations in investment decisions, and the regulatory policy development work is ongoing on that.

As part of our regulatory process, there will be an opportunity for further consultation on these disclosure requirements through pre-publication of regulations in the Canada Gazette.

Ms. Jean Yip: Thank you.

Mr. Hutchison, regarding the Xinjiang integrity declaration for Canadian clients, do you think Canadian companies respect it?

Mr. David Hutchison: Mr. Chair, what I can say about the Xinjiang integrity declaration is that the trade commissioner service has done its very best to reach out to all known clients in China to make them aware of the declaration and of the risks of doing any business in the region of Xinjiang. Clients we are aware of who have linkages to Xinjiang have been asked to sign the integrity declaration.

Ms. Jean Yip: What are the potential long-term consequences for Canada-China relations if the issue of Canadian investment in Chinese equities and bonds linked to human rights violations is not adequately addressed?

Ms. Jodi Robinson: Can I ask for one quick point of clarification? Is the question specific to if we don't address the human rights violations within any investments, how the relationship will be in the longer term?

Ms. Jean Yip: Yes.

Ms. Jodi Robinson: From a China perspective, I think they'd probably be more concerned about how we're going to address human rights in Canadian investments in China, how that could affect foreign investment in the country, and the reverberations that this could have with companies from like-minded countries.

This is really the question right now. I know that the U.S. has put in place a pilot program whereby they're looking at restricting some outbound investment. Of course, we're watching this pilot program very closely. It is something that they raised, and you would have seen in the "G7 Leaders' Statement" this understanding and discussion that's taking place specifically on outbound investment that could be supporting the Chinese military.

Ms. Jean Yip: Is that something Canada should look at while trying to navigate this whole issue and trying to maintain a productive relationship with China?

Ms. Jodi Robinson: It is a fine balance, Mr. Chair, in terms of the Canada-China relationship. On the one hand, we have prudent promotion where we understand that there are many companies that continue to want to do business with China. Part of that discussion is ensuring that they understand the sectors they're involved in and the investments they're making.

As trade commissioners working with our missions, it's for us to identify that there are human rights violations and that we are concerned. It's about raising these values and the priorities with our Chinese counterparts at all times and at all levels, and ensuring that on the one hand, trade that is in Canadian interests can be maintained, but at the same time we are not going down a road where we're supporting human rights violations in China.

● (1940)

The Chair: Thank you, Ms. Yip. That brings your time to an end, and it brings us to the end of our first panel.

I want to thank you for your time this evening.

We will take a few minutes now to get the second panel on. I think they're all on Zoom. That will take a few extra minutes, so if anybody needs a bit of a break, you will have it right now.

● (1940)

_____ (Pause) _____

● (1945)

The Chair: We're back in session.

I'd like to welcome witnesses now for our second panel.

From the Development Finance Institute of Canada, we have Stéphanie Émond, vice-president and chief impact officer, and Paulo Martelli, vice-president and chief investment officer, both by video conference. From the Office of the Canadian Ombudsperson for Responsible Enterprise, we have Sheri Meyerhoffer, ombudsperson, by video conference.

We'll give each group five minutes to deliver opening remarks.

Will it be Ms. Émond or Mr. Martelli?

Ms. Stéphanie Émond (Vice-President and Chief Impact Officer, Development Finance Institute Canada (DFIC) Inc.): It will be me.

The Chair: You have five minutes.

Ms. Stéphanie Émond: Thank you, Mr. Chair.

[*Translation*]

Good evening, ladies and gentlemen of the Special Committee on the Canada–People's Republic of China Relationship. I'd like to thank you for the invitation to join you today.

My name is Stéphanie Émond and I'm vice-president and chief impact officer at FinDev Canada. I'm joined today by my colleague Paulo Martelli, vice-president and chief investment officer.

My responsibilities include oversight of FinDev Canada's environmental and social risk management practices—a topic currently under consideration by the committee. Mr. Martelli's responsibilities include setting the organization's investment strategy and managing a growing portfolio of debt and equity investments across FinDev Canada's priority regions.

By way of introduction, I'd like to take a moment to provide some context about FinDev Canada and its role. FinDev Canada is Canada's bilateral development finance institution established in 2018 as a subsidiary of Export Development Canada to contribute

to sustainable and inclusive growth in emerging markets and developing economies. We provide a range of financing and investment solutions to the private sector in alignment with Paris Agreement commitments and the United Nation's Sustainable Development Goals, and in support of Canada's international development priorities.

● (1950)

[*English*]

We prioritize investments in three sectors: agribusiness and forestry, sustainable infrastructure, and the financial industry. We seek opportunities that advance our three development impact objectives in climate mitigation and adaptation, women's economic empowerment, and local job creation and economic development.

To complement its investment activities, FinDev Canada provides technical assistance—that is, targeted grant support—to private sector clients that enables them to strengthen their operations and address knowledge and capacity gaps to ultimately make them more inclusive and sustainable.

In terms of geography, to date FinDev Canada's operations have focused on Latin America and the Caribbean and sub-Saharan Africa. While the Government of Canada has announced an expansion of our operations in the Indo-Pacific region, this has not yet commenced, and we're not currently supporting any transactions there.

In terms of our performance, after five years of operation we have a portfolio totalling some \$750 million U.S. and private sector investment for 40 clients that generates positive impacts in terms of economic development, job creation, climate action and women's empowerment. Twenty-five per cent of our total commitments are in climate finance, contributing to climate mitigation and adaptation. Two-thirds of our investments qualify for the 2X Challenge, meaning they aim to advance women's economic empowerment through better access to finance, leadership opportunities, quality employment and economic participation. Seventeen per cent of our investments are in the least developed countries.

To date, the clients we finance and invest in support more than 61,000 jobs in low- and middle-income countries and provide over 3.5 million people with access to energy, technology and financial services. Our clients also finance over 900,000 microenterprises and small- and medium-sized businesses in emerging markets and developing countries. Thanks to our investments in sustainable forestry and our targeting of low-carbon sectors from the start, our portfolio has sequestered or avoided more GHG emissions than it has generated.

