



Blakes

Canada's New Supply Chains Act & International Comparisons

June 12, 2025

Overview

1. Introduction
2. Modern Slavery in Context
3. Canada's Legal Framework: Enforcement
4. Key Data from the Inaugural Reporting Cycle
5. Potential Changes in the Legal Landscape
6. Questions



Modern Slavery in Context

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What is Forced Labour?



- **Forced labour** refers to circumstances where a person is providing labour or services under circumstances that could reasonably be expected to cause the person to believe their safety or the safety of a person known to them would be threatened if they did not comply.
- It also includes all work or service which is exacted from any person under the threat of any penalty, such as:
 - threats of being reported to immigration authorities; and
 - keeping travel and identity documents.

What is Child Labour?

- **Child labour** is often defined as work that deprives children of their childhood, their potential and their dignity, and that is harmful to their physical and mental development.
- It refers to work that is performed by persons under the age of 18 and that:
 - is provided in Canada under circumstances that are contrary to the laws in Canada;
 - is mentally, physically, socially or morally dangerous to them; or
 - interferes with their schooling by depriving them of the opportunity to attend school; obliging them to leave school prematurely; or requiring them to attempt to combine school attendance with excessively long and heavy work.



Global Slavery Index (walkfree.org)

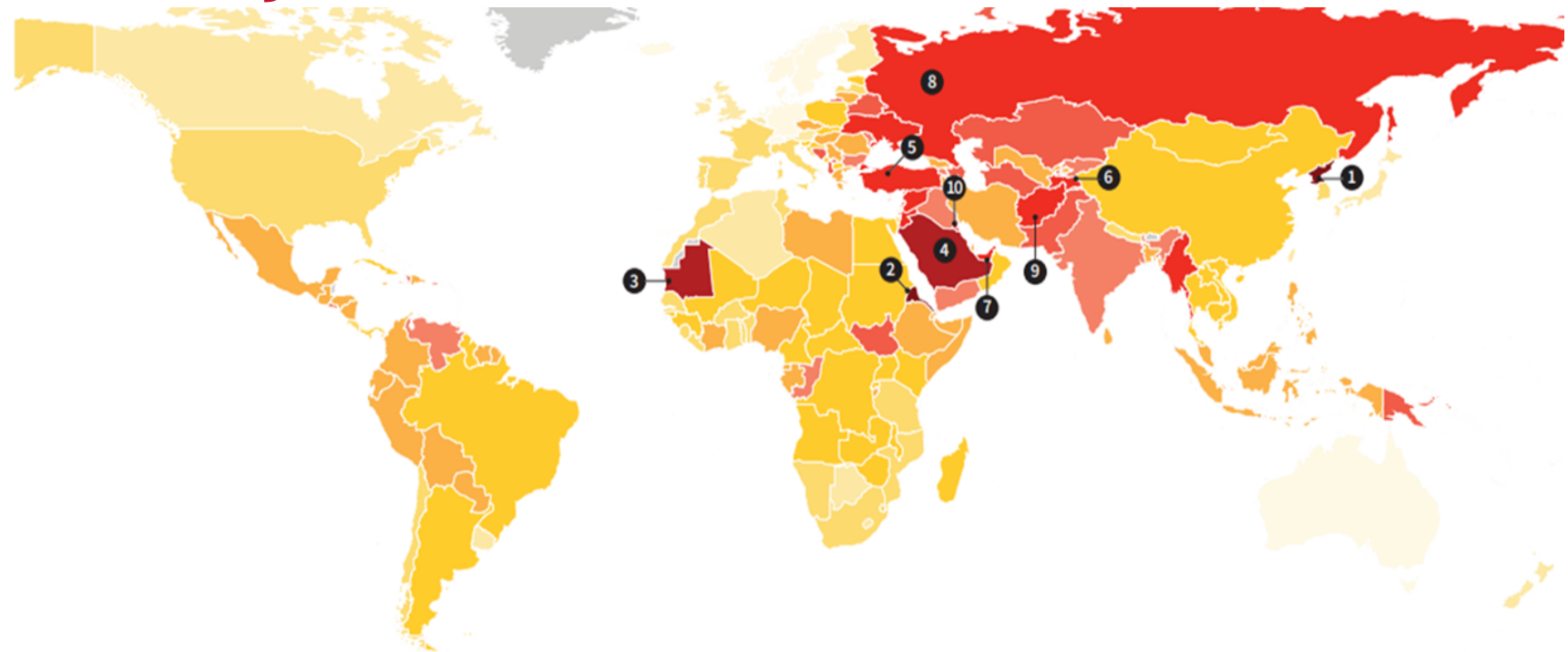
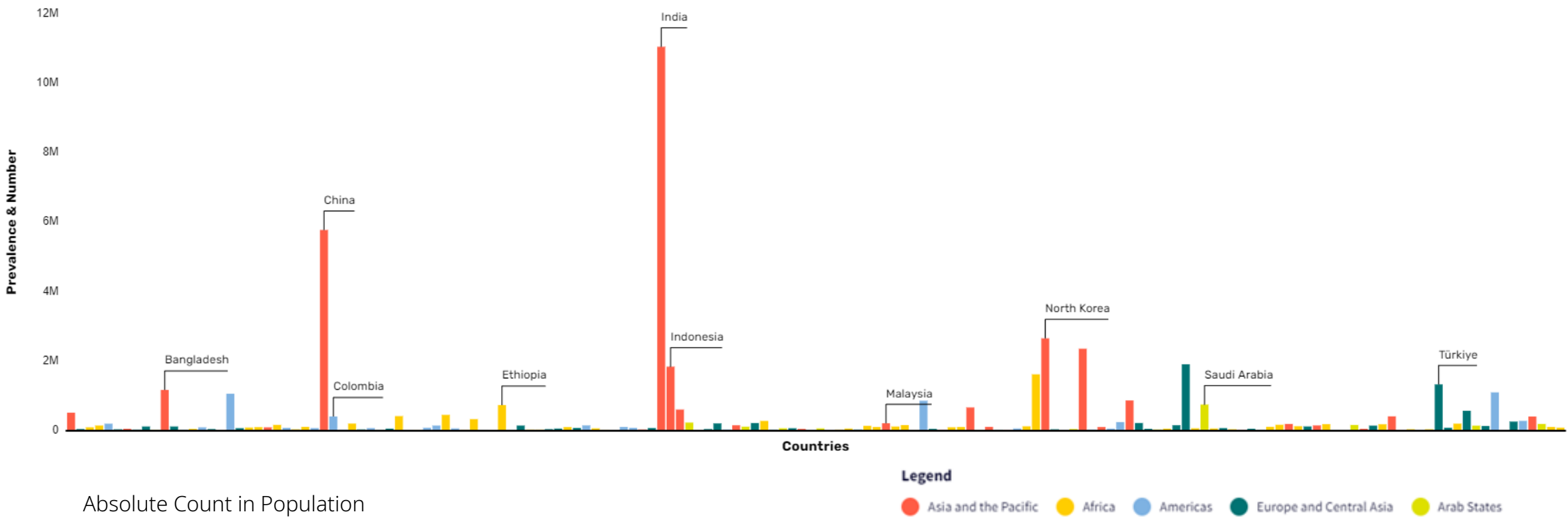


Figure 5
Estimated prevalence of modern slavery by country
(noting estimated prevalence per 1,000 population for the 10 countries with highest prevalence)

