

Client Alert

April 9, 2015

California AG Initiates Supply Chain Act Disclosure Review; Enforcement Actions Likely to Follow

By David F. McDowell and Purvi G. Patel

The California Attorney General has kicked off a campaign to ensure that companies are complying with their obligations under the state's Transparency in Supply Chains Act of 2010. On April 1, 2015, the AG's office sent letters to companies it believes may be subject to the Act seeking reports on compliance with the Act's disclosure obligations within 30 days. While self-reporting on compliance is voluntary, we expect that the AG will focus enforcement investigations on non-responders and those companies that report that they are noncompliant.

Under the Act, retailers or manufacturers doing business in California with annual worldwide gross receipts that exceed \$100,000,000 must disclose what efforts they take to eradicate slavery and human trafficking from their supply chains. This disclosure must be accessible from an easily understood link on the business website's homepage.

The Act does not require that a company undertake any specific efforts. Rather, the Act requires the company to disclose what, if anything, it does in the following areas:

1. **Verifications** – What does the company do to evaluate and address the risk of human trafficking and slavery in product supply chains?
2. **Audits** – Does the company audit suppliers for compliance with the company's standards regarding human trafficking and slavery and are these audits independent and/or unannounced?
3. **Certifications** – Did the company require direct suppliers to certify that materials in the goods supplied comply with laws regarding human trafficking and slavery in the country or countries in which the supplier does business?
4. **Accountability** – Does the company maintain procedures for keeping employees and contractors who fail to meet the company's standards regarding human trafficking and slavery accountable?
5. **Training** – What is the scope of training regarding human trafficking and slavery, to employees and management who have direct responsibility for supply chain operations, focusing on mitigating the risks within the supply chains?

If you received a letter from the AG's office and do not yet have the required disclosure on your website, you have a 25-day window of opportunity to get into compliance before the first wave of self-reporting is due. Because we have already worked with numerous companies getting their disclosures written and posted, we can quickly get you compliant with the basic disclosure obligations. If you also think now might be the time to look more closely at your supply chain and the risks it might present to your brand, we can help with that as well.

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