The California Transparency and Supply Chains Act:
ATEST Comments and Suggestions on the California Attorney General’s Office’s
Company Notification Letter and Resource Guide

Table of Contents

Introduction
The Attorney General’s Informational Letter to Companies
The Attorney General’s Resource Guide
  Executive Summary
  Summary of Requirements and Overview of Model Disclosures
  Recommendations for Compliance and Model Disclosure Practices
    Complying with the format requirements
    Complying with the content requirements
  Verification
  Supplier Audits
  Certification
  Internal Accountability
  Training
Anti-Slavery and Human Trafficking Resources
Conclusion

I. INTRODUCTION

The California Transparency and Supply Chains Act ("the Act"), enacted in 2010, requires large retailers and manufacturers doing business in California to disclose on their websites their “efforts to eradicate slavery and human trafficking from [their] direct supply chain for tangible goods offered for sale.” The law is designed to assist consumers in their purchasing decisions by providing them with essential information about the efforts that companies are undertaking to prevent human trafficking and forced labor in their product supply chains, both in California and overseas.

By letter dated April 1, 2015, the California Attorney General’s Office notified all of the companies it determined to be subject to the Act’s requirements of their reporting obligations through a document it entitled, “Informational Letter to Companies.” Shortly thereafter, it issued a Resource Guide “intended to help covered companies by offering recommendations about model disclosures and best practices for developing such disclosures.”

1 Available at https://oag.ca.gov/SB657.
As an original sponsor of the Act, ATEST applauds the Attorney General’s efforts in implementing the law through these publications. The Informational Letter clearly alerts companies of their responsibilities under the Act and apprises them of the Attorney General’s enforcement authority. The Resource Guide not only provides a comprehensive review of the Act’s purpose and reporting obligations, but also gives detailed examples of model disclosure language, as well as unacceptable submissions, for each of the five main substantive reporting rubrics. Both of these documents, and the resources referenced in them, are valuable tools for entities seeking to meet and even go beyond the Act’s reporting requirements.

The comments and suggestions in this document are intended to build on the well-crafted foundation provided by the Attorney General’s earlier publications. ATEST offers them in the spirit of further realizing the Act’s fundamental goals of educating consumers about the anti-trafficking efforts of companies doing business in California and ensuring that goods sold in California are not tainted by slavery. We look forward to working in partnership with the Attorney General in modifying and refining these documents as continued review of the subject companies’ published disclosure statements provides further insight into the dynamics of the reporting process.

II. THE ATTORNEY GENERAL’S INFORMATIONAL LETTER TO COMPANIES

The Informational Letter was initially sent to the 1700 companies identified by the California Franchise Tax Board as subject to the Act’s disclosure obligations. As that list was updated, the Attorney General sent letters to additional companies. The letter initially underscores the need for the Act, noting the Legislature’s finding that “efforts to address the market for goods and products tainted by slavery and trafficking have been lacking” in California in the absence of publicly available information on the steps companies are taking to address slavery in their supply chains. It then highlights the statute’s “intent to ensure that large retailers and manufacturers provide consumers with information regarding their efforts to eradicate slavery and human trafficking from their supply chains, to educate consumers on how to purchase goods produced by companies that responsibly manage their supply chains, and, thereby, to improve the lives of victims of slavery and human trafficking.”

The Letter’s endorsement of the rationale for the legislation affirms the need for a covered company to comply with the Act’s requirements. Specifically informing the company of its obligation to “post on its Internet website the required disclosures” and that “failure to post the required disclosures is a violation of the Act,” it unambiguously apprises the company of the mandatory nature of its reporting obligations. The 30-day reporting deadline for the company to supply the Attorney General’s office either with evidence of its compliance with the Act or with information demonstrating the company is not subject to the Act, further notifies the company of the Attorney General’s active oversight of the requisite reporting process.
ATEST believes that the strong reporting admonitions of the Informational Letter could be further strengthened through adoption of the following suggestions:

1. The Letter should state that the company is, rather than may, be subject to the Act’s reporting requirements. The list of companies receiving the Informational Letter was obtained from the Franchise Tax Board, the agency responsible for determining which companies are subject to the Act. The presumption should thus be that the recipient is subject to the Act. A notified company should have a strict, affirmative burden of proving it is not covered.

