

Navigating the Supply Chains Transparency Act: What HR Should Know About Forced-Labour Reporting in Canada



In early 2024 Canada introduced a major new regulatory requirement that affects many employers, and if you are in a Human Resources leadership role you should be paying attention. The Act came into force on January 1, 2024. At its core this law requires certain entities producing, importing, or distributing goods to prepare an annual report documenting the steps they have taken during the previous financial year to prevent and reduce the risk that forced labour or child labour is used anywhere in their supply chains.

Although the immediate focus might seem to lie with procurement, sourcing, supply-chain, or compliance teams, HR plays a crucial role in implementation. HR must ensure that the organization integrates policies, training, governance, and reporting mechanisms that align with the legal requirements and the culture risk of forced-labour exposure.

This article walks through the key provisions of the Act, explains how HR should engage, explores practical challenges, offers case examples, and outlines what HR should be doing now to lead their organization toward compliant and ethical practice.

What the Act Requires and Who is in Scope

The Act applies to entities that produce goods in Canada or elsewhere, that import goods produced outside Canada, or that control another entity engaged in those activities. In addition to the nature of the business activity, the organization must meet size or other criteria to be a “reporting entity”. According to the guidance issued by Public Safety Canada (PSC) an entity is required to file if it is listed on a Canadian stock exchange or has a place of business in Canada or does business in Canada or has assets in Canada and in its two most recent financial years meets **two** of the following three: at least CAD 20 million in assets; at least CAD 40 million dollars in revenue; an average of at least 250 employees. The report must be submitted to the Minister of Public Safety by May 31 each year (for the previous financial year) and published in a prominent place on the entity’s website.

A recent update to guidance clarified features such as that “goods” means tangible

physical property subject to trade and commerce (software, services, real property excluded) and that mere distribution or sale (without production/import of goods) may not trigger reporting obligations. As HR you should confirm whether your organization is in scope (or likely to become so) and understand the reporting timeline and public visibility of the filing requirement.

Why it Matters for HR

On first glance the Act may appear to sit squarely within procurement or supply chain management. But for HR the implications are substantial. First, HR is central to governance, oversight, training and culture. The report required by the Act must cover not only supply-chain risk assessment and due diligence, but also training of employees and how the entity assesses its effectiveness. That means HR must partner with compliance, procurement, legal, and operations teams.

Second, forced-labour risk is ultimately a people risk. An organization whose workforce, direct or indirect, is exposed to intolerable labour practices—even at supplier level—faces reputational, regulatory, and operational risk. HR must ensure that human-rights values are embedded in policy, recruited talent understand those values, and employees at all levels are trained to recognize and escalate concerns. Third, HR must help embed the reporting cycle into organizational rhythm: ensure that data is captured, training delivered, governance engaged, and board oversight informed. If your organization falls in scope and fails to report, non-compliance could carry consequences.

Another reason it matters is employer brand and staff morale. Employees increasingly assess their employer's ethical posture. Being seen to tolerate supply chains that rely on forced labour runs counter to modern expectations of corporate social responsibility and can impact engagement, retention, and recruitment.

Practical Issues HR will Encounter

Establishing Governance and Oversight

Reporting entities are required under the Act to describe their policies, due-diligence processes, supply-chain structure, the parts of the business that carry risk, steps taken to manage that risk, any remediation, training and assessment of effectiveness. That is a wide sweep of obligations. For HR this means working early with legal and compliance to define who has oversight, how responsibility flows, how data will be collected, how the board or governing body will approve the report and how the attestation will be signed. As one review of first-year reporting found, while sixty-one percent of surveyed companies reported conducting some form of due diligence and risk assessment, only six percent reported having specific performance indicators in place. HR must ensure that the governance foundation is solid, the roles are clear, and once data starts to flow, the cycle of review and continuous improvement begins.