The committee is reviewing investments in emerging markets and best practices in terms of environmental and social impact assessment and management. While FinDev Canada invests to support positive development impacts, we are confronted with many of the environmental and social risks this committee has been considering. This is not surprising and is an experience that is shared by any financial institution that is active in emerging markets and developing economies. This is the space in which we work.

This work is informed and supported by our systems and practices related to environmental, social and governance risk assessment. Before entering a transaction, FinDev Canada aims to understand, manage and mitigate the environmental, social—including human rights—and governance risks that are related to that transaction.

The Chair: Ms. Émond, your five minutes have gone by. They always go by very quickly.

If you have further points, perhaps you can work them into some of the answers to questions, if you wouldn't mind.

[Translation]

Ms. Stéphanie Émond: With pleasure.

[English]

The Chair: Thank you very much.

We'll now go to Ms. Meyerhoffer for five minutes or less.

Ms. Sheri Meyerhoffer (Ombudsperson, Office of the Canadian Ombudsperson for Responsible Enterprise): Thank you very much, Mr. Chair and the honourable members of this committee, for your invitation.

I am joining you today from the traditional, ancestral and unceded territory of the Algonquin Anishinabe people.

The Canadian ombudsperson for responsible enterprise, or the CORE, as my office is referred to, has a mandate to promote respect for human rights and responsible business conduct by Canadian garment, mining, and oil and gas companies operating abroad. My office also provides a complaint mechanism for those who believe their human rights are negatively impacted by those companies.

My remarks today will cover the following: first, the CORE's assessment of forced labour and other human rights abuses in China; second, the expectation of companies and investors operating in high-risk contexts like China; and third, recommendations for government action related to Canadian public pension fund investment in China.

First, with respect to the CORE's assessment of forced labour in China, at present it is not possible to conduct in-country investigations into Uyghur forced labour. However, reports published by the Office of the United Nations High Commissioner for Human Rights and Global Affairs Canada, among others, are resolute. They indicate that Uyghur and other Muslim ethnic minorities are subjected to serious human rights abuses in the Xinjiang area. This includes forced labour, repressive surveillance, mass arbitrary detention, sexual violence, torture and other ill treatment.

In light of this, the Canadian government requires the importers to sign an integrity declaration on doing business with Xinjiang entities prior to receiving services and support from the trade commissioner service.

To summarize this point, there is no question that China is a high-risk context for forced labour, particularly in the Xinjiang region.

Second, with respect to companies and investors operating in high-risk contexts such as China, Canada's strategy on responsible business conduct abroad is quite clear. Our government expects Canadian companies, including investors, to respect Canadian standards for human rights and environmental protection when they operate overseas.

We also expect them to operate in a manner that is consistent with the United Nations "Guiding Principles on Business and Human Rights". When operating in high-risk contexts like China, companies and investors are expected to carry out enhanced due diligence in line with the UN guiding principles. Investors should assess whether investee companies are connected with adverse human rights impacts and use their leverage to encourage appropriate action. If companies are unable to prevent or mitigate identified harms, then investors should take steps to end business relationships responsibly.

Third and finally, regarding Canadian public pension fund investments in companies in China, the CORE, in line with the UN working group on business and human rights' guidance for investors, recommends that the Canadian government do three things: first, put in place guidance for investors on respecting human rights throughout investment activities, which includes public pension funds; second, integrate respect for human rights into the mandate, operations and investment activities of institutions involved in issuing and managing government pension funds; third, introduce mandatory human rights and environmental due diligence legislation, requiring companies to take steps to identify, prevent, address and remedy all human rights abuses, including forced labour. This would support investors' efforts to assess and address human rights risks in investment portfolios.

In closing, I would like to provide two updates on the CORE's work.

First, my office is currently handling 13 complaints regarding the use of Uyghur forced labour in the supply chains of Canadian companies. Of these complaints, 11 focus on the garment sector and two focus on the mining sector. We will start publishing initial assessment reports in July and look forward to working with all parties to find solutions. However, I would like to point out that while some companies are engaging in our complaints process, others have opted not to participate.

● (1955)

Second, the CORE published a study in February that assessed Canadian garment company approaches to addressing the risk of child labour in their global supply chains. The study revealed that of the 10 Canadian companies that participated anonymously, all have suppliers based in China. Few, however, have robust measures in place to identify and remediate human rights risks, like child labour and forced labour, in their overseas supply chains. Also, while the study profiled 10 companies, we suspect that others likely face similar challenges.

I wish to conclude by thanking you for providing me with the opportunity to share the CORE's perspective. I welcome your questions and reflections.

● (2000)

The Chair: Thank you, Ms. Meyerhoffer.

We'll now go to Mr. Chong.

Hon. Michael Chong: Thank you, Mr. Chair.

My first question is for Madam Meyerhoffer. It's about the continued importation of products that are banned under article 23.6, I believe, of the Canada-U.S.-Mexico trade agreement, which was brought into force in June 2021 through an act of Parliament. It's now been two years since it's been banned in Canadian law to import these products, but to my knowledge, not one shipment has been blocked from entering Canada. I believe there was a shipment that entered into a Canadian port in the province of Quebec that was temporarily halted but then later released.

My understanding is that not a single shipment has actually been blocked or interdicted by the CBSA. Is that your understanding as well, Madam Meyerhoffer?

Ms. Sheri Meyerhoffer: That information sounds accurate to me.

Hon. Michael Chong: You know, the United States is one of the three signatories to the Canada-U.S.-Mexico trade agreement. They brought article 23.6 of that agreement into force through legislation adopted by the U.S. Congress. Last year alone, they interdicted 3,605 shipments, worth \$816 million U.S.—which is over \$1 billion Canadian since our dollar has depreciated so much—due to Uyghur forced labour. Just in the first two months of this year, according to an announcement made this past March by U.S. Customs and Border Protection, they blocked 1,910 shipments, worth \$496 million U.S., from entering the United States due to Uyghur forced labour.