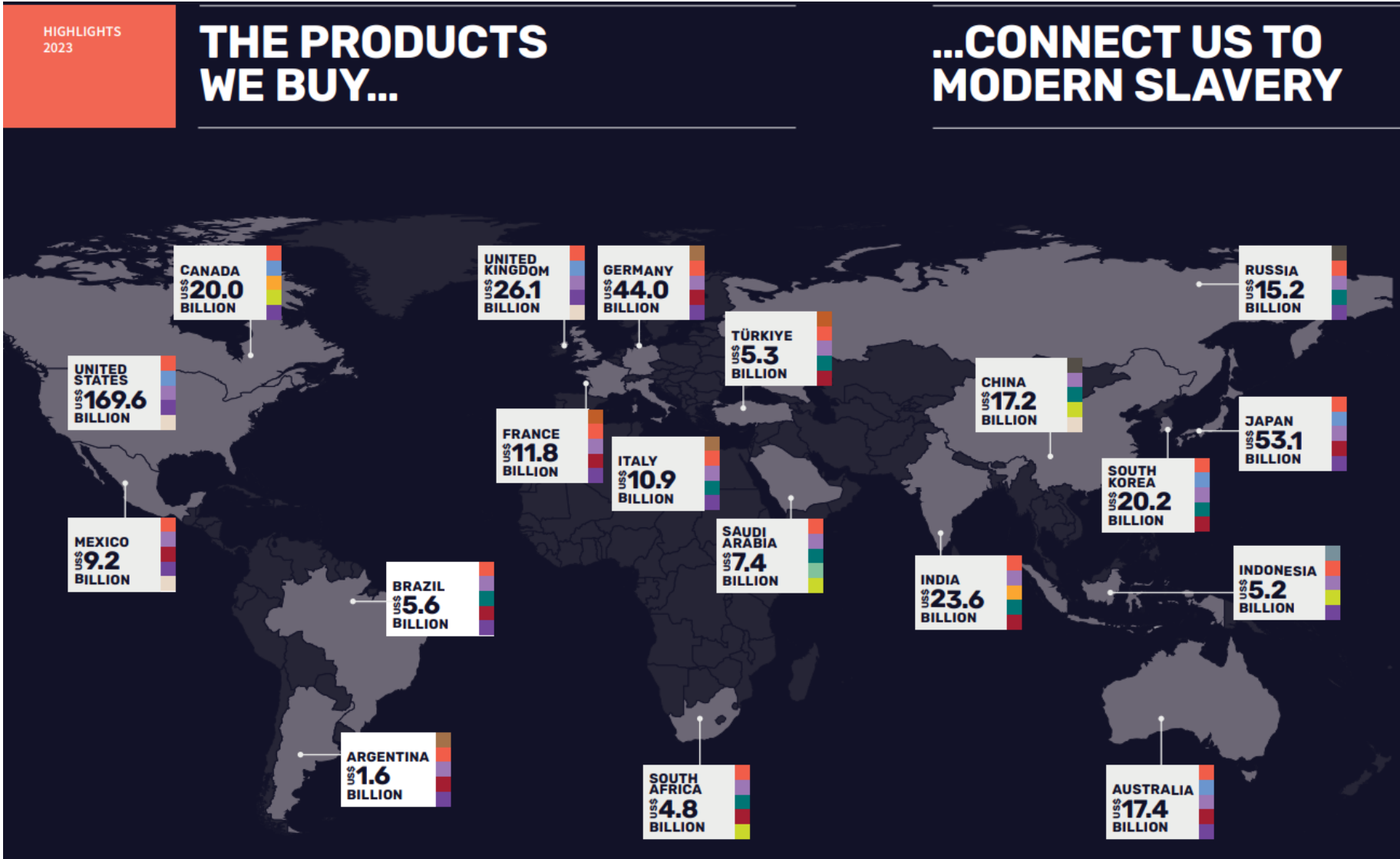


Rank	Country	Prevalence
1	North Korea	104.6
2	Eritrea	90.3
3	Mauritania	32.0
4	Saudi Arabia	21.3
5	Türkiye	15.6
6	Tajikistan	14.0
7	United Arab Emirates	13.4
8	Russia	13.0
9	Afghanistan	13.0
10	Kuwait	13.0

