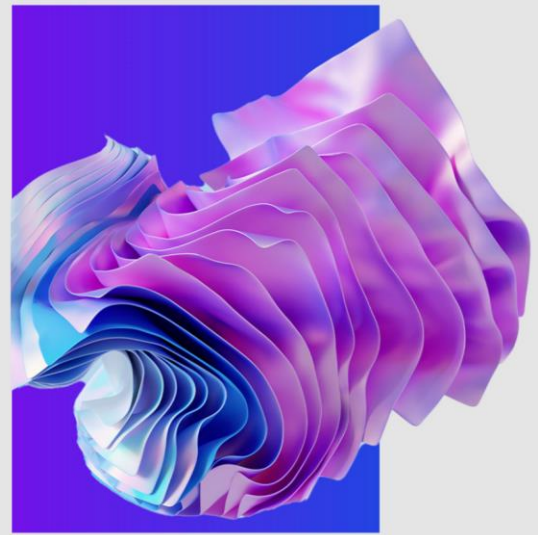


# Addressing modern slavery in supply chains

Understanding the requirements of Canada's *Fighting Against Forced Labour and Child Labour in Supply Chains Act*



Globally, 49.6 million people live in modern slavery.<sup>1</sup> In Canada, over \$43.0 billion worth of goods that Canadians buy and consume each year may be at risk of being produced by child labour according to World Vision.<sup>2</sup>

## Modern slavery is often hidden in plain sight

Modern slavery is work performed involuntarily and / or under the threat of penalty, and is a risk hidden within plain sight in complex supply chains. It includes forced labour, a situation in which a person is coerced to work through use of violence, intimidation, or by more subtle means such as manipulated debt, retention of identity papers and/ or threats of denunciation to immigration.<sup>3</sup> Child labour is another form of modern slavery, which includes work that is mentally, physically, socially, or morally dangerous for children, or interferes with their right to education.<sup>4</sup>

As public awareness increases, key stakeholders such as customers, employees and investors are demanding organizations address modern slavery as part of their environmental, social and governance (ESG) commitments.

Over the past decade, various governments have enacted legislation intended to hold businesses accountable for the workers impacted by their operations.

## Canada's response

In-line with international legislation in the U.K., U.S., Germany, Australia and France, Canada is stepping up its response to forced labour and child labour by imposing new reporting obligations to increase corporate supply chain transparency.

Under the *Fighting Against Forced Labour and Child Labour in Supply Chains Act*, which was passed on May 11, 2023, publicly traded – and certain privately held businesses that import, produce, sell, or distribute goods in Canada or elsewhere, or control an entity that engages in such activity – must publicly disclose steps taken to address the risk of forced labour and child labour in any stage of their production process.



The law comes into effect on January 1, 2024. Boards will be responsible for signing off on a mandatory public report due May 31 of each year, with the first report due on May 31, 2024. The report will be published on a publicly available registry that can be accessed by investors, employees, competitors, lenders, and other stakeholders.

## Key risk factors

Under the new modern slavery law, Canadian companies will be required to report annually<sup>5</sup> on:

- 1 The steps taken in the previous financial year to prevent and reduce the risk that forced labour or child labour is used at any step in the production of goods.
- 2 Their structure, activities, and supply chain – including both direct and indirect suppliers.

<sup>1</sup> [https://www.ilo.org/wcmsp5/groups/public/---ed\\_norm/---ipec/documents/publication/wcms\\_854733.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---ipec/documents/publication/wcms_854733.pdf)

<sup>2</sup> <https://www.worldvision.ca/about-us/media-centre/addressing-canada%E2%80%99s-child-labour-problem-now>

<sup>3</sup> [https://www.ilo.org/dyn/normlex/en/f?p=1000:12100:0:NO::P12100\\_ILO\\_CODE:C029](https://www.ilo.org/dyn/normlex/en/f?p=1000:12100:0:NO::P12100_ILO_CODE:C029)

<sup>4</sup> <https://www.ilo.org/pec/facts/LOconventiononchildlabour/lang--en/index.htm>