I don't understand why we can't seem to do the same thing here, even though Parliament has adopted laws to bring the same article 23.6 of the CUSMA into force. Do you have any comment on that,

Madam Meyerhoffer? Why are we so lax in enforcing the laws that Parliament has adopted?

Ms. Sheri Meyerhoffer: I would say the CORE believes that Canada should strengthen its legislation to prohibit forced-labour imports. My office has not conducted extensive research or developed specific recommendations on how to strengthen that, but it has noted, as the honourable member has noted, that forced-labour prevention legislation in the U.S. has resulted in the blocking of more imports due to suspected forced labour.

As such, we know that the Canadian legislation could be strengthened, and we urge the government to look into options to this end.

Hon. Michael Chong: I guess I would disagree with that, Mr. Chair.

We have legislation. I believe it was in 2021 that there were amendments to the Customs Tariff act that brought article 23.6 of the CUSMA into force, so it's currently Canadian law that these products are not to come into Canada. However, they continue to pour into Canada.

There have been investigative reports from organizations like the CBC and The Globe and Mail that have highlighted this.

Where is enforcement falling down? Why are our laws not being enforced? We go through second and third reading debates in this House and committee studies of legislation. The Senate does the same thing. It's adopted into law, and then we expect those laws to be upheld, but they're not being upheld. I don't know how many committee meetings we've had on this in the last several years. I can recount at least five or six. We're just trying to understand why the law that Parliament created is not being enforced by the Government of Canada.

Ms. Sheri Meyerhoffer: If I can just elaborate a little on my previous answer, I would just note that one of the differences between how the U.S. enforces the law and how we enforce the law is that the U.S. does, in fact, provide specific guidance on the evidence required to rebut a presumption of whether or not the imported goods involve forced labour. That evidence can be given through human rights due diligence. If the company has conducted human rights due diligence, that can rebut the evidence, as can their supply chain mapping.

Again, I would just say, as I said in my opening statement, that it would be helpful for Canada to put in place human rights due diligence legislation.

● (2005)

Hon. Michael Chong: Thank you for that.

Switching gears a little, I have a quick question about pension investments in the People's Republic of China.

The Pension Benefits Standards Act of 1985 was amended by last year's budget. Section 39(1)(n.11) says that the Governor in Council may make regulations “respecting the investment of the assets of a pension fund”.

Could any of our witnesses tell us whether they believe this gives the minister the power, through regulation, to ban investments in companies like Hikvision or Huawei, that are engaged in promulgating genocide in Xinjiang?

The Chair: We'd ask for a short answer if you could, please.

Ms. Sheri Meyerhoffer: I would say, from my end, we haven't done extensive research into that, and I wouldn't be able to answer that question at this time.

The Chair: Thank you, Mr. Chong.

I'll now go to Mr. Sorbara for six minutes or less.

Yes, Mr. Martelli. Use the “raise hand” function if you want to chime in.

Did you have something to offer here, sir?

Mr. Paulo Martelli (Vice-President and Chief Investment Officer, Development Finance Institute Canada (DFIC) Inc.): No. I just wanted to complete the answer to the question.

For FinDev Canada, we don't have anything to add to that question. I just wanted to be clear.

The Chair: There we go. Clear it is.

We'll go to Mr. Sorbara for six minutes or less.

Mr. Francesco Sorbara (Vaughan—Woodbridge, Lib.): Thank you, Chair.

This is directed to Ms. Meyerhoffer at CORE.

Ms. Meyerhoffer, I'm on the CORE website, quickly reading a few things.

The first question I wanted to reference is about a policy paper put out by CORE in terms of the EU commitment to introduce legally binding corporate human rights and environmental due diligence, and the implications for Canada. You referenced that in your answer to Mr. Chong.

Can you elaborate on that policy brief at all, please?

Ms. Sheri Meyerhoffer: Yes. Thank you. I would definitely like to elaborate on human rights due diligence.

I've said many times, and it's on my website also, that we believe the introduction of mandatory human rights and environmental due diligence would go a long way in allowing the Government of Canada to hold Canadian companies responsible, both operating overseas and also in Canada. My mandate and my office's focus is outside of Canada, in three sectors.

If Canadian companies were held accountable through such legislation, then investors would be able to request some evidence to show that their investments met those standards. I think that would go a long way in helping both investors and Canadian companies be responsible. They would have great guidance, because I think

what we're lacking right now. It would also help the government to be able to influence behaviour.

Mr. Francesco Sorbara: As a follow-up, in terms of the complaints process, I think you mentioned there were 13 complaints, and I think I saw the number 11 on the site.

Due to the inability to actually access the supply chain, or to actually be on the ground in certain jurisdictions, how difficult is it to reach a conclusion in terms of your investigations?

Ms. Sheri Meyerhoffer: There are numerous reports out there about the Xinjiang region. The UN High Commissioner for Human Rights did a report after a visit to China in 2022. The Helena Kennedy Centre for International Justice at Sheffield Hallam University also has one where it had people on the ground. There is a Global Affairs Canada 2021 study on supply chain risks related to Xinjiang. There is a lot of information out there. Amnesty International and Human Rights Watch have also published reports.

There has been a lot of information garnered from on the ground. There's also technology to determine whether cotton materials with their DNA have come from that region. There is the ability, from outside of China, to do some investigation.

Mr. Francesco Sorbara: Thank you.

Do I have another minute or two left? Okay.

To the folks over at the development finance institution, you mentioned a proposed \$750 million. What's the geographic spread of those investments that you've undertaken?

• (2010)

Ms. Stéphanie Émond: Right now, it's primarily spread between Latin America, the Caribbean and sub-Saharan Africa. It is generally equally split, with about 60% in Latin America and the Caribbean and the rest in sub-Saharan Africa.

Mr. Francesco Sorbara: In terms of the due diligence involved prior to making these investments, are these equity or debt investments?

Ms. Stéphanie Émond: We actually do both. We can make loans and make equity investments directly or through funds. We conduct the same level of due diligence for all types of transactions.