2. The Letter should ask the company to include a description of any efforts, other than those included in the Act, that it is undertaking to address trafficking and slavery in its supply chain.

3. In addition to noting the rationale for the Act as educating consumers so they can make informed purchasing decisions, the Letter should refer to the State’s interest in not allowing goods manufactured through slave labor to be sold in California.

4. Future letters should include a direct link to the Resource Guide.

5. In addition to notifying the company that failure to comply with the law is a violation, the letter should emphasize that failure to comply will result in enforcement proceedings.

6. All company responses to the Informational Letter, including the link they provide to their compliance posting and a completed form indicating that the company is not subject to the Act, should be published. Future letters should inform companies that the links they supply will be posted on the Attorney General’s website and be made publicly available.

7. The Letter should inform the company that the Attorney General’s Office will issue additional recommendations and updated guidance on a regular basis and indicate how companies can access this additional information.

8. The Letter should reference Sections 222 and 223 of the Trafficking Victims Protection Reauthorization Act of 2008 (TVPRA 2008) that impose penalties for deriving financial gain from any ventures that are tainted with trafficked labor.2

---

2 See TVPRA 2008 Sec. 222(b)(3) codified at 18 U.S.C. Sec. 1589:

(3) PUNISHING FINANCIAL GAIN FROM TRAFFICKED LABOR- Section 1589 of such title is amended to read as follows:

‘SEC. 1589. FORCED LABOR.
‘(a) Whoever knowingly provides or obtains the labor or services of a person by any one of, or by any combination of, the following means—
‘(1) by means of force, threats of force, physical restraint, or threats of physical restraint to that person or another person;
‘(2) by means of serious harm or threats of serious harm to that person or another person;
expands the jurisdiction of U.S. courts to cover such offenders, whether they are U.S. entities or individuals acting overseas, or foreign persons acting within the U.S.  

9. The Letter should be sent annually to all companies included on the list transmitted from the California Franchise Tax Board. The Letter should specify that unless the Attorney General’s Office is notified of any changes, the company’s existing link to its disclosure page, as well as the actual disclosures, are current, functioning, and accurate.

10. After the 30-day compliance period has passed, the Attorney General’s Office should issue an additional letter to all companies that have not complied with its request to supply it with evidence of the company’s compliance. It should further inform the company of the consequences of continued non-compliance. These consequences should include, at a minimum: Public posting of the company’s non-compliance on the Attorney General’s website; company acknowledgement on its website of notice by the Attorney General’s Office of the company’s non-compliance; a specified time period for remedial action; and the full range of penalties that continued failure to comply will entail (e.g., imposition of escalating range of fines, and potential loss of business license).

III. THE ATTORNEY GENERAL’S RESOURCE GUIDE

The Attorney General's Resource Guide is a carefully drafted roadmap of compliance for entities covered by the disclosure requirements of the Act. Not only does the Guide summarize the underlying rationale for the legislation, emphasizing the cause and effect relationship between its anti-trafficking goals and the imposed disclosure obligations, but it

\[\text{See Sec. 223 of the TVPRA 2008 codified at 18 U.S.C. Sec. 1596:}
\]

SEC. 223. JURISDICTION IN CERTAIN TRAFFICKING OFFENSES.
(a) In General- Chapter 77 of title 18, United States Code, is amended by adding at the end the following:

- ‘‘Sec. 1596. Additional jurisdiction in certain trafficking offenses

‘(a) In General- In addition to any domestic or extra-territorial jurisdiction otherwise provided by law, the courts of the United States have extra-territorial jurisdiction over any offense (or any attempt or conspiracy to commit an offense) under section 1581, 1583, 1584, 1589, 1590, or 1591 if—

‘(1) an alleged offender is a national of the United States or an alien lawfully admitted for permanent residence (as those terms are defined in section 101 of the Immigration and Nationality Act (8 U.S.C. 1101)); or

‘(2) an alleged offender is present in the United States, irrespective of the nationality of the alleged offender.

\[\text{See Sec. 223 of the TVPRA 2008 codified at 18 U.S.C. Sec. 1596:}
\]
also restates the operative disclosure language and gives examples of both appropriate and unacceptable submissions, creating a strong framework for covered entities to understand and fulfill their responsibilities under the Act.

