

January 1, 2012 Deadline for Large Companies Doing Business in California to Publicly Disclose Efforts To Eradicate Slavery and Human Trafficking in Supply Chain

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Publication Date: November 08, 2011

The California Transparency in Supply Chains Act of 2010 (Cal. Civ. Code § 1714.43 and Cal. Rev. & Tax. Code § 19547.5) (the "Act"), requires retail sellers and manufacturers doing business in California and having annual worldwide gross receipts that exceed \$100 million to disclose their efforts to eradicate slavery and human trafficking from their direct supply chains for tangible goods offered for sale. Effective January 1, 2012, a covered entity must post disclosures on its Internet website (or if it does not have a website, disclose in response to a consumer request), to what extent, if any, that the 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 against trafficking and slavery in supply chains. The disclosure shall 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.
- Provides to 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.

Whether an entity is covered by the Act depends on whether it designates manufacturing or retail trade as its principal business activity code (many principal business activity codes fall under this description), as reported on the entity's tax return filed under Part 10.2 (commencing with § 18401) of Division 2 of the Revenue and Taxation Code.



The Act does not require companies to take any specific action, other than to disclose their efforts as detailed above. The legislature declared that requiring public disclosures will allow consumers "to distinguish companies on the merits of their efforts to supply products free from the taint of slavery and trafficking."

It is critical that covered entities investigate and accurately describe their activities, if any, on their websites. While the exclusive remedy under the Act for a violation is an action by the California attorney general for injunctive relief, the Act expressly states that nothing in the section shall limit the remedies available for a violation of any other state or federal law. Thus, the plaintiffs' bar may seek to base claims for unfair competition or false advertising under Business & Professions Code sections 17200 et seq. and 17500 et seq., or purported violations of the Consumer Legal Remedies Act, Cal. Civ. Code section 1770 et seq., on allegations that retailers or manufacturers have made misleading statements in the disclosures called for by the Act.

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