

Canada prepares for modern slavery reporting

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BLG hosts sponsors of Bill S-211 to examine incoming reporting requirements

On September 13, 2023, BLG hosted Mr. John McKay, M.P. and independent senator Julie Miville-Dechêne – the twin sponsors of Bill S-211 (the Bill) – to speak about new legislation that is poised to contribute to the fight against forced labour and modern slavery within corporate and governmental supply chains by introducing reporting obligations on Canadian companies.

The Bill, in addition to broadening the existing import ban on goods produced using forced labour entering Canada, enacts the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the Act), which will impose a new annual reporting obligation for thousands of Canadian businesses. The Act is widely regarded as a positive step in aligning Canada's reporting obligations on labour risks with extant legislation in Australia, the United Kingdom, and France.

Specifically, both government institutions and private-sector entities will be required to publicly report to the minister of Public Safety and Emergency Preparedness (the Minister) on their supply chain practices and efforts in combatting forced and child labour.

The Act comes into force on January 1, 2024, and business entities are required to submit their first annual reports to the Minister by May 31, 2024. Organizations that have yet to consider this new reporting obligation may want to do so in short order.



First reading to royal assent

At the event, Mr. McKay and Senator Miville-Dechêne provided a vivid retelling of guiding the Bill through the approval processes of both chambers of Parliament, which formally began when Senator Miville-Dechêne introduced the Bill at its first reading in Senate on November 24, 2021. Mr. McKay, meanwhile, successfully moved to read the Bill to the House of Commons for the first time on May 3, 2022.

The Bill developed against a backdrop of increased ESG-related disclosure requirements worldwide. In addition, Canadian society has experienced increased visibility in how forced labour affects domestic and global supply chains in recent years, magnified by the discovery that the Government of Canada maintained contracts for nitrile gloves with a supplier accused of forced labour practices. Canada's enforcement of import bans related to goods manufactured by forced labour has also attracted scrutiny; Canadian authorities have only seized one shipment to date, and this shipment was released after a challenge from the importer. This is in stark contrast to Canada's southern neighbours: the United States seized almost \$1 billion worth of goods between late June 2022 and mid-April 2023 alone.

Bill S-211 was passed unanimously in the Senate on April 23, 2022, and ultimately passed in the House of Commons on May 3, 2023, with support from both Government and the Official Opposition. The Bill received royal assent on May 11, 2023 and will come into force on January 1, 2024.



Areas of interest

While the Act comes into force in January, the implementation of certain requirements remains less than certain, particularly as the government has yet to adopt corresponding regulations. Areas of special interest concerning implementation include:

Regulations : The legislative framework for mandatory reporting has been established through the enactment of the Act and it is expected that its content will be further developed by regulations that have yet to be published. For example, the Act has a broad definition of an “entity” that falls under its mandatory reporting requirements, and upcoming regulations and/or guidance could include specifications as to what constitutes an “entity” or how to address circumstances in which an entity is controlled by another entity. Such clarification would be a welcome addition to the Act, as stakeholders have expressed uncertainty as to whether various businesses are captured as an “entity”. Although regulations and/or guidance are expected to be published, there is no announced publication date.

Goods vs services : Crucially, the Act only imposes reporting obligations on entities producing, purchasing or distributing *goods* in Canada or elsewhere. Services are not covered. The Act has been criticized by some for failing to capture the production, purchase or distribution of services, which is not only relevant for Canada's global supply chains but touches upon domestic economic activity. In September 2023, Tomoya Obokata, UN Special Rapporteur, stated he was deeply disturbed by accounts of exploitation and abuse shared by migrant workers in reference to the risks of modern slavery posed by Canada's temporary foreign worker programmes. Migrants on temporary foreign worker programmes are disproportionately involved in such service industries as “accommodation and food services” and “administrative and support services, waste management and remediation services”. Restricting the Act to reporting on goods results in such activities not being captured.

Reporting model vs due diligence model : The Act, like the *Modern Slavery Acts* in the United Kingdom and Australia, opts for a “reporting model” of compliance in which entities are simply required to report on their corporate practices in prescribed areas.

France's *Duty of Vigilance Act*, in contrast, is an example of a "due diligence model" which requires companies to identify risks of human rights violations in their supply chains and makes them liable for such violations. Critics of the Act have said that by opting out of such a "due diligence model" it does not go far enough, while advocates for the Act in its present "reporting model" form have highlighted the low rates of compliance in jurisdictions that require mandatory due diligence. The Act has far lower thresholds for assets, revenue, and employees than in comparable jurisdictions to qualify as an "entity" for reporting purposes, so a reporting model may strike a balance and ensure corporate Canada is able to properly report on forced and child labour within their supply chains.

Unique remediation measures : One component of modern slavery that has provoked considerable discussion is the extent to which legislators can effectively balance the elimination of forced and child labour with protecting vulnerable families that rely on such labour for their livelihoods. The Bill recognizes these concerns, as annual reports under the Act must include any measures taken to remediate forced or child labour, including any loss of income to the most vulnerable families that results from any measures taken to eliminate the use of forced labour or child labour in an entity's activities and supply chains. This language is unique to Canada: comparable pieces of legislation in other jurisdictions do not explicitly address loss of income to families affected by the elimination of forced or child labour in their remedial measure provisions.



The road ahead

With the Act set to come into force at the beginning of 2024 and the first round of mandatory reports due for submissions at the end of May, "entities" and the Minister are both embarking into unfamiliar territory in this reporting system's inaugural year. It remains unclear whether there will be any delay in the new reporting requirements, but we anticipate that 2024 will nonetheless be an adjustment period for both private-sector issuers and government institutions in navigating this new reporting regime.

For any questions about Bill S-211 and its potential implications for your business and operations, please visit our [Bill S-211 \(Modern Slavery\) Resource Centre](#) or contact one of the authors or key contacts listed below.

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