Mr. Francesco Sorbara: Who would be your partners on the ground? Obviously, you wouldn't have individuals in every country or for every opportunity, but who are your partners on the ground when you are undertaking the due diligence in the ultimate investment decisions?

Ms. Stéphanie Émond: We invest primarily in partnership with our peers. These are other bilateral development finance institutions or multilateral development banks, like IDB Invest. However, we always conduct our own due diligence for environmental and social risk, as well as other risk factors. When warranted, we conduct on-site visits.

Mr. Francesco Sorbara: That's it for me, Chair. Thank you.

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

We will now go to Mr. Brunelle-Duceppe for six minutes or less.

[Translation]

Mr. Alexis Brunelle-Duceppe: Thank you, Mr. Chair.

I thank the witnesses for joining us today.

Ms. Meyerhoffer, I'm happy to see you again. We've seen each other often in committee. In your opening remarks and in response to some of the questions, you mentioned that you were aware of several human rights violations in China, particularly in Xinjiang.

At the current time and with the powers you have, is your office able to influence the behaviour of Canadian companies in Xinjiang? I'd appreciate a concrete answer, if you please.

[English]

Ms. Sheri Meyerhoffer: I believe we can be a factor. We've received 13 complaints that relate to forced labour in the Xinjiang area. We will be issuing some initial assessment reports in early July. We will do a couple in early July, and they will all come out over the coming weeks.

We will, perhaps, be doing some investigation with some of them. When we do the investigations, we will be able to highlight where the issues are and where the companies are getting caught up, and we'll be able to make recommendations to any of those companies that are found to be benefiting from forced labour in Xinjiang, on how they can rectify that situation.

[Translation]

Mr. Alexis Brunelle-Duceppe: What are the tangible effects of the conclusions you come to in your reports about Canadian companies? You say that you'll be making recommendations. Will these recommendations have any real impacts on these companies? If so, what are they?

[English]

Ms. Sheri Meyerhoffer: If, after we do an investigation, it is found that the company is in fact connected, through the supply chains or otherwise, and benefiting from forced labour, we will make some concrete recommendations to those companies to change their practices and improve their practices. You can imagine we'll have somebody doing human rights due diligence in a very rigorous way.

If the companies have not engaged or will not engage with us, or they do not follow the recommendations, we will make recommendations to the Minister of International Trade with respect to imposing trade measures and financial measures.

[Translation]

Mr. Alexis Brunelle-Duceppe: Do you have an example of an investigation you've led that's had an effect on a company?

[English]

Ms. Sheri Meyerhoffer: To answer that question, the CORE has not done any investigations to date. We are about to complete 13 initial assessments, and we will be starting our investigations this summer.

[Translation]

Mr. Alexis Brunelle-Duceppe: How long has your office been in operation?

[English]

Ms. Sheri Meyerhoffer: The CORE was established in May 2019. We've just completed our fourth year.

[Translation]

Mr. Alexis Brunelle-Duceppe: Thank you.

So no investigation has been carried out since 2019. As a result, you have no proof that companies will make any changes to follow up on your recommendations, since this never happened since the creation of the Office of the Canadian Ombudsperson for Responsible Enterprise. Okay.

Are you aware that, on the ground, certain NGOs advise victims of human or environmental rights violations committed by Canadian companies against dealing with your office because doing so can harm rather than help them?

• (2015)

[English]

Ms. Sheri Meyerhoffer: My team and I believe it's more important to do our work right than to do it fast, and we believe we have gotten it right: We've built a strong foundation for a complaints mechanism, through which we are currently reviewing 15 complaints.

Also, I will say that 13 of those complaints are brought by a coalition of 28 organizations, including the Uyghur Rights Advocacy Project, which is led by Mehmet Tohti, a Uyghur Canadian activist.

[Translation]

Mr. Alexis Brunelle-Duceppe: Ms. Meyerhoffer, in one of the committee's meetings, you told me that you'd like for your office to have more powers. Did you end up getting them? If not, how important is it that the government give you these powers for you to work effectively?

[English]

Ms. Sheri Meyerhoffer: My answer remains the same. Yes, the CORE believes and I believe that having the addition of the power to compel documents and testimony would strengthen our ability to do our job. I remain steadfast in that. I am having conversations at all possible times to move that along as soon as possible.

[Translation]

Mr. Alexis Brunelle-Duceppe: Ms. Émond, are there countries in which FinDev doesn't invest due to concerns related to human rights? If there are, how do you come to the decision not to invest in a given country?

Ms. Stéphanie Émond: Thank you for the question.

FinDev Canada has a mandate to invest in developing countries, in other words countries that are eligible for official development assistance. At the current time, we've no restrictions based on environmental or social risks, including risks related to human rights.

Mr. Alexis Brunelle-Duceppe: Thank you kindly for your answer.

[English]

The Chair: Mr. Brunelle-Duceppe, you are out of time.

It's over to you, Ms. McPherson, for six minutes or less.

Ms. Heather McPherson: Thank you very much, Mr. Chair, and thank you to the witnesses for being here. I know that it is a late night for all of you. We appreciate your giving us your time.

Ms. Meyerhoffer, you won't be surprised to hear from me that I find the work of the CORE office to be very substandard. The fact that we are.... This was announced in 2018. It was announced at the time with the ability to compel testimony and documents. That has never happened.

The ombudsperson was given an increased budget, the CORE role was given an increased budget, yet no investigations have been completed. We've heard from organizations such as the United Steelworkers, Oxfam, the Canadian Network for Corporate Accountability and Kairos—a number of organizations that have said the CORE fails to provide even a modicum of what was expected from this position.

All I will say to that is that I have put forward a piece of legislation. It is Bill C-263. It gives the CORE the ability to compel testimony and witnesses. I have offered it to the government. It would give you the ability to do your job much better and certainly, hopefully, complete an investigation, which I know that we have not done yet.

My colleague, Mr. Brunelle-Duceppe, has asked you most of those questions, so I'm going to focus on FinDev.

Could our guests from FinDev please tell me how many ODA dollars are given to FinDev by the government?

