

Slavery and Human Trafficking

How to Build Your Compliance Program

The California Transparency in Supply Chains Act of 2012 (“California Act”) requires retailers and manufacturers with annual worldwide gross receipts over \$100 million, that are doing business in California, with annual worldwide gross receipts exceeding \$100 million to disclose (on their websites) their efforts to eradicate slavery and human trafficking from their direct supply chains for goods offered for sale. Disclosure requirements are currently in effect.

The UK Modern Slavery Act 2015 (“UK Act”), which became effective on October 29, 2015, is broader than the California Act. It requires sellers of products or services with annual turnover of £36 million (approximately \$56 million) and carrying on a business in the UK to disclose (on their websites) their efforts to eliminate slavery from their operations and from all of their supply chains (not just from their direct supply chains). The earliest required posting of statements is required by October 31, 2016 (for companies with financial year-ends on March 31, 2016).

What steps should a company take to develop its initial slavery and human trafficking compliance program? Or what steps should a company take to expand its existing compliance programs to meet the various slavery and human trafficking requirements in an effective, efficient way?

You should consider some best practices in building your own compliance program.

Internal Organization

- a. Designate your conflict minerals team and confirm one point person with overall project management responsibility.
- b. Identify senior individual(s) within the business who will be responsible for compliance.
- c. Develop overall schedule with key deadlines.
- d. Put in place effective grievance mechanisms.
- e. Reach out to outside advisors.

Internal Team

- a. Conflict minerals core team:
 - Legal
 - Compliance
 - Supply Chain/Purchasing
 - IT
 - Internal Audit
- b. Report to Board of Directors/Audit Committee.
- c. Get support from senior management.
- d. Include relevant employees and departments.

Supply Chain

- a. Determine which products you manufacture or contract to manufacture.
- b. Determine whether to obtain procurement information and data on a product-level or company-level basis.
- c. Examine your existing supply chain policies. Develop or revise your conflict minerals policy.
- d. Gather purchasing, bill of materials, and recipe information.
- e. Obtain recipes and bills of material for new business lines or companies as they are developed or acquired.
- f. Determine functionality or production-related use of conflict minerals.

Industry Group Involvement

- a. Determine relevant industry groups.
- b. Investigate conflict minerals activities of industry groups and trade associations.
- c. Participate in industry group conflict minerals activities and gather information about industry group approach to gray areas in regulation.
- d. Determine which templates and software systems are the standard for your industry.
- e. Survey Form SD’s and Conflict Minerals Reports for your industry.

Audit Business and Supply Chains for Risk

- a. Consider level of risk based on:
 - i. Product risk
 - ii. Geographic risk
 - iii. Supplier risk
- b. Determine approach based on risk levels.

Coordinate IT System Solutions with Supply Chain Management

- a. Inventory of existing IT systems.
- b. Develop or enhance capabilities to accommodate the additional needs of a conflict minerals program.
- c. Determine how to automate information gathering, analysis and storage.

Internal Communications

- a. Policy roll-out.
- b. R&D procedures to assure supply chain transparency for new products and materials.
- c. Supplier qualification and onboarding procedure.
- d. Internal training sessions.
- e. Report to senior management and board of directors.

External Communications

- a. Customers
 - i. Initial letters and follow-up
 - ii. Questionnaire responses
- b. Suppliers
 - i. Questionnaires/templates
 - ii. Education/Training
 - iii. Analysis of responses
 - iv. Follow up for corrections and completions to responses
 - v. Benchmark against industry/peers
 - vi. Score and reward supplier compliance
 - vii. Corrective action

Contracts

- a. Review key supply contracts.
- b. Add data and transparency requirements to new and renewed supply contracts.
- c. Update supplier codes of conduct.
- d. Revise terms and conditions/purchase order terms.
- e. Update supplier qualification requirements and corrective action.
- f. Undertake due diligence in acquisitions.
- g. Include relevant slavery and human trafficking provisions in acquisition/merger documents.

Disclosure

- a. Slavery and Human Trafficking Minerals Policy.
- b. California Act Statement:
 - 5 Topic Areas that must be included to describe “extent and nature” of company’s effort
 - Verification
 - Supplier Audits
 - Certification
 - Internal Accountability
 - Training
- c. UK Act Statement:
 - No specific required topics
- d. Website posting.
- e. Corporate Social Responsibility Report.

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