



California Corporate & Securities Law

California To Require Website Disclosure Regarding Efforts To Eradicate Slavery And Human Trafficking

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In this [post](#), Broc Romanek declares the new federal conflict minerals disclosure requirement to be the “Dodd–Frank sleeper”. Here in California, I think the “sleeper” of its 2009–2010 legislative session is the [California Transparency in Supply Chains Act of 2010](#). This legislation, SB 657, was sponsored by the Alliance to Stop Slavery and End Trafficking and introduced by Senator [Darrell Steinberg](#). You can watch former Governor Schwarzenegger sign the bill at the [Museum of Tolerance](#) in Los Angeles in these videos ([Part 1](#) and [Part 2](#)).

This new law will require retail sellers and manufactures doing business in this state to disclose their efforts to eradicate slavery and human trafficking from their supply chains for tangible goods offered for sale. Cal. Civ. Code § 1714.43(a). To be subject to this new requirement, a retail seller or manufacturer must have annual worldwide “gross receipts” that exceed \$100,000,000. The Act includes definitions of “doing business in this state”, “gross receipts”, “manufacturer” and “retail seller”.

The Act requires a retail seller or manufacturer to post the required disclosure on its website. If the company doesn’t maintain a website, then it must provide consumers with a written disclosure within 30 days of receipt of a written request.

The required disclosures must, at a minimum, set forth the extent to which, if any, a retail seller or manufacturer does each of the following:

- Engages in verification of product supply chains to evaluate and address risks of human trafficking and slavery. The disclosure must specify if the verification was not conducted by a third party.
- Conducts audits of suppliers to evaluate supplier compliance with company standards for trafficking and slavery in supply chains. The disclosure must specify if the verification was not an independent, unannounced audit.
- Requires direct suppliers to certify that materials incorporated into the product comply with the laws regarding slavery and human trafficking of the country or countries in which they are doing business.
- Maintains internal accountability standards and procedures for employees or contractors failing to meet company standards regarding slavery and trafficking.

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- Provides company employees and management, who have direct responsibility for supply chain management, training on human trafficking and slavery, particularly with respect to mitigating risks within the supply chains of products.

Note that the Act's disclosure requirement does not take effect until January 1, 2012.

The Act provides that the exclusive remedy for a violation is a suit for injunctive relief brought by the California Attorney General. In order to provide the Attorney General with the information needed to enforce the Act, the Franchise Tax Board is required to provide a list of retail sellers and manufacturers subject to the Act. The list is to be based on tax returns for taxable years beginning on or after January 1, 2011.

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