Mr. Paulo Martelli: We have received \$300 million Canadian. This was in 2018, when we were established, and that is the amount we have received so far to date.

Ms. Heather McPherson: Thank you.

One of my main questions on the FinDev money is how Canadians account for it. We know that when a Canadian CSO receives funding from Global Affairs Canada, there is a very onerous reporting process that it must go through to tell what the outcomes were for that.

We don't actually get very much information from FinDev on how projects are determined and decided. More importantly, it's the

end-use transparency or the end-use reporting: How does FinDev track and monitor the end use of its funds?

• (2020)

Mr. Paulo Martelli: I'd like to mention that before we sign any transaction with any private sector entity, we post the transaction on our website 30 days before we sign, so that folks are aware of the kinds of counterparties we're entering into business with. When we sign an agreement with a counterparty, a client, we ask them to provide us with all sorts of reporting information, not just financial information, but also information about their operations and what they're doing from a development perspective. That's provided to us and analyzed by us on either a quarterly or an annual basis.

We incorporate—

Ms. Heather McPherson: I'm sorry to interrupt. I realize you have the information on where those funds initially go, but as you know, as with many FinDev products, those funds are then distributed again and then distributed even further.

Do you have that same level of information coming back on end use, on what the achievements actually are from the end use of those funds?

Mr. Paulo Martelli: We do. For example, we're very prescriptive with respect to how the funds we provide to companies are used. They don't just go, let's say, into general revenues and then get disbursed to anywhere that we don't know about. Often we prescribe the use of funds, let's say, for climate finance or for small and medium-sized enterprises or whatever it may be, and we ask them to report back to us on the use of funds, where the funding went and what types of things the funds were utilized for.

Ms. Heather McPherson: I've been contacted by numerous individuals who have asked for more clarity and transparency because they can't actually get information on how those decisions are made and where those dollars are being spent and what those outcomes are.

Is there a website? It seems the sector is very unaware of where those end-use outcomes are being reported, so is there a place where they can look for that information?

Mr. Paulo Martelli: I would direct them to our website, on which we put information about the use of proceeds and about the type of analysis we've done, and then I would ask members of the public and those who are interested to give us more time in terms of trying to have our clients complete the projects we are asking them to do.

We ask them to provide reports and summaries of the development outcomes, and it takes time for those outcomes to come together. Then we need to gather that information and put that on our website.

Ms. Heather McPherson: Tell me a bit about the means of redress for beneficiary communities. If they are negatively impacted by projects funded by FinDev, what is the process there? Perhaps you could just tell us how many complaints there have been against FinDev projects.

Mr. Paulo Martelli: We recently launched an independent accountability mechanism, which is a forum that allows affected parties to submit a complaint about FinDev Canada or any of our clients not adhering to any of the policies that are there on the website.

To date, we have not received any complaints, and you can see this on our website.

Ms. Heather McPherson: Thank you.

Since December 31, 2021, there have been no complaints that involved human rights, labour rights, environmental or social impacts of FinDev projects or the end product of those.

Mr. Paulo Martelli: There have been none that I'm aware of. You can see on our website right now that as of today, or I believe as of this month, there have been no complaints.

Ms. Heather McPherson: Finally, can you just tell me what FinDev's policies, rules and guidelines are regarding its own and its beneficiaries' use of offshore financial centres, also known as tax havens?

Mr. Paulo Martelli: Thank you.

On our website we also have listed our tax principles and our tax policies, so those are summarized there. I won't go through them all, but among those principles is that we will pay tax. We ask our clients to pay the tax that's owed. We do due diligence on the end-user, on the end beneficiaries of the tax. We make sure that the flow of funds is respected, and we work with international standards with regard to the use of offshore financial centres. There is more detail on our website, and we can provide that to you in writing as well.

Ms. Heather McPherson: When you ask—

The Chair: I'm sorry, Ms. McPherson, but you are out of time.

We will now go to Mr. Kmiec for five minutes or less.

Mr. Tom Kmiec: I want to ask something to FinDev Canada first. There was an announcement back in November 2022 that the federal government was going to put in another \$750 million to expand FinDev Canada to increase its investments in the Indo-Pacific Region.

Can you give me an update on where that's at?

Which countries, specifically, are you looking at?

Mr. Paulo Martelli: With regard to the \$750 million, those funds have still not been received by FinDev Canada. We're expecting the rest of the regulatory process to finish before we can receive those funds.

At this point in time we are conducting due diligence on the region itself to try to figure out what the best countries for investment are. We are working closely with partners. You may have noticed that we have signed a memorandum of understanding with the Asian Development Bank, a long-established bank of which Canada was a founding member, to work together to look for transactions. Work continues on that front, but we're waiting for additional funds before we can go ahead and sign—

• (2025)

Mr. Tom Kmiec: Thank you. I'm glad you mentioned the ADB. I was going to ask you if there was a reason you didn't pick the AIIB.

Mr. Paulo Martelli: Canada was a founding member of the Asian Development Bank in 1966, and we thought that with its long track record and its very clear focus on development, it would be the best partner for us to begin operations with in that region.

Mr. Tom Kmiec: They are also based in the Philippines. Did your organization at any point consider the Asian Infrastructure Investment Bank as a financial institution with which to deal?

Mr. Paulo Martelli: No, we did not.

Mr. Tom Kmiec: Are the People's Republic of China or Taiwan on your list of areas to co-operate with or to fund projects in?

Mr. Paulo Martelli: They are not.

Mr. Tom Kmiec: Neither is on it. Taiwan is not one of the countries you are considering.

Mr. Paulo Martelli: No. We focus our investments on ODA-eligible countries, official development assistance-eligible countries. We're going to focus primarily on the countries that were specifically indicated in the Indo-Pacific strategy, so our first countries of interest are Vietnam, the Philippines, Indonesia and the Pacific Islands. After that we're hoping to focus on other countries in South-east Asia and then look to South Asia, where, obviously, India and Bangladesh and other countries in that region would be the next area of focus.