However, given that risk management of supply chains is an evolving area, this document must be periodically refined and amended in response to growth in the field and ongoing experience with complying company submissions for the Guide to continue to be a long-term resource for businesses covered by the Act. Effective implementation of the Act requires thorough, informative company disclosures. This Resource Guide, produced by the agency responsible for enforcing compliance with the Act, and laying out the parameters for effective company compliance, will provide a measure of confidence for covered companies as they compile their disclosure statements. In addition, by providing model language, it encourages a trend towards complete and meaningful disclosures that will facilitate use of the information by consumers seeking to compare different companies’ anti-trafficking efforts when making their purchasing decisions, one of the major objectives of the legislation.

ATEST offers the following specific comments and suggestions for further editions of the Guide, building on the foundation provided by the Attorney General’s efforts, and with the intent of facilitating company compliance. ATEST’s suggestions are intended to ensure that consumers in California have the most comprehensive, accurate, and timely information about the efforts of large companies doing business in the State, in order to counteract and address the problems associated with trafficking in their supply chains.

1. Executive Summary

The Summary notes that California, which boasts the “world’s seventh-largest economy and the country’s largest consumer base,” is in a powerful position “to help eradicate human trafficking and slavery worldwide.” It further states that the Guide “is intended to help covered companies by offering recommendations about model disclosures and best practices for developing such disclosures ... as well as enhance consumers’ understanding of its anti-trafficking and anti-slavery efforts.”

ATEST believes that these laudable purposes could be furthered by explicitly encouraging companies in this section of the Guide to go beyond the requirements of the Act, as outlined in the references included in the Guide’s Appendices. ATEST also believes this section could be strengthened by including information about the Attorney General’s enforcement powers under the Act, including both current and contemplated steps the Attorney General is taking, or considering taking, when companies do not comply with the Act. Finally, the Executive Summary could be strengthened by reminding companies of 1) their reporting obligations under the Attorney General’s Informational Letter, and 2) the Attorney General’s intent to compile and publish a list of company links on SB 657 compliance, so that consumers can judge for themselves which companies are doing the most to eradicate slavery in their supply chains.
2. Summary of Requirements and Overview of Model Disclosures

ATEST applauds the Attorney General’s messaging in this section of the Guide, which not only emphasizes the need for the link on the company’s homepage to be “conspicuous and easily understood,” but also that the disclosures “fit with the language and spirit of the law.” (emphasis added.) It further states that the model disclosures provided in the guide are examples only, and that “[t]he best disclosures are those that are specific to the company and explain the company’s efforts in clear, concise language.” Furthermore, the Guide notes: “[C]ompliance with the Act requires more than oblique and vague statements; instead, a covered company should look to its supply chain practices and make disclosures tailored to those practices.”

ATEST feels that the true spirit of the Act could be further realized if the Guide expressly:

a. Encouraged companies to embrace “best practices” taken in the private sector that have provided holistic and sustainable solutions to trafficking in supply chains. One example includes the Coalition of Immokalee Workers (CIW) Fair Food Program. Further information about this program is available at http://www.fairfoodprogram.org.4

b. Encouraged companies to include a description of any efforts, other than compliance with SB 657, they are undertaking to address trafficking and slavery in their supply chains.

c. Encouraged companies that are also federal contractors to augment transparency by sharing their Executive Order compliance plans.5

3. Recommendations for Compliance and Model Disclosure Practices

ATEST commends the Attorney General’s explicit efforts to encourage companies to go beyond the basic disclosure requirements of the Act. The Guide expressly states that while the Act has specific requirements regarding both the form and content of the required disclosures with which a company must comply, the entity may go beyond those requirements. Specifically: “Companies are encouraged to consider what information