Training, Awareness, and Employee-Level Engagement

The Act mandates training of employees on forced labour and child labour issues, as part of the required reporting content. That does not mean a one-hour module will suffice. HR must help design or source training that ensures procurement, sourcing, operations, HR business partners, vendor management, and any other relevant functions understand how to map supply chains, detect red flags and escalate appropriately. Employee-level awareness is important because forced-labour risks may manifest in unexpected places: a contract with a small overseas manufacturer, a

new logistics provider, seasonal labour in a remote site. HR needs to prime employees to feel safe raising concerns about suppliers or working conditions they encounter, even if indirectly.

As part of this training, HR should help shape a culture of ethical supply-chain awareness. That means leadership messages, internal communications, inclusion of forced-labour risk in general compliance refreshers, and visible support from the HR and executive team. If employees believe that raising concerns may lead to retaliation or that the organization ignores supplier issues, the risk of hidden problems grows.

Supply-Chain Visibility and Data

One of the most common challenges is visibility. Many organizations can map Tier-1 suppliers—those they directly procure from—but struggle with sub-tier layers where forced labour risk is higher. A supply-chain risk-management vendor noted that simply relying on supplier questionnaires may be insufficient and recommended tools for real-time risk data and mapping. HR may not own the mapping process but needs to understand its importance and champion the link between supply-chain transparency and workforce integrity. HR may also play a role in coordinating supplier-audit findings that involve labour practices or reported concerns of worker mistreatment.

Integration with HR Policies and Supplier Contracting

HR must work with procurement or vendor-management teams to ensure that human-rights risk clauses and forced-labour avoidance requirements are embedded into supplier contracts. One study found only fifteen percent of companies had a procurement policy and only thirteen percent a responsible sourcing policy in their early reporting year. HR may contribute by reviewing how supplier code of conduct aligns with workforce expectations, how remediation of supplier labour problems may affect the employer's own workforce downstream, and how internal workforce and labour-rights standards mirror supply-chain standards.

Public-Facing Reporting and Brand Risk

Each reporting entity must publish its report on its website and may also publish in other jurisdictions if relevant. Failure to publish may impair trust and invite regulatory scrutiny. As one guidance piece emphasizes, reports should disclose concrete actions rather than purely aspirational statements. HR must collaborate with communications and corporate affairs to ensure that report publication is handled appropriately, that the tone aligns with internal culture, and that the organization is ready to answer questions from staff, suppliers, investors, and customers about how it addresses forced-labour risk.

Timelines and Submission Mechanics

Importantly for HR planning, the report deadline is May 31 of each year covering the previous financial year. Organizations whose fiscal year ends on December 31 and submit on May 31, 2025 will cover January 1 to December 31, 2024. Guidance now clarifies how the financial year is matched to submission date. Late or incomplete filings might draw regulatory attention, so HR and compliance teams must build internal timelines, data-collection checkpoints and review workflows.

A Case Scenario to Illustrate HR's Role

Consider a mid-sized Canadian manufacturing company, "Maple Textiles Inc." The company sources fabric overseas and imports finished garments for the Canadian

market. Its HR director, aware of the new Act, convenes a cross-functional task force in late 2024. The task force includes procurement, legal, operations and HR. Its aim is to map major supplier relationships, identify which suppliers are high risk (for example, in countries or sectors with known labour exploitation issues), draft training for staff and suppliers, embed contract clauses requiring supplier adherence to labour-rights standards, and prepare a draft of the annual report for internal review. When procurement reveals a new fabric supplier in a region flagged for forced-labour risk, HR coordinates with sourcing to ensure that the supplier completes a labour-rights questionnaire and arranges for a third-party audit. HR also delivers training sessions for staff in procurement, vendor-management and HR business partner roles, emphasizing how labour-rights issues in the supply chain reflect the company's values and can impact employee morale and retention.

In the following year the company files its report by May 31. It publishes the report on its website and includes a summary in its investor relations materials. In its internal communication HR highlights the report as part of its broader commitment to workplace integrity and social responsibility. As a result the company finds that employee engagement scores in ethical sourcing improve and suppliers become more responsive to labour-rights questions.