<sup>5</sup> <https://www.parl.ca/LegisInfo/en/bill/44-1/S-211>

- 3 Policies and due diligence processes relating to forced labour and child labour.
- 4 Parts of the business and supply chain that carry risks of forced labour or child labour, and the steps taken to assess and manage that risk.
- 5 Measures taken to remediate forced labour or child labour.
- 6 Measures taken to remediate the loss of income to vulnerable families.
- 7 Training provided to employees on forced labour and child labour.
- 8 How the company assesses effectiveness in ensuring that forced labour and child labour are not used in the business and supply chain.

If the company does not have a substantive program:

- 1 The Canada Border Services Agency (CBSA) may search and seize the company's goods at the border.
- 2 The company may suffer reputational damage, impacting its access to capital, employee retention and recruitment, and customer relationships.

## Understanding and managing your business risk exposure

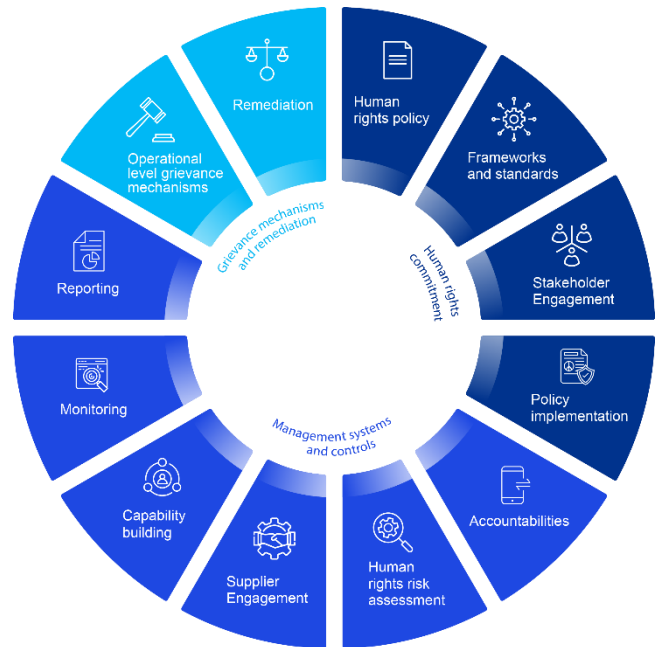
As per 2021 Global estimates, modern slavery crimes have increased by 23% from 2016 to 2021, taking place at an alarming rate across the globe.<sup>6</sup>

Businesses need to exercise proper due diligence to prevent exposure, taking the proper steps to identify and mitigate risks and ensuring the appropriate documentation, processes, policies, and training programs are in place. The requirements for due diligence are well established in Canadian law, as it is often raised as a defense to criminal and regulatory proceedings (including health and safety, environmental law, and customs violations).

The more complex your business operations and supply chain, the more important it is to get ready early. The actions your business takes over the coming months will be the foundation of your company's first public statement on forced labour and child labour.

### How we can help

KPMG in Canada has practical experience assisting clients at every step, from those first starting out, to leaders in the field. There are three (3) key steps you need to take to manage your risk and get ready to report: (i) assess your current risk areas; (ii) implement actions; and (iii) monitor, report and demonstrate continuous improvement.



## KPMG's modern slavery assessment

KPMG's cross functional team can help you navigate and address the complex requirements of this legislation:

- Our diverse professional backgrounds, including business, law, policy, procurement, customs, risk management and sustainability, can offer you a holistic and tailored approach grounded in extensive practical experience and subject matter knowledge.
- We leverage our broader KPMG capabilities, including supply chain, trade and customs, internal audit, risk consulting, data analytics, technology, and innovation.
- We can harness additional global experience and capability through KPMG's Global Business and Human Rights Network across more than 50 countries.

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Information is current as of May 11, 2023. The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that I will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

<sup>6</sup> <https://www.ilo.org/global/topics/forced-labour/lang-en/index.htm>