---

4 The value of the Fair Food Program stems from both the standards outlined in the Fair Food Code of Conduct, which go well beyond the requirements of law, and the multi-layered approach to monitoring and enforcing compliance with those standards. The package of advanced, innovative standards and rigorous enforcement underlies the most comprehensive, verifiable, and sustainable social responsibility program in U.S. agriculture. The Fair Food Code of Conduct is backed by binding agreements between CIW and many of the largest buyers of tomatoes in the world, from Subway to Walmart. Participating Buyers are required to suspend purchases from growers who have failed to comply with the Code of Conduct. These agreements therefore provide a real market incentive for Participating Growers to abide by fair labor practices, resulting in unprecedented reforms in Florida's tomato industry, including the successful elimination of forced labor in the fields that federal prosecutors dubbed “ground zero for modern-day slavery” just a few years ago.

5 See Executive Order 13627 - Strengthening Protections Against Trafficking In Persons In Federal Contracts.
would be most helpful to consumers concerned about human rights and fair labor practices and to craft disclosures that most effectively convey that knowledge.”

a. Complying with the format requirements

The Guide notes that to best educate consumers, a company should post “the link to the supply chains disclosure information on the homepages of both a company’s corporate and retail websites, and the websites of all of the company’s brands, so that consumers and other interested parties can easily locate the link regardless of which website they visit.”

ATEST suggests the following to further facilitate consumer use and understanding of the disclosure statement:

i. Require a more descriptive title for the disclosure link on the company’s website. In addition to referencing the title of the Act, the link could include language, such as: “Company efforts to combat human trafficking.”

ii. For companies without websites, information on the steps they take to apprise consumers of the company’s responsibilities under the Act and the procedures individuals should take to obtain the requisite disclosure information should be provided.

b. Complying with the content requirements

For each of the five substantive areas on which a company is required to report its anti-trafficking efforts, the Guide cites examples of model disclosure language both for companies with extensive activities and those who undertake little action. In addition, the Guide gives examples of inadequate disclosures.

ATEST believes these concrete examples of businesses’ good practices are exceptionally useful in encouraging companies to adopt a high level of disclosure reporting. We believe it would be of further benefit if the Attorney General were to include an admonition in this section expressly stating that if a company fails to post information on even one of the Act’s five required substantive areas, it will be considered non-compliant, triggering potential enforcement action by the Attorney General.

i. Verification

The Guide recommends that a company generally describe the protocol it uses “to evaluate and address risks of human trafficking and slavery” in its product supply chains. “Verifying a product supply chain can include any efforts to identify, assess, and manage the risks of human trafficking in the production of the company’s products.”

ATEST believes the Guide’s general recommendations can be further strengthened by requiring the following additional information:
• A company should identify and explain the methodology and metrics used to assess trafficking and forced labor issues in its supply chain. Specifically, it should:

  o Provide detailed information on whether, and how, a company traces the activities of its suppliers down to the raw material/commodity level.
  o Explain how information gathered from social audits is incorporated into procurement decisions (i.e. how this information is weighed against competing factors).
  o Include a list of its suppliers, including their names and addresses, and identify those suppliers as either subject, or not subject, to the company’s verification process.

• Recognizing that the more tenuous and attenuated an employment relationship is, the more vulnerable workers are to exploitation, including trafficking, the Guide should recommend direct hiring of workers by a company whenever possible.

• A company using labor brokers or third-party recruiters should:

  o Provide the names and addresses of any labor brokers or third-party recruiters used by the company or any of its suppliers.

    ➢ Identify suppliers who do direct hiring and have workers as actual employees.

  o Detail the steps the company takes to ensure that it, and its suppliers, are working only with recruiters who are, or will be, registered under SB 477, the Foreign Labor Contractors’ Registration Act.⁶

  ➭ Provide information on activities the company takes to ensure its supply chain is free of trafficking and slavery issues, in addition to those areas covered by the Act, including:

    o Whether the company’s anti-Foreign Corrupt Practices Act policies, practices, and due diligence include investigation into corruption related to hiring and recruitment.

