

Sellers and Manufacturers: Beware Anti-Slavery and Human Trafficking Law

California Governor Arnold Schwarzenegger recently signed into law the California Transparency in Supply Chains Act (S.B. 657). The new law, which becomes effective on January 1, 2012, requires sellers and manufacturers of tangible goods having over \$100 million in worldwide gross receipts and doing business in California to disclose on their websites their efforts, if any, to eradicate slavery and human trafficking from their supply chain. Retail sellers or manufacturers that do not have a website must reply to consumer written requests for disclosure within 30 days.

The new law does not require companies to take any action to eradicate slavery or human trafficking. It only requires each subject company to have a "conspicuous and easily understood link" on its homepage to information as to what extent, if any, it:

1. engages in verification of product supply chains to evaluate and address risks of human trafficking and slavery;
2. conducts audits of suppliers to evaluate their compliance;
3. requires direct suppliers to certify that materials used comply with the laws regarding slavery and human trafficking of the countries in which they are doing business;
4. maintains internal accountability standards and procedures for employees or contractors failing to meet company standards; and
5. provides company employees and management with responsibility for supply chain management training on human trafficking and slavery.

The exclusive remedy for a violation of the new law is an action for injunctive relief by the Attorney General.

Although many companies may not be directly subject to the act, either because they do not do business in California or do not reach the minimum dollar thresholds, they may be affected nonetheless through the compliance efforts of their suppliers and other large companies that are subject to the new law. It is already standard for big box retailers, and many other large companies, to include certification as to lack of human rights abuses, such as slavery and human trafficking, in their supply agreements. The California statute can only increase the prevalence of such provisions.

If you have questions regarding this Alert, please contact the chair of Moses & Singer's [Corporate, Securities and M&A Practice](#), **Howard R. Herman** at 212.554.7847/hherman@mosessinger.com or **Mary Kostopoulos** at 212.554.7802/mkostopoulos@mosessinger.com.

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