

To: Regional and Corporate Services Committee

Date: 2024-04-11

From: Kelly Lownsborough, Director of Corporate Services & CFO

File No:

**Subject: Canada's New Forced Labour Act & Reporting Requirements**

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### INTENT

This report is intended to advise the Fraser Valley Regional District Board of information pertaining to **Canada's new Forced Labour Act and reporting requirements**. Staff is not looking for a recommendation and has forwarded this information should members want more clarification to discuss the item further.

### BACKGROUND

Canada passed new legislation, *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the "Act") in May 2023, which came into effect on January 1, 2024. The purpose of the Act is to increase **transparency in Canada's supply chain, but it also gives the Canada Border Services Agency the right to** seize goods if they reasonably believe the goods have been produced using forced and/or child labour. The Act applies to local governments if they are selling, distributing, producing or importing goods. This could include imports such as parts for machinery, materials used for public works or products that are sold to customers.

The Act requires annual reporting in relation to **workers in the local government's extended supply chain**. It needs to describe the full (direct and indirect) supply chain and any any measures to identify and manage risks of forced and / or child labour within the supply chain. The report must be publicly posted on a government registry and website.

The Board will be required to attest to the report. Both the government, its senior management and Board could face criminal penalties of up to \$250,000 if the report is not filed or if its contents are inaccurate.

### DISCUSSION

The legislation applies broadly including to local governments that meet the requirements and thresholds identified below:

1. Their activities include producing, selling, or distributing goods in Canada or elsewhere; importing goods into Canada; or controlling an entity engaged in producing, selling, distributing or importing goods;
2. They have a place of business in Canada, do business in Canada or have assets in Canada; and
3. Based on consolidated financial statements, they meet at least 2 of the following conditions for at least 2 of its most recent financial years: (a) at least \$20 million in assets, (b) at least \$40 million in revenue, and/or (c) an average of at least 250 employees.

The Act's definition of government institution does not capture provincial and municipal governmental institutions; though requires all organizations to refer to the definition of entity to assess whether the Act applies to them. KPMG has advised that the Act applies to the FVRD, based on the above criteria, despite the fact that the importation of goods is not material to or the primary activity of the organization.

Local governments are required to file a report by May 31, 2024 if they meet the above criteria. Staff will work with the KPMG on the preparation of the report which will be brought forward to the May Board meeting.

## COST

Staff are working with KPMG on the report and expect the cost to be under \$10K and will be funded from existing budgets.

## CONCLUSION

Canada passed new legislation, *Fighting Against Forced Labour and Child Labour in Supply Chains Act* in May 2023, which came into effect on January 1, 2024. The purpose of the Act is to increase **transparency in Canada's supply chain, but it also gives the Canada Border Services Agency the right to** seize goods if they reasonably believe the goods have been produced using forced and/or child labour. While the Federal Government clarified that local governments are not required to report, KPMG has advised that the Act applies based on the definition of entity and the fact that the FVRD imports goods from time to time. The FVRD will work with KPMG to prepare a report and bring back to the Board for the May meeting, in advance of the reporting deadline.

## COMMENTS BY:

Jennifer Kinneman, Chief Administrative Officer: Reviewed and supported.