This scenario illustrates how HR leadership can convert compliance into culture and risk-mitigation into engagement.

Key Challenges and How HR Can Address Them

Challenge 1: Lack of visibility deep in the supply chain. Many organizations struggle to see sub-tier levels where forced-labour risk is highest. HR can partner with procurement to integrate labour-rights questions into vendor onboarding and supplier audits. HR can also champion whistle-blower or confidential-reporting channels that allow workers or suppliers to report concerns.

Challenge 2: Ensuring training reaches the right people and includes effective content. Standard compliance modules may not cover the complexity of forced-labour risk. HR should ensure the training is targeted at high-risk functions such as procurement, sourcing, contract management and logistics. It should include case studies, supplier scenarios, and an escalation pathway. HR should monitor attendance and outcomes and incorporate forced-labour risk into periodic refresher training.

Challenge 3: Embedding labour-rights risks into contracts, procurement, and HR policies. Supplier contracts must include forced-labour avoidance clauses, periodic supplier audits, remediation protocols and termination rights. From an HR perspective, it is important that internal policies reflect the same standard of respect for human rights that you demand externally from suppliers. This alignment fosters authenticity and credibility.

Challenge 4: Linking reporting obligations to organizational leadership and governance. The annual report must be approved by the governing body and signed or attested. HR must engage senior leadership, ensure they understand the risk and timeline, and build a calendar for review, approval and publication. If the board or executive does not see this as a strategic priority the reporting exercise may become superficial rather than meaningful.

Challenge 5: Managing reputational risk, internal culture and external expectations. Employees, customers, investors and regulators increasingly expect transparency and action. When the annual report appears weak, or when forced-labour issues surface in a supplier, the reputational damage can ripple quickly. HR must coordinate with communications and corporate affairs to ensure internal

alignment, transparency, and consistent messaging that ties supplier labour-rights efforts to corporate values and employee experience.

What HR Should be Doing Now

If you are an HR executive in a Canadian organization that produces, imports, or distributes goods – or if your organization is part of a group that does – you should begin by determining whether your entity is in scope under the Act. If you are not already in scope, you should monitor your supply-chain structure and growth because changes may bring you into scope in future years. Next you should engage with your procurement, legal, compliance and sourcing teams to map your major supply-chain relationships and identify high-risk geographies or product categories for forced labour. Work with these teams to ensure that supplier contracts, due-diligence processes, audit mechanisms, and training programmes reflect forced-labour risk.

From HR's side you should design or source training for employees in high-risk functions, integrate labour-rights risk into your broader policy framework and ensure oversight and approval workflows are in place for the annual report. You should also create an internal calendar aligned with the May 31 reporting deadline, identify data-collection checkpoints, assign responsibility for governance and approval, and build communication plans to publish the report and embed it into employee engagement and employer-brand efforts. Finally, you should measure effectiveness. As the first-year reviews show, many entities have implemented some policies or training, but few have robust performance indicators or metrics. HR should work with colleagues to agree relevant measures—supplier audit completion, supplier responses to questionnaires, internal awareness scores, number of reported concerns raised—and integrate these into your annual reporting and continuous improvement cycle.

Looking Ahead: Beyond Compliance

The Act sets the floor of what is required. But the organizations that treat it as a strategic opportunity rather than a paperwork exercise will gain the most. HR can lead the shift from compliance to culture. Embedding supply-chain transparency and human-rights awareness into employee experience, recruitment messaging, leadership development and performance standards sends a strong signal: your organization stands for integrity not just inside but beyond the four walls. By doing so, you will not only meet regulations but enhance trust with employees, build more resilient supply chains, reduce risk, and reinforce your employer brand.

In the months ahead HR teams should monitor guidance updates from Public Safety Canada. For example, the November 2024 guidance clarified definitions of “goods,” “assets,” “importer”, and other thresholds. Staying current will ensure your calendar, tasks, and responsibilities remain aligned.