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Breaking Down the California Transparency in Supply Chains Act

(Effective January 1, 2012)



Required Disclosures

- Company must disclose results of its supply chain verification/audit on the Company's website.
- Company must include a "conspicuous" and "easily understood" link to the disclosure "on company's internet homepage."
- If Company does not operate a website, it must provide consumers with a written disclosure within 30 days of receiving a consumer's written request for the disclosure.

Supply Chain Due Diligence

To what extent does the Company:

- Verify its product supply chain to evaluate/address "risks of human trafficking and slavery"?
- Conduct such verification using a third party?
- Audit suppliers to evaluate supplier compliance with Company's anti-trafficking and antislavery standards?
- Conduct such supplier audits unannounced and through independent auditors?
- Require direct suppliers to certify that materials incorporated into Company's products comply with the slavery and human trafficking laws of the country or countries in which they do business?
- Maintain internal "accountability standards and procedures" for employees or contractors who fail to meet Company standards?
- Provide Company employees and management having direct responsibility over the supply chain with training on human trafficking and slavery, paying particular attention to mitigating supply chain risks?

Background

- Purpose of Act is to help consumers to "distinguish companies or the merits of their efforts to supply products free from threat of slavery or trafficking."
- Exclusive remedy for violating Act is Attorney General action (but potential class actions under California statutes also likely).
- California's Franchise Tax Board provides annual list of retail sellers and manufacturers required to comply with the Act.