Mr. Tom Kmiec: The People's Republic of China features prominently in the Indo-Pacific strategy. I thought the whole Indo-Pacific strategy was based around countering the rise of Beijing. You can't ignore the biggest player in the region, especially if you include India.

Why is that? Why is that country being excluded?

Mr. Paulo Martelli: We are investing to promote development in emerging markets and developing countries. We're focusing on those countries that I mentioned earlier as a way for them to develop and to enable them to have independence from all sorts of regional players. They can grow in their own way.

Mr. Tom Kmiec: Would it be fair to say that FinDev Canada doesn't consider the People's Republic of China as an emerging market, then, but as a mature market?

Mr. Paulo Martelli: No; it is a developing country. It is an ODA-eligible country, but for now, FinDev Canada is focusing on the countries I mentioned earlier.

Mr. Tom Kmiec: Was that decision made at the executive level, or did your board ratify that decision?

Mr. Paulo Martelli: A strategy was developed and presented to our board of directors. It outlined some of the steps I mentioned in terms of countries of focus. It was discussed and agreed that this would be the approach at this time.

Mr. Tom Kmiec: Is that strategy public? Is it a public document?

Mr. Paulo Martelli: It is not, to my knowledge.

Mr. Tom Kmiec: Can it be made a public document? Can you provide it to the committee?

Mr. Paulo Martelli: I'm not sure if we can. I'd like to confer and see if we can present that.

Mr. Chair, I would like the member to be aware that we aren't starting operations yet in the region, because we don't have the funds and the authorization to do so. We're still at a preparatory and exploratory stage.

Mr. Tom Kmiec: This strategy is supposed to inform how some of these funds would be disbursed, though. At some point, you will obtain them. Is it a question of where you have to go back to the board, or is it a higher, executive-level decision that has to be rendered before this document could potentially be made available to the committee?

Mr. Paulo Martelli: I'm not sure. I'll have to get back to you. It's an internal strategy document in terms of how we will approach certain markets. We don't generally make those documents public, since it's with regard to our strategy. If we are able to do so, then we'll be happy to submit that to the committee.

Mr. Tom Kmiec: Do you not make it public because it would hurt your returns? I thought you were doing ODA projects. I thought you were doing good. I don't see where the harm would be in sharing it with the committee and making it public through the committee.

Mr. Paulo Martelli: I'd have to confer with my colleagues. I mean, the strategy's there. We invest in the private sector, so there are competitive aspects there. Yes, we are doing good, but we're also participating in a competitive market. We'll have to see if we can go ahead and submit it. We will get back to you on that point.

The Chair: Thank you, Mr. Kmiec.

Now we'll go to Mr. Sidhu for five minutes or less.

Mr. Maninder Sidhu (Brampton East, Lib.): Thank you, Mr. Chair, and thank you to our witnesses for joining us here today.

I'm very curious to hear more on the Indo-Pacific strategy and how it fits with FinDev. I know that there are ample opportunities in the region, as it's the fastest-growing region in the world. Canadians expect us to diversify in the region, so I'm really looking forward to hearing more about that.

Ms. Émond or Mr. Martelli, you spoke about operations in Latin America and the Caribbean. You mentioned over 40 clients and helping with climate mitigation and women and economic empowerment. When you look at the Indo-Pacific region, what types of opportunity do you see? I know Canada is a big player in clean tech, and climate mitigation is important. Can you give some examples? I know that you're in the exploratory stages, but can you shed some more light?

• (2030)

Mr. Paulo Martelli: The two main sectors of opportunity that we see are food security—the agribusiness sector is very important in a number of economies in that region—and also infrastructure,

which is obviously quite important in a fast-growing and developing region. We're hoping to make significant investments in that region and help that region grow in those two areas.

Mr. Maninder Sidhu: Thank you for that.

Ms. Émond, I noticed that you weren't able to finish your opening remarks. Is there something we missed that you may want to take some time to say right now?

Ms. Stéphanie Émond: Thank you. That's very kind and generous.

I think my final remarks were just starting to describe a bit about our due diligence process, which is really guided by our environmental and social policy. The policy is premised on international good practice from other development finance institutions and multilateral development banks, in particular the IFC performance standards and the United Nations guiding principles on human rights.

Thank you for that opportunity. I'm happy to answer any further questions on that.

Mr. Maninder Sidhu: Yes, please. I know Canadians would love to hear some success stories, whether they're from Latin America or the Caribbean, of FinDev's operations.

Are there some examples you can share of some success stories?

Ms. Stéphanie Émond: Thank you for the opportunity.

It's relatively early days for us. We're five years old. Our longest transactions are for three or four years of track records. However, one key success factor that we're particularly proud of is enabling clients—private sector businesses—to really enhance their practices, including on gender equality.

We have done a lot of work from the beginning on enabling private sector companies to conduct an initial baseline assessment of how they are doing right now and then identifying opportunities to improve. We have done similar engagements on the environmental and social sides, working with them on action plans so that they can better align with international practices.

We're also very proud of the portfolio that we have built in five years. I shared some of the numbers. A lot of that was done during COVID, remotely, and we're quite proud of having customers from co-operatives who are really trying to extend important financial solutions to low-income and rural populations in Ecuador and to join parties with IDB Invest on the first social bond in Costa Rica, as well as to do a few transactions on our own. Most recently, there was our first transaction in project finance in the Dominican Republic, with Maranatha.

Thanks for the opportunity. We are working to improve our website, but a lot of the information is available on our website, on our portfolio page, and I'm happy to provide more details as needed.

Mr. Maninder Sidhu: Thank you.

I know it's very important, when I speak to constituents from the Caribbean region in Brampton. We have a large diaspora from the Caribbean region, and fighting climate change is of the utmost importance to them. What can Canada do to help? I think it's important that we be there.

You spoke about gender equality. It's at the forefront of what we do in our foreign policy. I know it's very important to our Prime Minister and to our foreign minister, so we will continue working in the region.

I don't think I have much time left, but I will just say thank you once again for your tremendous work.