---

⁶SB 477 was enacted in September 2014 with an effective date of January 2016. It regulates the conduct of foreign labor contractors (FLCs) by, among other things: 1) Requiring all FLCs working with California-based employers to register with the CA Department of Labor; 2) Requiring companies operating in California and using the services of FLCs, to use only registered FLCs; 3) Prohibiting the charging of any fees by FLCs to potential workers for assistance in the recruiting/employment process; 4) Requiring FLCs to make certain written disclosures to potential workers, in a language they understand, concerning conditions of employment and filing this document with the CA Department of Labor; 5) Establishing a right of action for workers injured by FLC conduct; and 6) Imposing penalties on FLCs and employers for failure to comply with the law’s requirements.
If a company is a federal contractor, then share its Executive Order-mandated compliance plan.\(^7\)

### ii. Supplier Audits

The Resource Guide affirms “auditing is an important part of a company’s efforts to eliminate human trafficking from its supply chain, since human trafficking and forced labor are complex and often hidden.” It further recognizes that “human trafficking and forced labor are characterized by deception, and are the result of pressures, abuses, and exploitation levied not by a single employer, but by a number of abusive actors at different stages of the recruitment, hiring, and employment process.” Accordingly, the Guide recommends that companies “seek to develop new assessment strategies, strengthen their audit procedures, improve auditor training, and ensure that a spotlight is shone on the areas of greatest risk, including sub-contracted facilities and the companies that provide labor, both foreign and domestic.”

In pursuit of these goals, in addition to the practices suggested in the Guide, ATEST believes the following information should be provided:

- If a company uses outside auditors, it should disclose the auditors’ names and the standards the company uses to select them.
- Any internal or third-party audit reports.
- A direct link to the audit report from the company’s disclosure page.

### iii. Certification

The Act requires that a “company must disclose whether and to what extent it requires its direct suppliers to certify that they comply with the trafficking laws of the countries in which they do business.” The Guide notes that a company can comply with this requirement by providing “a general description of the certification requirement and the consequences [to a supplier] for violating it.”

ATEST believes that the information required under this section could be of even greater value to consumers if it included:

- Proof from suppliers of the existence of genuine management systems in place to: 1) Comply with both domestic and international laws; and 2) identify, address, and prevent trafficking and forced labor situations in their supply chains.

### iv. Internal Accountability

The Act requires a company to disclose to what extent, if any, it “[m]aintains

\(^7\) See supra note 5.
internal accountability standards and procedures for employees or contractors failing to meet company standards regarding slavery and trafficking. The Guide states that this section addresses a company’s compliance program and could include such information as “what those [compliance] standards are, who has responsibility for monitoring compliance, and general examples of what the penalties are for non-compliance.” The Guide further notes: “[T]o illustrate the extent of companies’ internal accountability procedures, we encourage companies to disclose any mechanisms in place to help workers understand the company’s fair labor requirements. This disclosure might include procedures for reporting violations, as well as confidentiality and whistleblower protections.”

In addition to the recommendations included in the Guide, ATEST believes the foregoing objectives can best be met as follows:

• Requiring information on internal company policies and oversight of its procurement officers’ efforts to comply with the Act.
  
  o Identifying steps the company takes to remedy problems it finds, including corrective action plans, and criteria for terminating a supplier.
    
    ➢ Providing the results of any corrective action plans created to address problems uncovered by audits or investigations, including how suppliers respond to trafficking or forced labor discovered in their supply chains.
  
  o Emphasizing that a meaningful company policy to discourage trafficking must specifically prohibit the charging of any fees to temporary workers employed in California, as mandated by SB 477.
    
    ➢ Requiring the return of any fees as just recompense for workers illegally charged.
    
    ➢ Detailing the steps a company takes to ensure that recruited workers do not pay fees to brokers or recruiters.
  
  o Providing information on a company’s policies and practices for rehabilitation of, and restitution for, aggrieved workers.
    
    ➢ If illegal fees were charged and collected, identifying the steps, if any, the company takes to ensure the fees are refunded to a worker.
  
  o Listing the steps a company takes to avoid retaliation against workers for reporting problems and to assist them in reporting violations.
    