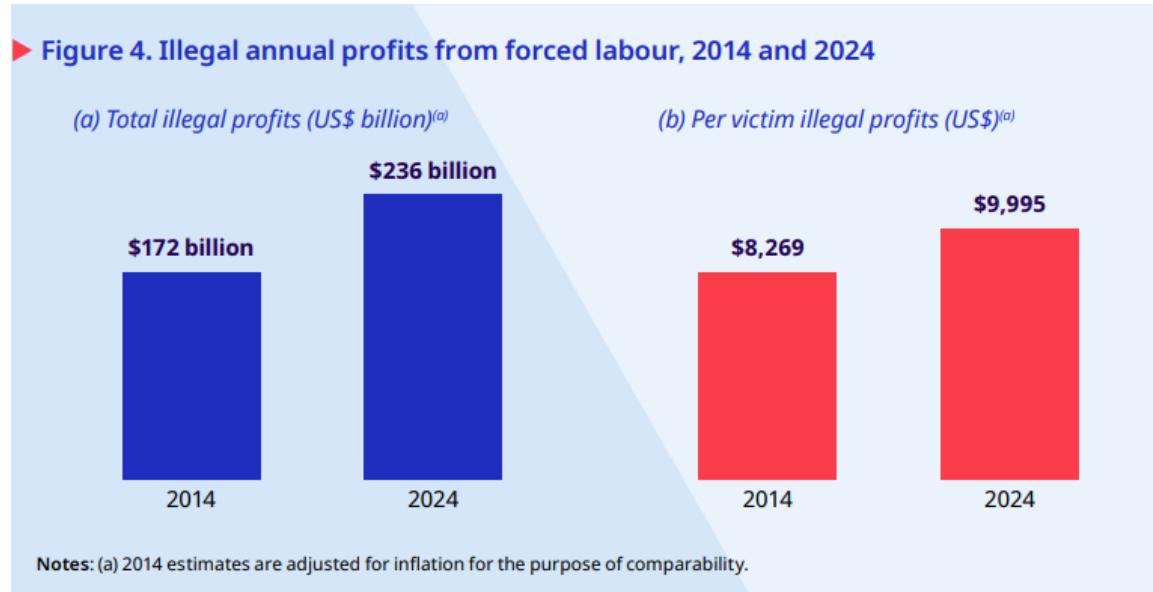
Comparing Prevalence: Population vs Absolute Count (walkfree.org)



The Global Connection: Economics of Modern Slavery (walkfree.org)



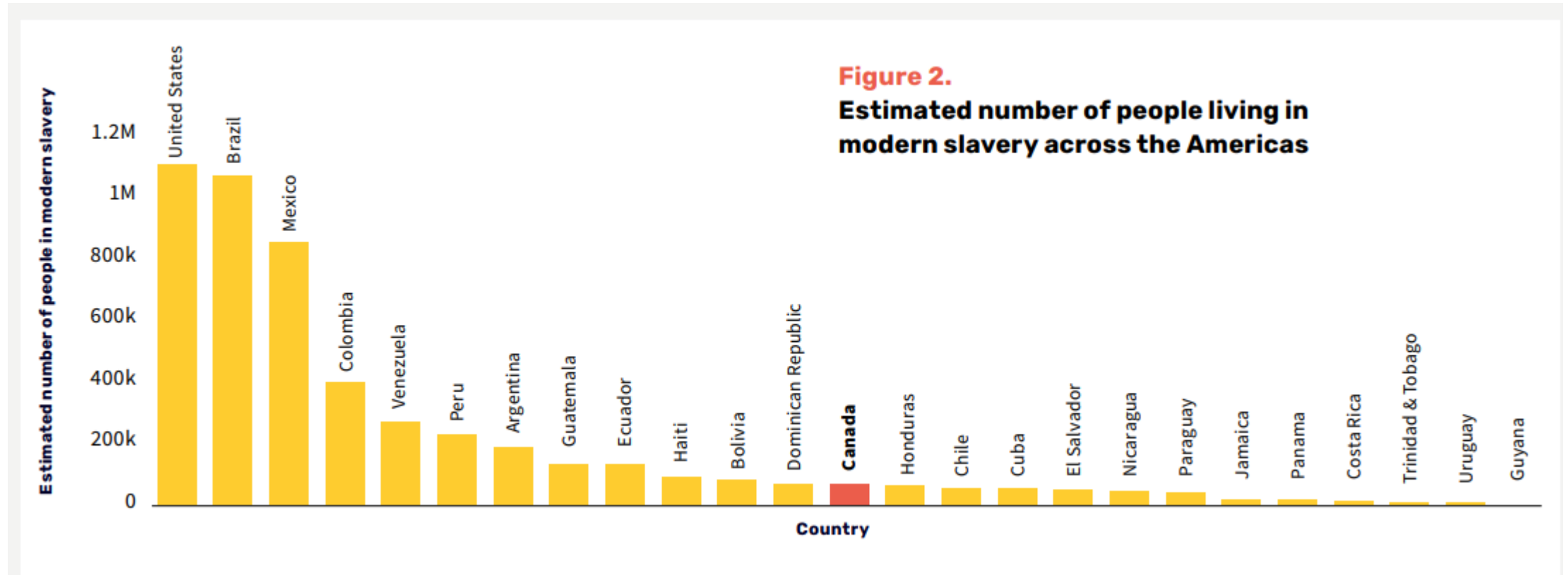
Economics of Modern Slavery: By the Numbers



