



What's New in HR Law

Supply Chain Reporting in 2025

February 3, 2025 | By Robert B. Bayne and Rebecca Rosenberg

Bottom Line

It has been a little over one year since the Government of Canada passed the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “Act”), requiring certain businesses and federal government institutions to submit and publish reports regarding where risks of forced labour and child labour occur in their supply chains.

Since the *Act* passed, the Government has provided further guidance regarding who should be reporting and how. This article provides an update to our previous Insight, “[A Practical Guide to Supply Chain Transparency](#)”.

New Guidance from Public Safety Canada

Public Safety Canada (the “PSC”) has provided some clarity around the organizations that have reporting obligations under the *Act*, being government institutions and “entities”.

As a reminder, an “entity” is a corporation, trust, partnership, or other unincorporated organization that (a) is listed on a stock exchange in Canada, or (b) has a place of business in Canada, does business in Canada or has assets in Canada, and has met at least two of the following conditions in at least one of the two most recent financial years:

- (i) has at least \$20 million in assets,
- (ii) has generated at least \$40 million in revenue; and

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- (iii) employs a global average of at least 250 employees at the time the entity is reporting or assessing its reporting obligation.

We know that assets, revenues, and employees are to be calculated globally and on a gross basis. The PSC has further clarified that “place of business” means any premises, facility or installation used to carry on business, whether or not it is used exclusively for that purpose. In addition, doing business in Canada does not require having a place of business in Canada and “corporation” is to be interpreted broadly to extend to other forms of businesses, including unlimited liability corporations and trusts. This indicates a trend that the *Act* should be interpreted to be over-inclusive, particularly when it comes to who is an entity falling under the legislation.

There is, however, a second part of the test which determines whether the entity has reporting obligations under the *Act*. Any entity who engages in the following activities is subject to reporting obligations:

- (a) producing, selling or distributing goods in Canada or elsewhere;
- (b) importing into Canada goods produced outside Canada; or
- (c) controlling an entity engaged in either (a) or (b)

There has been some confusion around the term “importing” and the extent of activities captured under the *Act*. The PSC’s [guidance](#) states that “importer” means the “true importer,” or the entity that causes goods to be brought into Canada. In other words, someone who merely buys products from a third party who is the importer of record is not considered an entity who imports goods into Canada. The PSC has further clarified that the *Act* is only intended to capture those entities directly engaged in the production or importation of goods. This means that entities whose role is only to support the production or importation of goods, such as couriers, consultants, and marketing firms, do not generally have reporting obligations. Further, entities who are only involved in distributing and selling are not expected to report under the *Act*.

One question that many entities have raised is whether the *Act* has a threshold that would exclude business who engage in only minor importing, distributing, or production activities. For example, if a company imports office supplies or technology into Canada for its own use? While there is no prescribed threshold set out in the *Act*, the PSC states that it should be interpreted to exclude “very minor dealings”. This threshold must be evaluated in the context of the entity’s business and keeping in mind the purpose of the *Act*.

In addition to the above guidance, the PSC has confirmed that an entity with reporting obligations under another jurisdiction’s similar modern slavery legislation can use the same report when submitting to the PSC. However, the entity must make sure that such a report meets the requirements under the *Act*. For a list of other jurisdictions with reporting obligations, refer to our previous Insight, “[A Practical Guide to Supply Chain Transparency](#)”.

The Questionnaire

Every entity with a requirement to report must fill out a questionnaire when submitting their report to the PSC.

What we know from the 2024 reporting period is that the questionnaire largely mirrors the substance already required in the report. Entities should therefore ensure that any information submitted through

the questionnaire aligns with the content in their report. Where an entity re-submits a revised version of their report, they must also re-submit the questionnaire.

The PSC encourages entities to reference the questionnaire as a resource containing examples of measures that can be taken to prevent and reduce the risk of forced labour and child labour in supply chains.

Entities should be aware that all data and responses provided in the questionnaire will be stored by PSC to use in their annual report to Parliament.

The 2024 Annual Report to Parliament

At the end of each year, we can expect an annual report to Parliament from the PSC (the “Report”) summarizing the data collected from the aggregate of reports submitted that respective year. The Report offers valuable insight into the percentage of entities who have identified risks of forced labour and child labour in their supply chains and what mechanisms those entities are using to combat those risks.

In 2024, PSC received a total of 5,795 reports by the May 31st deadline. 5,650 of those reports were submitted by entities. Of those 5,650 entities, 2,156 of them confirmed that there were risks in their supply chains of forced labour and child labour.

The 2024 Report confirms that the most common measures employed by entities to prevent and reduce the risk of forced labour and child labour include:

- Regular auditing or monitoring (e.g., through software programs or third-party audits)
- Supplier questionnaires
- Due diligence policies identifying, addressing and prohibiting forced labour and child labour in supply chain activities
- Screening for red flags in the hiring process (e.g., verified identification checks and supplier pre-screening)
- Training for employees on forced labour and child labour risks

In terms of actual actions taken to address forced labour and child labour, the PSC indicated that the majority of entities answered that they did not take remediation measures because they did not identify risks in their supply chains. Of those who did take remediation measures, those actions included:

- Providing support to victims of forced labour or child labour, including work reintegration and psychological support
- Compensating victims and/or their families
- Making formal apologies
- Developing a supplier Code of Conduct

Importantly, no corrective measures or disciplinary orders were made under the *Act*, and no charges were laid against any person or entity regarding the same.

Takeaway

With time to spare before the Second Annual Reporting deadline on May 31, 2025, organizations should start turning their minds to what measures they have in place, or would like to have in place, to combat possible occurrences of forced labour and child labour in their supply chain.

While the *Act* as it stands is a tool for transparency purposes, the Government has the potential to expand the *Act* and implement further enforcement mechanisms. Given the quick turnaround for reporting imposed by the *Act*, it is prudent and necessary for organizations to be proactive about what measures they have and can take to address fight illicit labour practices in their supply chains. Entities that reported in May of 2024 should demonstrate that they have improved their due diligence efforts, such as by providing supply chain transparency and ethics training to employees or implementing supplier audit mechanisms.

Need More Information?

For more information or assistance with supply chain reporting, contact [Robert Bayne](#), [Rebecca Rosenberg](#) or your [regular lawyer](#) at the firm.



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