

**Q: What is the California Transparency in Supply Chains Act?**

**A.** The Act requires retailers and manufacturers doing business in California to publicly disclose their efforts to eradicate slavery and human trafficking in their supply chains, in five (5) specific areas. Affected retailers and manufacturers are not required by the Act to take any specific steps, but are required to state no steps are being taken. The five (5) specific activities intended to help identify and mitigate the risk of slavery and human trafficking in supply chains are:

- 3rd party verification of risk
- Independent and unannounced supply chain auditing
- Certification of compliance from direct suppliers
- Internal Standards
- Training program

**Q. How does the Act affect you?**

**A.** The law applies to manufacturers and retailers with more than \$100 million in worldwide gross receipts who do business in California. While the Act does not directly apply to UNFI because we are not a manufacturer or a retailer, the Act applies to UNFI and to you in several ways.

As part of its corporate philosophy, UNFI supports all lawful efforts to eradicate slavery and human trafficking world- wide, as well as in supply chains. UNFI is a direct supplier to its customers, many of whom will be required to comply with the Act. In order for UNFI to support its own efforts and its customers' efforts to comply with the Act, UNFI's suppliers need to be aware of the disclosure requirements.

**Q. Does the Act apply only to companies based in California?**

**A.** No. National and International Retailers and Manufacturers with more than \$100 million in worldwide gross receipts who do business in California, regardless of where they are located, are subject to the Act's disclosure requirements. "Doing business" is governed by the California tax code, so consult with counsel for guidance.

**Q. Why was the California Transparency in Supply Chains Act enacted?**

**A.** Commentators and the Act's preamble indicate that the Act's purpose is to educate the public about human trafficking, empowering consumers through public disclosures required by the Act to make more informed purchasing decisions. Ultimately, such consumer action will lead to eradication of human trafficking and slavery.

**Q. Does UNFI already have processes in place to track labor abuses in its supply chains?**

**A.** UNFI's has a Code of Conduct, established in 2009, that all of our suppliers must abide by, explicitly states that any type of forced labor is strictly prohibited, as well as prohibits child labor exploitation, unfair wage practices, and other illegal employment practices in whatever location our suppliers are conducting business. In December 2011, our Code of Conduct was amended to specifically include reference to the California Transparency in Supply Chains Act of 2010.

**Q. How can we identify slavery and human trafficking in the supply chain? What are the best practices for doing this?**

**A.** The Act's disclosure requirements are the key to identifying slavery and human trafficking in the supply chain.

1. 3P Independent Assessment. First step is to work with a 3rd party to identify the overall risks of slavery and human trafficking in your supply chain, including mapping your actual supply chain, looking into what countries you source from and what products or services you buy.

2. 3P Independent Audit. Next step would be to conduct independent, unannounced audits. This is the second disclosure requirement of the Act. This step requires that you already have set standards that prohibit slavery and human trafficking, and then audit against them.

Commentators point out while labor exploitation may be identified at the employment site, in order to pin point whether the exploitation was a result of human trafficking, you may have to audit the recruitment source, such as labor brokers or employment agencies, and they may be overseas.

3. Direct Supplier Certification. Just as we are asked by our customers, and we are asking you as our supplier, the Act requires you to obligate **your** direct suppliers to comply with laws on slavery and human trafficking down their respective supply chains. This important effort is designed to address the risk that workers who are involved in producing products we buy from you, but who are farther down your supply chain, may be affected by slavery and human trafficking.

To make this certification, you will need information on the country's legal framework on slavery and human trafficking.

4. Internal Standards. The Act requires suppliers to disclose if they have a policy in place that holds their employees and contractors accountable for non-compliances with their standards on slavery and human trafficking.

5. Training. The Act requires suppliers to disclose what training is available to employees, especially those in charge of supply chain management, to understand what slavery and human trafficking are and how to mitigate the risk of them in their supply chain.

**Q. So, what do companies have to do to get in compliance?**

**A.** The Act only mandates disclosure to the extent that companies engage in any of the 5 activities. For those retailers and manufacturers who have an Internet website, they need to post a conspicuous link to the required information on their homepage. And if they do not have a website, consumers must be mailed a written disclosure within 30 days of making a request to the company.

**Q. What are the penalties for non-compliance?**

**A.** The exclusive remedy for a violation is injunctive relief by the Attorney General, or an order to take specific action. No monetary damages or penalties are included in the Act.

Companies that are required to comply with the Act, however, will be identified through annual tax filings. California's Attorney General will be notified, though the mechanism for non-compliance has not been identified yet.