Source: ILO

- The world's 20 wealthiest economies accounted for about half of the people worldwide living in "modern slavery".
- A simple comparison with the previous estimates of illegal profits published in 2014 (adjusted for inflation) indicates a US\$64 billion rise in illegal profits from forced labour since that time.
- A closer look at the numbers suggests that this rise in illegal profits was driven by both more people in forced labour and more illegal profit being generated from each victim.

Case Study: Canada (walkfree.org)



1.8

**PREVALENCE OF
MODERN SLAVERY**
per 1,000 people

69,000

**NUMBER OF PEOPLE LIVING
IN MODERN SLAVERY**

Importing risk of modern slavery

Canada imported US\$20 billion worth of goods at-risk of modern slavery. This includes:



- Most forced labour occurs in the lowest tiers of supply chains; that is, in the extraction of raw materials and in production stages.

Modern Slavery in Canada

- In early 2023, 64 Mexican-born nationals were rescued from an international labour trafficking ring operating in Ontario.
- They were lured with enticing promises of better living conditions, fair wages and respectable housing, but instead were subjected to poor living conditions, long working hours and inadequate wages.

Police rescue 64 Mexican nationals from 'deplorable' alleged human trafficking ring in Toronto-area



Considerations for Canada's Renewable Energy Sector



Canada's Legal Framework: Enforcement

Canada's Legal Regime: Anti-Slavery Reporting

- In 2023, Canada passed the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* ("**Act**").
- The Act came into effect on January 1, 2024.
- Requires businesses to file public reports about measures they have taken to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods in Canada or elsewhere by the entity or of goods imported into Canada by the entity.
 - contains seven mandatory reporting criteria
 - does not require substantive compliance steps; and
 - only requires truthful reporting about specific topics.
- The reports must be signed and approved by the Board, filed with the Federal Government and posted online.

Legal Overview: Enforcement and Liability

Under the Act: Sections 14-21

- Searches
- Fines
- Personal Liability
- Compliance Reporting

Indirect:

- ESG Risks – Reputational
- Customs Enforcement
- Secondary Market Claims
- CORE Investigations

The Prohibition on Importing Forced and Child Labour Goods



- The *Customs Tariff* prohibits importing goods that are produced, wholly or in part, by forced or prison (and now child) labour.
- Under the *Customs Act*, it is a criminal offence to possess, purchase, sell, exchange, acquire, sell or dispose of imported goods that are prohibited for import.
- Unlawfully imported goods can be investigated and seized by the RCMP and Canada Borders Services Agency.

