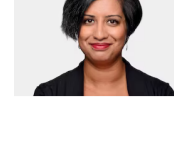


OPINION

Canada's modern slavery act sets the floor, not ceiling, for businesses to ensure ethical supply chains



RITA TRICHUR >

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Highliner Trawlers sit idle in Lunenburg, NS. The company, which began scrutinizing its suppliers this fall, severed ties with Yantai Sanko Fisheries, a plant in China that is alleged to have used Uyghur forced labour.

SANDOR FIZLI/THE GLOBE AND MAIL

High Liner Foods Inc. [HLF-T](#) **-0.28%** ▼ learned the hard way about risks lurking in its supply chain.

The Nova Scotia-based seafood company, which began scrutinizing its suppliers this fall, severed ties with [Yantai Sanko Fisheries](#), a plant in China that is alleged to have used Uyghur forced labour. It took action after a journalism non-profit, the [Outlaw Ocean Project](#), published an investigative story, [including in The Globe and Mail](#), that found High Liner was among the North American importers purchasing Chinese seafood caught by exploited workers.

[Human rights groups are now urging the federal government to sanction seven Chinese businesses for systemic abuse of Uyghur workers in China's seafood industry](#), [The Globe reported on Friday](#).

Sanctions are a start. But the revelations, which prompted other food companies and retailers to probe their vendors, should also serve as a wake-up call for the broader business community about the potential for forced labour to be concealed in their supply chains.

Business leaders cannot afford to be caught flat-footed by the legal and reputational risks. Forced labour is a form of human trafficking and our trading partners, including the United States, are demanding that Ottawa enforce ethical supply chains.

Furthermore, Canada's modern slavery act takes effect in the new year. To its credit, the Trudeau government has made it clear this law is only the first step it will take to eradicate modern slavery and child labour from supply chains.

Officially known as the [Fighting Against Forced Labour and Child Labour in Supply Chains Act](#), the legislation flows from provisions of the United States-Mexico-Canada trade agreement, or USMCA, that prohibit forced labour.

The new law will enable Ottawa to accomplish two main goals, legal experts say. Firstly, it amends Canada's customs tariff to explicitly ban the importation of goods made in whole or in part by forced labour or child labour.

"Canada is really one of the first movers to include child labour in these types of prohibitions," said Sean Stephenson, a lawyer focusing on international trade and anti-corruption at law firm Dentons Canada LLP.

Secondly, the legislation creates mandatory reporting requirements for a large number of businesses and government institutions. (During the COVID-19 pandemic, [the government found itself in the awkward position of ending a contract with a Malaysian glove manufacturer over allegations of forced labour](#).)

Public companies listed on any stock exchange in Canada are automatically captured by the legislation. As are other businesses or entities, such as trusts, that meet two of the following three specifications: \$20-million or more in assets; at least \$40-million in revenue or a minimum average of 250 employees.

As for the reporting requirements, companies must provide information on an annual basis about their structure, supply chains and the various actions taken to prevent or correct modern slavery and child labour. That report must also include other pertinent details including how a business would gauge the efficacy of its policies and procedures to guard against modern slavery.

The first batch of reports, which need to be signed off by a corporation's board of directors, must be filed with the government by May 31, 2024.

"Interestingly, there is a specific liability provision for directors and officers. So, it's sort of a nudge to folks who will be in the decision-making powers that you need to take this seriously," Mr. Stephenson added.

The government plans to compile the reports in an online registry that will be accessible to the public so that consumers and businesses can make informed purchasing decisions.

Companies will also be required to post the reports on their websites, but only those governed by federal legislation, including the Canada Business Corporations Act, will be required to provide a copy of the report to investors.

Sadly, moral suasion has its limits in the business world. That's why our premiers must step up and ensure that provincially incorporated companies are also required to provide reports directly to investors and, in the case of public companies, to regulators through securities filings. In this day and age, burying a report on a corporate website isn't proper disclosure.

Of course, simply having a new law on the books isn't enough either. If the government is resolute in its promise to eradicate modern slavery from Canadian supply chains, then enforcement is key.

"Canada's enforcement of import bans related to goods manufactured by forced labour has also attracted scrutiny; Canadian authorities have only seized one shipment to date, and this shipment was released after a challenge from the importer," states an article authored by lawyers at Borden Ladner Gervais LLP in October.

"This is in stark contrast to Canada's southern neighbours: the United States seized almost \$1 billion worth of goods between late June 2022 and mid-April 2023 alone."

Legal experts agree that Canada's new legislation isn't nearly as burdensome as laws enacted by France and Germany, which require companies to conduct more rigorous due diligence of their suppliers.

Perhaps that's why the [Liberal government has dropped hints](#), including in the federal budget, that there could be more to come on the legislative front to root out modern slavery and child labour from Canadian supply chains.

Businesses, however, should do more than the minimum required by this new law. Modern slavery is an affront to human dignity. When lives are on the line, legislation isn't a substitute for corporate leadership.

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351 King Street East, Suite 1600, Toronto, ON Canada, M5A 0N1

Andrew Saunders, President and CEO