The Chair: Thank you, Mr. Sidhu.

We will now go to Mr. Brunelle-Duceppe for two and a half minutes.

[*Translation*]

Mr. Alexis Brunelle-Duceppe: Thank you, Mr. Chair.

Ms. Meyerhoffer, what is the budget of the Office of the Canadian Ombudsperson for Responsible Enterprise? Since the office's inception, how many dollars has the Government of Canada invested in it?

• (2035)

[*English*]

Ms. Sheri Meyerhoffer: The CORE's budget is around \$4.9 million.

[*Translation*]

Mr. Alexis Brunelle-Duceppe: At \$5 million per year, that means that \$25 million to \$30 million have been invested in the office since its creation, and still not a single investigation has been carried out. Okay.

Ms. Émond or Mr. Martelli, what is FinDev Canada's approach in terms of investing in companies operating out of countries considered as authoritarian or under dictatorships? Is it different from your approach to investing in democratic countries, or do you take the same approach when investing in countries under dictatorship?

Mr. Paulo Martelli: Thank you for the question.

[*English*]

No, the approach is similar. We take a thorough approach to any and every transaction, regardless of country. Obviously, the risks are higher and the work required in some of the more difficult countries is much higher for us, but we take the same approach to all countries.

[*Translation*]

Mr. Alexis Brunelle-Duceppe: That's pretty surprising. If I understand correctly, when you invest in businesses operating in countries that are under the yoke of a dictatorship or that are considered authoritarian, run under laws that violate fundamental hu-

man rights, you follow the exact same approach as when you invest in democratic countries. Is that accurate?

[*English*]

Mr. Paulo Martelli: We invest in private sector companies in a variety of different countries. In the type of country you described, there are very few opportunities to invest in the private sector, so the odds of our doing very much in those types of countries are going to be very low.

If we were to find a bankable type of transaction in those kinds of countries, we would take the same thorough approach to the analysis of human rights risks and so forth.

[*Translation*]

Mr. Alexis Brunelle-Duceppe: I'd like to ask one final question very quickly. Has FinDev Canada ever invested in a country that's under a dictatorship or considered authoritarian?

[*English*]

Mr. Paulo Martelli: I don't believe so. I don't know what your definitions are of those different aspects, but I don't believe so.

The Chair: Thank you.

[*Translation*]

Mr. Alexis Brunelle-Duceppe: Mr. Martelli, if ever we go for coffee together one day, I'll explain to you what a dictatorship is. You'll see that it's fairly straightforward.

[*English*]

The Chair: Welcome Mr. Boulerice. You have two and a half minutes.

[*Translation*]

Mr. Alexandre Boulerice (Rosemont—La Petite-Patrie, NDP): Thank you very much, Mr. Chair, and thank you for welcoming me to your committee somewhat at the last minute.

I think I'll continue along the same vein as my colleague Mr. Brunelle-Duceppe. What are the criteria that determine the way that FinDev Canada invests in foreign countries?

Ms. Stéphanie Émond: Thank you for the question, Mr. Boulerice.

We can invest in any country that's eligible for official development assistance. Some of the criteria we follow are the nature of the companies, financial institutions, and funds in which we're looking to invest, so that we can ensure that they'll help us reach our objectives in terms of impact and that they're able to absorb our investments, which generally range from \$10 million to \$60 million.

Mr. Alexandre Boulerice: Do you invest or spend any money in China?

Ms. Stéphanie Émond: No, we don't invest in China.

Mr. Alexandre Boulerice: What are the criteria you use to determine if you're investing in a state that's under a dictatorship, or a country where democracy or freedom of speech are lacking?

Ms. Stéphanie Émond: A country where human rights or freedom of expression are under threat will present increased risk. So we'll carry out enhanced due diligence and background checks. For example, if we can't rely on local media to ascertain a given company's reputation, we'll have to rely on other information sources.

As my colleague was saying, in order to meet our objectives in terms of impact, we'll look closely at our client's backers, its performance, including in terms of managing environmental and social risks, as well as its transparency and governance.

• (2040)

Mr. Alexandre Boulerice: Thank you for your answer. I'd still like to remind you of your colleague's previous answer, because it would seem you're not saying the same thing. It might be a good idea for you two to talk.

[English]

The Chair: Thank you, Mr. Boulerice.

We have two more slots. The first of them will go to Mr. Fast.

You have five minutes, sir.

Hon. Ed Fast (Abbotsford, CPC): Thank you, Mr. Chair.

My questions are primarily for Ms. Meyerhoffer.

Your most recent quarterly report referenced 15 cases that are ongoing.

Is that correct? Is 15 the total number of cases since your position was established?

Ms. Sheri Meyerhoffer: Fifteen is the total number of cases that we have found admissible and that we are reviewing.

Hon. Ed Fast: All right.

Of those 15, 13 emanate out of the PRC.

Is that correct?

Ms. Sheri Meyerhoffer: The honourable member is correct.

Hon. Ed Fast: Effectively, most of your time is consumed by addressing human rights challenges regarding Canadian companies doing business in or with China.

Is that correct?

Ms. Sheri Meyerhoffer: Currently, that is correct.

Hon. Ed Fast: When an importer wants to import from China, there's a declaration they sign.

Do you expect that declaration to have much impact on the enforcement of our human rights requirement?

Ms. Sheri Meyerhoffer: I go only by what the previous panel said, and I noted in that testimony that when someone refused to sign that declaration, they were not provided with trade services.

Hon. Ed Fast: Sure, but if someone makes a false declaration, who follows up on that? I'm assuming it's not your office.

Ms. Sheri Meyerhoffer: No. We would follow up only if we received a complaint.

Hon. Ed Fast: All right.

Canada does not have a restricted entities list. We don't presently use executive orders to restrict the kinds of investments Canadians can make in China in the way the United States has done. We know the United States has been much more aggressive in interdicting products that have come from China and have originated in areas where there is forced labour.

Is there anything you can suggest to this committee that we should be including in our report as a recommendation that would improve the rigour and the probity of our human rights regime, especially when it comes to countries like China and their violation—their atrocious violation—of human rights?