    ➢ Providing what, if any, procedure in place for anonymous reporting.
Identifying the company’s grievance mechanism or complaint line, if any, (either internal to the company or independent), such that workers can report problems or lodge complaints directly without having to wait for an audit.

v. Training

As the Guide acknowledges, “[p]roviding consumers with information regarding a company’s training on human trafficking is important because effective training programs can help employees, suppliers, contractors, and auditors better understand company policies, how to effectively implement them, and ways to avoid trafficking risks associated with inaction.” According to the Guide, disclosure should include, “at a minimum, some general information and/or examples about the substance and frequency of such training, as well as the level of employees (by category or type) who receive such training.”

In addition to the specific recommendations included in the Guide for implementing this objective, ATEST suggests the following should be included:

- Identification of any agents, partners, and stakeholders, in addition to company employees, involved in establishing training protocols for employees to recognize trafficking or forced labor.
  - Disclosure of statistics concerning the frequency and duration of the training conducted.
  - The amount of financial support, both monetary and non-monetary, devoted to creating and implementing training regimens.

- Information about company efforts to engage the trafficking survivor community to learn more about abuses and assist in training staff to recognize trafficking situations or provide expert consultation on other areas of its anti-trafficking policy.

4. Anti-Slavery and Human Trafficking Resources

The resources and materials addressing trafficking and slavery in company supply chain policies are rapidly proliferating. ATEST recommends that the list of resources in the Resource Guide be updated annually. The Attorney General should also maintain a separate page on its website devoted to the Resource Guide that could be updated as new materials become available. In addition to the resources currently listed in Appendix C of the Resource Guide, ATEST suggests inclusion of the following:

a. Anti-Slavery and Human Trafficking

National Human Trafficking Resource Center, available at
www.traffickingresourcecenter.org/

b. Supply Chains


Coalition of Immokalee Workers, Fair Food Program, available at http://www.fairfoodprogram.org/


c. California SB 657


IV. CONCLUSION

ATEST appreciates the time, effort and expertise provide by the Attorney General in drafting both its Informational Letter to Companies and the Resource Guide. We look forward to working with the Attorney General to continually improve the guidance offered in these documents based on ongoing review of businesses’ disclosure efforts. Our final thoughts on furthering business compliance with the Act’s disclosure requirements to provide consumers with the most accurate and up to date information about company efforts to eradicate trafficking in their supply chains are as follows:

1. Publish formal regulations implementing the Act;

2. Provide annual updates to the Resource Guide;

3. Provide a formal mechanism for annual consultation between the Attorney General and non-governmental actors, human trafficking survivors, the business community and other interested parties on how the Guide could be strengthened and improved to facilitate businesses compliance; and

4. Ensure an active Attorney General enforcement program for non-compliant companies, and include in revised versions of the Guide and publicly on the Attorney General’s website, on an annual basis, detailed information on Attorney General enforcement actions, including links to complaints filed, actions sought,
corrective actions proposed, and penalties imposed.

Finally, ATEST suggests that the Attorney General’s work on implementing the Act includes making recommendations to the California Legislature on how SB 657 could be improved. For example, recommendations on how the list of companies subject to SB 657 should be made public under the California public records law. This disclosure would be in keeping with the spirit of the law seeking to provide consumers with the most comprehensive information about the anti-trafficking efforts of large businesses operating in California.

About ATEST
The Alliance to End Slavery and Trafficking (ATEST) is a U.S. based coalition that advocates for solutions to prevent and end all forms of human trafficking and modern slavery around the world. ATEST member organizations include: Coalition to Abolish Slavery and Trafficking (CAST), Coalition of Immokalee Workers (CIW), ECPAT-USA, Free the Slaves, Futures Without Violence (FUTURES), International Justice Mission, National Domestic Workers Alliance (NDWA), National Network for Youth (NN4Y), Polaris, Safe Horizon, Solidarity Center, Verité, Vital Voices Global Partnership, and World Vision. ATEST is a project of Humanity United.