

Lead Your Industry By Preventing Slavery and Human Trafficking In the Supply Chain



On January 1, 2012, **California's Transparency in Supply Chains Act ("SB 657")**

California Civil Code Section 1714.43(a) becomes effective. This means that every "retail seller" and "manufacturer" "doing business" in California that has annual "gross receipts" in excess of \$100 million (as of January 1, 2011) will need to:

- 1) To disclose to what extent, if any, it evaluates and addresses the risk of slavery and human trafficking in its products supply chain and whether a third party conducted the evaluation.
- 2) To disclose whether it audits its suppliers and whether the audits are independent and unannounced.
- 3) To disclose whether it requires its direct suppliers to certify that materials of the products comply with applicable laws on slavery and human trafficking.
- 4) To disclose whether it holds employees and suppliers accountable and if so, what the internal accountability standards are for employees or suppliers who fail to meet the standards.
- 5) To disclose whether it trains employees on mitigating the risk of slavery and human trafficking in the product supply chain.

The required disclosures must be posted on the company website with a conspicuous and easily understood link to the information on the homepage. (If the company does not have a website, a consumer must be provided the disclosures in writing within 30 days of requesting it.)

In the event that you might wonder how big an issue slavery and human trafficking is, here are some staggering statistics provided by [CASTLA](#)*:

- According to CIA estimates, as many as 15,000 to 17,500 men, women and children are trafficked into The United States every year.

- States such as California, Florida, New York, Nevada and Ohio are particularly vulnerable to human trafficking because of factors such as: proximity to international borders, number of ports and airports, significant immigrant population, and large economy that includes industries that attract forced labor.
- Los Angeles is one of the top three points of entry into this country for victims of slavery and trafficking. The diverse communities of this sprawling city make it easier to hide and move victims from place to place, making it very difficult for law enforcement to locate potential survivors.
- It is the fastest growing criminal enterprise in the 21st century – a nine billion dollar industry.

SB657 was enacted with the intent to inform consumers as to which companies are acting socially responsible so that consumers can choose not to patronize those that are not socially responsible, and to even the playing field for socially responsible companies that refuse to work with suppliers that use forced labor in competing against companies that have reduced costs because they do.

What is interesting about SB657, however, is what it does NOT do. It does NOT require anything beyond the disclosures set forth above. For example, a company *can* comply with the Act by stating that it has no policy regarding and does not monitor labor conditions involved in the production of its products or the materials incorporated in its products. It also does not have to actively ensure that its suppliers monitor labor conditions. Also, it does NOT apply to companies with annual gross receipts less than 100 million dollars. Last, its remedy for violating SB657 is an action by the State attorney general for injunctive relief. In other words, there is no financial penalty, which in itself undermines its “bite,” so to speak. (The Act does not limit remedies for other statutory violations that give private right of actions, injunctive relief, damages and attorneys fees.)

Despite these limitations, **SB657 gives all companies that manufacture or sell products and their suppliers an opportunity to demonstrate leadership by going beyond the statutes disclosure requirements.** Companies can “raise the bar” and act beyond the basic disclosure requirements of the statute. These “above and beyond” actions may include:

- 1) Raising awareness in the industry about slavery and human trafficking with press releases and PR campaigns that show their companies commitment to eradicating slavery and human trafficking.
- 2) Auditing the companies supply chain and ensuring that there are multiple avenues for employees to file grievances in the event that they are aware of unsafe work conditions, unfair labor practices and other conditions which give rise to human trafficking.
- 3) Training their suppliers about steps to take in preventing human trafficking and slavery in their countries and industries.

- 4) Refusing to do business with suppliers known for employing recruitment agencies that make the workers pay broker/agent/ recruitment fees or work visas.
- 5) Donating to [nonprofits](#) and organizations dedicated to eliminating human trafficking around the world.

Some online resources* on the topic are:

- Apple has been transparent with its [audit and report](#): It's audit was conducted a nongovernmental organization, [Verite](#) and the [Fair Labor Association](#).
- Verite has a [website](#), which is dedicated to stopping human trafficking and has many downloadable documents on topic.
- The Human Rights Organization just put out a [2011 report](#).

Finally, companies that do not have to comply with the statute because they do not have receipts less than \$100 million or do business in California can also take a stance against slavery and human trafficking thereby making them attractive as potential partners already in compliance to companies that are required to comply with it.

For companies that do not do business in California, note that on August 1, 2011 Rep. Carolyn Maloney (D-NY) introduced H.R. 2759, the [Business Transparency on Trafficking and Slavery Act](#), a bill modeled after the California Transparency in Supply Chains Act. The bill would require companies to disclose efforts to identify and address the risks of human trafficking, forced labor, slavery, and the worst forms of child labor in their supply chains.

* I do not endorse or do business with any of these businesses or organizations.