Key Data from the Inaugural Reporting Cycle

Auditing and Due Diligence

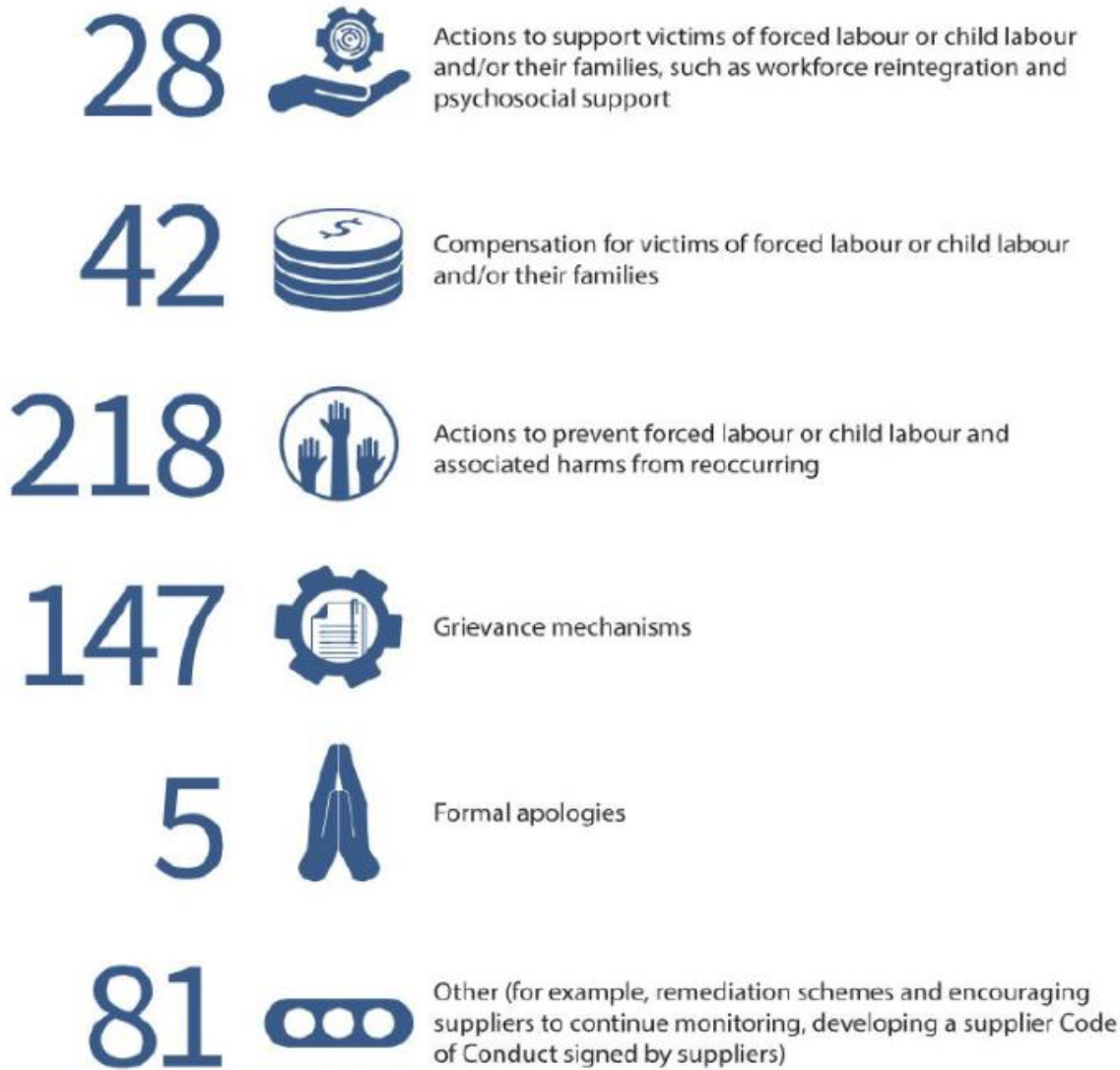
- The Results:

- Approximately one-third of reporting entities (38.2%) confirmed they had identified parts of their activities and supply chains that carried a risk of child and forced labour.
 - 22.4% had not begun the process of identifying risks.
- The most common step selected by reporting entities to prevent and reduce risks in their operations and supply chains was regular audits and monitoring (48.6%).
 - Developing and implementing due diligence policies and processes (44%).
 - Monitoring suppliers (37.5%).
- 71.3% of reporting entities indicated that they have policies and due diligence processes in place related to child and/or forced labour.
 - 61% reported having engaged in some form of due diligence and risk assessment efforts internally.
 - 15% indicated that they send questionnaires to their suppliers;
 - 7% screen their suppliers according to public watchlists (including sanctions lists);

Training and Remediation Measures

- However, less than half of the reporting entities provided training on child and forced labour (44.4%).
 - Of those that provided training, 39.8% indicated that the training was mandatory for all employees.
- 228 (4%) indicated they had taken remediation measures regarding child or forced labour and will continue to identify and address any gaps in their response.
 - 42 entities (0.7%) confirmed they had taken substantial remediation measures regarding loss of income for vulnerable families affected by child or forced labour remediation measures.

