

Less Than Two Weeks To Go ... Canada Supply Chain Transparency Reports Are Due May 31st



Introduction

The first reports under the [Fighting Against Forced Labour and Child Labour in Supply Chains Act](#) (the “Act”) are **due by May 31, 2024**.

As we previously reported (see [here](#) and [here](#)), the Act came into force on January 1, 2024, and creates a legal obligation on certain organizations to publicly report on the risk of forced labour and child labour in their supply chains. Public Safety Canada has published updated guidance for reporting entities on how to [prepare](#) and [submit](#) their reports.

Updates to government guidance

The federal government most recently updated its guidance on March 20, 2024, including the following:

Report Form and Scope

1. Reports may be submitted in either or both of English and/or French to be compliant. If English and French reports are being submitted, they should be uploaded as two separate PDFs at the end of the submission questionnaire.
2. Only the PDF reports and select identifying information will be made publicly available through the government’s online database. Questionnaire responses will not be made publicly available.
3. The May 31st reporting deadline applies only to the submission of reports. Entities must publish their report to their website at their earliest convenience following submission.
4. The questionnaire should be used as a “resource” rather than a “template” for the preparation of the report. This indicates that more information than is disclosed in the questionnaire responses may be required for a report to be compliant.
5. The 10-page limit has been reduced from a requirement to a recommendation.

Entity Threshold Analysis

6. Entities are responsible for assessing how the Act applies to their specific circumstances, including whether they meet the thresholds.
7. Whether an entity is “doing business in Canada” is based on the [Canada Revenue Agency’s factors](#) for determining if a non-resident is “carrying on business in Canada” for GST/HST purposes.
8. When assessing parent-subsidiary reporting relationships, the parent company and its subsidiaries must each be assessed individually based on their own consolidated financial statements (i.e. the entity being assessed plus any of its subsidiaries but excluding its parent or siblings). If the parent and/or any of its subsidiaries qualify as entities, they may file a joint report if the information contained in the report generally applies to all the joint reporting entities.

Activity Threshold Analysis

9. References to “distribution” and “selling” as reportable activities have been completely removed from the guidance, with renewed emphasis placed on production, importing, and control of an entity engaged in reportable activities. However, “distribution” and “selling” remain reportable activities under the Act. This may signal a change in the scope of reportable activities for future reporting periods, subject to further clarification from the government.
10. Although provincial and municipal government institutions are not captured by the “government institutions” portion of the Act, they may still be captured to the extent they meet the reporting entity thresholds.
11. Whether an entity is engaged in “importing” is based on whether the entity is responsible for accounting for those goods under the *Customs Act*. Entities that buy goods in a domestic transaction, who do not cause the importation, are not, generally, importers. Further, purchasing goods from outside of Canada from a third party, where that third party is considered the importer under the *Customs Act*, does not qualify as “importing”.

Next steps for compliance

Preparing the report and responding to the questionnaire should be undertaken with considerable diligence and care to ensure that the information contained in each is consistent and materially true, accurate, and complete in order to comply with the prescribed board attestation. Given the unique operations and supply chain of each organization, we would be pleased to discuss a customized approach to compliance with the Act and navigating the reporting process.

For preliminary guidance on who needs to report and the high-level required contents of the reports, refer to our prior [Thought Leadership article](#).

We have developed detailed, practical guidance for reporting entities on preparing their first report, including template reports and board approval materials. We would be pleased to advise on the preparation of your report, and to assist with reviewing and finalizing your report and questionnaire prior to board approval and submission. We have experience advising organizations of all sizes, including domestic and foreign corporations, on the application of the Act and reporting best practices.

Given the extensive requirements of the report and questionnaire and the pending deadline of May 31, 2024, it is recommended that businesses begin the process of developing their report as soon as possible. Failure to comply with reporting obligations or remedial measures under the Act may result in summary conviction and fines of up to \$250,000.

The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

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