Ms. Sheri Meyerhoffer: As I said, yes, I think the government would benefit from mandatory human rights due diligence. With that implemented, with consequences, that would allow the Canadian government to influence or punish corporate behaviour, so influence good behaviour, punish bad behaviour.

You will see in the official assessment we're going to do that we will be looking at particular entities in Xinjiang, which should, when we publish our report, give actors, such as investors and other companies looking at this, and the government, an idea of companies that Canadian companies ought not to engage with.

Hon. Ed Fast: How many Canadian companies are active in China, specifically in the Xinjiang region of China?

• (2045)

Ms. Sheri Meyerhoffer: It depends on what you mean by “active”. With regard to supply chains in China—

Hon. Ed Fast: That's correct.

Ms. Sheri Meyerhoffer: —as I said, when we did our report and we interviewed 10 Canadian garment companies, all of them had supply chains in China.

Hon. Ed Fast: Was that coming out of forced labour camps?

Ms. Sheri Meyerhoffer: That wasn't determined. That was just information we received from companies, so we don't know that. That's what our complaints are looking at. With the 13 complaints we have, we will be looking at the allegation that they are benefiting from forced labour. When we do our investigation, we'll be able to report on that.

Hon. Ed Fast: Of the 13 cases you're reviewing right now, is there any indication that these Canadian companies knowingly engaged in trade that involved garments produced by slave labour?

Ms. Sheri Meyerhoffer: The allegation is that this has occurred, but I can't comment on that. I haven't completed our investigation.

The Chair: Thank you, Mr. Fast. That's your time.

We will now go to Mr. Fragiskatos for our final five minutes.

Mr. Peter Fragiskatos: Thank you, Chair, and thank you to the witnesses.

Ms. Meyerhoffer, can you tell us more about equivalent offices that may exist in other countries? How unique is Canada in terms of having an ombudsperson in place to look at the sorts of things you look at, responsible enterprise? Could you elaborate on that at all?

Ms. Sheri Meyerhoffer: In terms of an ombud office created under the United Nations “Guiding Principles on Business and Human Rights”, article 27, where they recommend that states create non-judicial mechanisms to look at corporate behaviour across boundaries, we are the only one that I’m aware of.

Now, there are other bodies. There are national contact points. Some of them in other countries operate a little more rigorously, or like an ombud, but they’re not an ombud office. Uniquely, I think it’s us, although I think others are looking—from conversations I’ve had—at our type of office.

Mr. Peter Fragiskatos: Okay. As the office is unique in this regard, in terms of best practices carrying out the work, how exactly do you approach this? What exactly is the approach taken to putting in place mechanisms that will allow you to carry out your work, if there isn’t a point of reference?

Ms. Sheri Meyerhoffer: Our points of reference are the United Nations “Guiding Principles on Business and Human Rights” and the “OECD Guidelines for Multinational Enterprises”. It’s particularly that first document, the UN’s guiding principles. In there, they talk very specifically about the need for human rights due diligence in order to identify, assess, mitigate, prevent, remedy and address harms.

We have built our office based on those well-developed and robust principles and standards.

Mr. Peter Fragiskatos: Thank you very much.

When there are concerns that arise as far as human rights violations existing, how exactly do you go about examining that in any detail, and how can those findings translate into concrete policy change?

Ms. Sheri Meyerhoffer: We have a five-step process.

The first one is this: Someone reaches out to our office. We do an intake session with them to find out whether it’s admissible and a human right.... We ask them a lot of questions.

If I find that the allegation is admissible and something we should look into, we launch an initial assessment. That’s where we are with these 15 right now. In that initial assessment, we let the respondent company know about the complaint. We talk to both the complainant and the company separately to see whether this can be resolved, redressed and remedied, if a remedy is needed at that stage. If we can, we’ll do an “early resolution”, as we call it.

If not, we talk to the parties. If they are able to talk to one another, we mediate the issue and come to some kind of conclusion that, again, redresses the harm if a harm has arisen....

If not, we do an investigation. Again, investigation is fact-finding. It would be done in-country, if possible, or through desk re-

search, if not—through various means. We do it to the best of our ability.

From that, we would first make recommendations to the company, in order to help them change their practices. We’re trying to influence their behaviour. That’s part of my job. The other part is making recommendations to the Minister of International Trade as to what the government might be able to do in order to provide better guidance, or to influence the behaviour of Canadian companies operating abroad.

• (2050)

Mr. Peter Fragiskatos: This point about admissibility is particularly interesting, because that’s where everything begins.

What are the criteria for determining the admissibility of a case?

Ms. Sheri Meyerhoffer: Yes, there has to be some evidence of three things.

First of all, it’s some evidence, because we’re not looking at the merits. Actually, we don’t look at the merits until after the initial assessment. There has to be some evidence that it is a Canadian company. We ask a lot of questions around that. We do research around that. If it is outside Canada, it’s not within our mandate. If it’s in Canada, it has to be in our sectors—the three sectors.

Then, based on the information we’ve received, it involves a human rights abuse.

The final one is that it occurred on or after the date I opened the office, which was May 1, 2019.

The Chair: Thank you very much.

That brings us to the end of our time with this panel. We want to thank them for their time this evening and also thank our colleagues here in the room for the work they’ve done.

I want to remind everybody that we will be accepting instructions to the analysts on the draft report that they will be producing. I’ll call your attention to a document that was released on the May 25. It’s a possible outline for a draft that might inform some of your thinking on what you’d like to see in the report as it comes up.

As we close, I first want to thank our clerk, our analysts, our interpreters and the technical and support staff.

I want to wish everybody here a very happy, productive and, hopefully, at times, relaxing summer—maybe.

Hon. Michael Chong: You haven’t heard about next week’s 106(4), then. We’re going to D.C., aren’t we?

The Chair: You're going to do a 106(4)? There will be no Christmas card for you.

Voices: Oh, oh!

The Chair: I think I'm going to drop the hammer right now.

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