Figure 9: Measures taken by entities to remediate instances of forced labour or child labour (Annex Table 11)



Source: 2024 Annual Report to Parliament on the Fighting Against Forced Labour and Child Labour in Supply Chains Act

Potential Changes in the Legal Landscape

Global Regimes: Response to Modern Slavery around the World

Transparency Regimes

- Australia: *Modern Slavery Act 2018*
- The UK: *Modern Slavery Act 2015*
- The EU: Corporate Sustainability Reporting Directive
- California: California Transparency in Supply Chains Act

Due Diligence Regimes

- The EU: Corporate Sustainability Due Diligence Directive
- France: Loi sur le devoir de vigilance (Duty of Vigilance Law)
- Germany: Act on Corporate Due Diligence Obligations in Supply Chains
- Norway: Norwegian Transparency Act

Global Regimes: Import Bans

The United States

- Uyghur Forced Labor Prevention Act (the "UFLPA") prohibits the importation of goods made with forced labour from the Xinjiang Uyghur Autonomous Region of China ("Xinjiang").
- The UFLPA establishes a rebuttable presumption that goods mined, produced, or manufactured wholly or in part in the Xinjiang region, or by entities on the UFLPA Entity List (an extensive list of entities that are presumed to utilize forced labour), are prohibited from entering the United States.

The European Union

- In December 2024, the EU's Regulation Prohibiting Products Made with Forced Labour on the Union Market (the "FLR") entered into force and will take effect on December 14, 2027.
- The FLR prohibits companies from exporting from the EU, or placing or making available on the EU market, any product that was made, in whole or in part, with forced or child labour.

Where We Are Headed: Due Diligence and Enhanced Enforcement



Eradicating Forced Labour from Our Supply Chains

Forced labour is never acceptable anywhere in the world and we must ensure that our global supply chains remain free from these abuses.

That is why in Budget 2024, Canada announced a commitment to eradicate forced labour from Canadian supply chains.

- ▶ The *2024 Fall Economic Statement* announces the government's intent to introduce legislation to create a new supply chain due diligence regime, requiring government entities and businesses to scrutinize their international supply chains for risks to fundamental labour rights and take action to resolve these risks. A new oversight agency will be created to ensure ongoing compliance.
- ▶ The *2024 Fall Economic Statement* announces the government's intent to introduce legislative amendments to strengthen Canada's ban on imports of goods produced with forced labour, including increasing the onus on importers to demonstrate that their supply chains are free of forced labour. To implement these new regimes, the *2024 Fall Economic Statement* proposes to provide \$25.1 million over two years, starting in 2025-26, to Global Affairs Canada and the Canada Border Services Agency.

Source: Department of Finance Canada, *2024 Fall Economic Statement*

Where We Are Headed:



ONE HUNDRED EIGHTEENTH CONGRESS
REPRESENTATIVE CHRISTOPHER H. SMITH, CHAIR
SENATOR JEFF MERKLEY, COCHAIR

September 18, 2024

[...]

We write to lend support to efforts to continue robust implementation of Article 23.6 of the United-States-Mexico-Canada (USMCA) trade agreement, which prohibits "... the importation of goods ... produced in whole or in part by forced or compulsory labor" between our three nations. USMCA partners should take additional steps to build on the progress made to effectively stop the import of goods produced with forced labor into North America.

[...]

We hope that the UFLPA can serve as a model for similar legislation in Canada and Mexico so that North America can truly be a region free of goods produced through forced labor.

[...]

Lastly, we encourage you to consider the upcoming joint review that is scheduled to take place in July 2026 as an opportunity to codify the suggestions above. Making North America a forced labor import-free zone is a goal that would bring credit to each of our countries and benefit all our citizens.

Source: Congressional-Executive Commission on China

- For the period June FY2022 to FY2025 to date, under the ULFPA, the U.S. Customs and Border Protection have detained 15,975 shipments, denied 8,941 and released 5,678.
- As of the end of 2024, the Canadian Border Service Agency (the "CBSA") has intercepted and assessed approximately 50 shipments at the Canadian border. One of these shipments was abandoned at the Canadian border by the importer, with the remaining shipments ultimately being permitted entry.

Questions

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