

Do you still need to report? Thoughts on the second reporting cycle under the Supply Chains Act

March 20, 2025

Given updated guidance from Public Safety Canada (PSC), some businesses that prepared reports on forced labour and child labour in their operations and supply chains in 2024 may not need to report in 2025.

Takeaways

- PSC's updated guidance has clarified the meaning of "assets" and the types of activities that will trigger a reporting obligation under the Fighting Against Forced Labour and Child Labour in Supply Chains Act (the Supply Chains Act).
- Some businesses may no longer qualify as "entities" under the Supply Chains Act, and others that are "entities" may no longer have a reporting obligation.
- Reporting entities should ensure sufficient time to prepare their reports and seek approval from their governing body to meet the May 31, 2025, deadline.

Background

The Supply Chains Act requires certain Canadian businesses to file annual reports describing the steps they have taken to prevent and reduce the risk of forced labour or child labour in their operations and supply chains. The first annual reporting deadline was on May 31, 2024, and was regarded by the PSC as a learning opportunity, with a focus on education rather than enforcement.

Leading up to the inaugural deadline, companies acted quickly to identify the risks in their businesses, compile relevant policies, and identify possible areas of improvement. Heading into the 2025 reporting season, organizations are reminded that the annual reporting requirement requires ongoing, proactive action.

As previously discussed by BLG, [PSC has published updated guidance clarifying issues raised in the first reporting cycle](#) and formalizing many of the lessons that were learned in the past year. We encourage businesses to consider the following tips to ensure a smooth reporting period in 2025.

Your company's reporting obligations may have changed since last year

Given PSC's updated guidance, companies should reconsider whether they meet the definition of "entity," and consider whether they are still required to report under the Supply Chains Act.

One of the most notable updates relates to whether the Supply Chains Act will apply to a particular business. The Supply Chains Act applies to any 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 meets certain size thresholds. The updated guidance has provided important clarification as to how to interpret this definition. For example, the updated **guidance provides that the definition of "assets" should not include intangibles such as intellectual property, securities, and goodwill.** Accordingly, a foreign parent company of a Canadian corporation will not qualify as an "entity" simply by virtue of its ownership of the shares in its Canadian subsidiary.

Separately, the Supply Chains Act requires an entity to prepare a report if it: (a) produces, sells or distributes goods in Canada or elsewhere; (b) imports goods into Canada; or (c) controls an entity engaged in those activities. However, PSC's updated guidance states that—despite the wording of the Supply Chains Act—entities who solely sell or distribute goods are not expected to report, and PSC will not seek enforcement action in such instances.

Allow ample time to prepare the report before the filing deadline

It is important to allow sufficient time for the preparation of a report. Determining whether a business is subject to the Supply Chains Act may already be a complex, time-consuming assessment.

Once applicability is established, there can be a great deal of work involved in preparing a report, including compiling relevant policies and procedures, conducting internal due diligence, and drafting the report itself.

Once the report is finalized, the entity must then obtain approval from its governing body (in most cases, its board of directors) before filing the report. Generally, entities will want to get board approval at a regularly scheduled board meeting, if possible, so as to avoid having to convene a separate meeting, or otherwise approve the report in a manner **permitted by the entity's governing statute and constating documents (for example, by written resolution).**

The Supply Chains Act makes filing after the May 31 deadline a strict liability offence, and late filing is not contemplated. While the statutory filing deadline is May 31, 2025, reports may be filed with PSC as of January 1, 2025. Reporting entities are encouraged to file their reports sooner rather than later.

Do not rely on boilerplate language

It is important not to rely on general language that does not strictly apply to the reporting business. Making a false or misleading statement or providing false or misleading

information to PSC is an offence under the Supply Chains Act. An entity or individual found to have done so may be required to pay a fine up to \$250,000. This provision means that every single statement made within a report must be substantiated by evidence.

PSC’s mandatory questionnaire, which must be completed when filing a report, provides examples of actions taken to prevent and reduce the risk of forced or child labour, such as mapping supply chains, conducting internal assessments, and developing and implementing an action plan for address forced and child labour. These examples should not be flippantly copied into an entity’s report. If an entity states that it has mapped its supply chains, then it should describe its actions in detail, and with specificity.

Further, reports are accessible to the public, and there is some business risk in failing to provide a fulsome report. However, entities should be careful not to exaggerate the steps they took in the prior fiscal year. The Supply Chains Act only requires entities to report their activities, and as of now there are no positive obligations to take further action like due diligence or policy adoption. While entities are encouraged to develop and enforce policies to prevent forced and child labour in their supply chains, they should not risk misleading PSC or the public by overstating the actions they have taken.

Avoid the common errors identified by Public Safety Canada

As discussed above, late filing carries enforcement risks, and it is important to ensure that a report is ready to be filed. Formalities matter, and small, accidental errors or omissions may prevent your report from being accepted by PSC.

The following common errors have been identified by PSC based on reports filed in 2024:

- Submitting the questionnaire without a PDF report: Entities are required to fill out an online questionnaire, file their reports with PSC, and publish a PDF report on their websites. It is important to double-check all attachments when completing the mandatory questionnaire.
- **Marking a report as “revised”**: Revised reports are only appropriate if an entity has already submitted a report for a fiscal year, and is re-submitting a report for that year with changes. When uploading a revised report, the entity must describe the changes made to the original report, and a new board approval and attestation are required.
- Submitting a report without an attestation: A report must include an attestation **signed by a member of the entity’s governing body, confirming that the requisite authority has been obtained.** Without this statement and signature, PSC will not publish the report.
- Submitting the report in an incorrect file format: Reports must be published in PDF format, and other formats such as Word or Excel will not be published by PSC.
- Including personal information in a report: Aside from the name of the individual signing the attestation, reports should not include any personal information, including email addresses that may be added to a signature block as a result of certain electronic filing software. All information included in the report should be general.

Public Safety 's approach to enforcement may be changing

The Supply Chains Act creates several offences in the event of non-compliance. For example, any person or entity that fails to file and publish a report, or knowingly files a report containing false or misleading statements, is guilty of an offence punishable on **summary conviction, and liable to a fine of not more than \$250,000**. Further, an entity's directors, officers, agents and mandataries who directed, authorized, assented to, acquiesced in or participated in the commission of an offence, are also guilty of an offence, whether or not the persons or entities have been prosecuted or convicted.

In its [2024 Annual Report to Parliament on the Fighting Against Forced Labour and Child Labour in Supply Chains Act](#), PSC confirmed that its goal in the first reporting year was to increase awareness and transparency about forced labour and child labour. It did not make any enforcement orders in 2024.

In contrast, PSC has made no such assurances for the 2025 reporting year, and it may begin enforcing the Supply Chains Act more intently. Entities and members of their governing bodies should take special care to abide by all provisions in the Supply Chains Act to avoid significant legal repercussions.

Conclusion

May 31, 2025, is fast approaching, and entities should not delay in preparing their reports for the 2024 fiscal year. For more information on modern slavery reporting requirements, or how to strategically implement adequate policies and practices, please visit BLG's [Canada's Supply Chains Act \(Modern Slavery Regulation\) Resource Centre](#).

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