

California Enforces Transparency in Supply Chains Act

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The Attorney General of California has recently sent letters to more than 1,700 companies notifying them that the State is enforcing the California Transparency in Supply Chains Act, which became effective in 2012. The Act requires large retailers and manufacturers doing business in California to disclose “conspicuously” on its websites “efforts to eradicate slavery and human trafficking from [their] direct supply chain for tangible goods offered for sale.” The law applies to any company doing business in California, having annual worldwide gross receipts in excess of \$100 million, and identifying itself as manufacturers or retailers on its California state tax returns.

Companies subject to the Act must post disclosures on its websites stating at a minimum that the company is:

- Engaging in verification of product supply chains to evaluate and address risks of human trafficking and slavery and disclosing whether the verification is being done by a third party
- Auditing suppliers to evaluate compliance with company standards for trafficking and slavery
- Requiring direct suppliers to certify that materials used comply with trafficking and slavery laws
- Maintaining internal accountability standards for suppliers failing to meet company trafficking and slavery standards
- Providing company employees with training particularly to mitigate risks within product supply chains.

All companies to whom the Act applies, must post a disclosure – even if the disclosure states that the company has not taken any action with regard to the five areas above. In light of the recent letters by the California’s AG’s office, there could be civil actions brought for injunctive relief.