

UNIVERSITY OF WASHINGTON BOTHELL

# Supply Chain Transparency

---

Comparative Analysis on Government Policy and NGO Advocacy

Meghan Wright  
University of Washington  
Advisor: Dan Jacoby  
Second Reader: Bruce Kochis  
2013

A Capstone project presented in partial fulfillment of  
the requirements for the degree of  
Master of Arts in Policy Studies  
Interdisciplinary Arts and Sciences  
2013

## TABLE OF CONTENTS

Abstract .....	2
Chapter 1: Purpose of the Study.....	3
Chapter 2: Literature Review.....	6
Chapter 3: Methodology.....	12
3.1 Methodology#1 Statistical Analysis.....	12
3.2 Methodology#2 Comparative Analysis.....	13
Chapter 4: Results and Discussion.....	14
4.1 Results#1 Statistical Analysis.....	14
4.2 Results#2 Comparative Analysis.....	15
Chapter 5: Conclusions.....	22
References.....	24
Appendices.....	26

## LIST OF FIGURES

Figure 1: Flow Chart of California Transparency in Supply Chains Act Requirements.....	5
Figure 2: Regional Figures on Persons in Forced Labor.....	7
Figure 3: Figures Forced Labor by Form.....	8
Figure 4: Average Hourly Apparel Worker Wages.....	9

## LIST OF TABLES

Table 1: Companies Measured in the Study.....	14
Table 2: Compliance Ranking.....	15
Table 3: Comparative Analysis NGO Research.....	16
Table 4: Comparative Analysis Free2Work.org.....	17
Table 5: Compliance in Auditing: Law Requirement and Best Practices.....	20

## ABSTRACT

Slavery and Human Trafficking are crimes under state, federal, and international law. Legislative efforts have been made to address the market for goods and products tainted by slavery and trafficking by providing transparency for consumers, in hopes that the consumer will make social conscious decisions. This capstone is a policy analysis on the *California Transparency in Supply Chains Act of 2010*. The research focuses on the effectiveness of a state-run policy on supply chain transparency and whether there is a relationship with top performing companies and compliance with labor standards in their supply chains. This research examines the compliance provisions and requirements in the state-run policy in comparison to Non Government Organizations Advocacy. This research aims to determine whether the provision of law, simply stating transparency, is an effective policy aimed to educate the consumer on violations of human-trafficking and forced labor within a supply chain. The findings in this study support that companies are compliant with the law, but compliance does not effectively inform the consumer of labor violations within the supply chain. Based on the comparison with best practices from NGO's, the law can be expanded to better educate the consumer in increasing transparency through publishing independent assessments of suppliers, factory visiting tracking charts, and ranking systems.

## CHAPTER 1: PURPOSE OF THE STUDY

### ***Research Question***

Is requiring companies to create transparency by providing information about their supply chain an effective policy aimed to educate the consumer in companies that violate labor standards in human trafficking and forced labor?

### ***Statement of Problem***

Slavery and Human Trafficking are crimes under state, federal, and international law. Legislative efforts have been made to address the market for goods and products tainted by slavery and trafficking by providing transparency for consumers, in hopes that the consumer will make social conscious decisions. This study is a policy analysis on the *California Transparency in Supply Chains Act of 2010*. The research focuses on the effectiveness of a state-run policy on supply chain transparency and whether there is a relationship with top performing companies and compliance with labor standards in their supply chains. The research examines the compliance provisions and requirements in the state-run policy in comparison to Non Government Organizations Advocacy. This research aims to determine whether the provision of law, requiring a transparent statement of compliance with the terms of the act, is an effective policy in educating the consumer on violations of human-trafficking and forced labor within a supply chain. The intended outcome of the research would be to showcase alternative arenas for the consumer to make informed choices on the companies they choose to buy from, and ideally provide policy recommendations in which the current law can expand and benefit the consumer.

### ***Background***

In 2011 the state of California was successful at passing the *California Transparency in Supply Chains Act of 2010 (SB657)*. The main goal of the policy is to inform the consumer on manufacturing conditions in a supply chain, and attempt to shift demand for products by those consumers. The law requires retail sellers and manufacturers to disclose their efforts to combat slavery and human trafficking and try to eliminate it from their direct supply chains. This policy aims to provide consumers opportunities to make better and more informed choices regarding the products they buy and the companies they chose to support.

Effective January 1<sup>st</sup> 2012, the Act requires compliance from any company that meets all of the following criteria:

- 1) Is a retail seller or manufacturer
- 2) Does business in California
- 3) Has an annual worldwide gross receipts that exceed \$100,000,000

If a company meets these criteria they are required to comply with public disclosure statements that must be available on the company's website with a direct link on the homepage. The disclosure statement must follow the five provisions<sup>1</sup>:

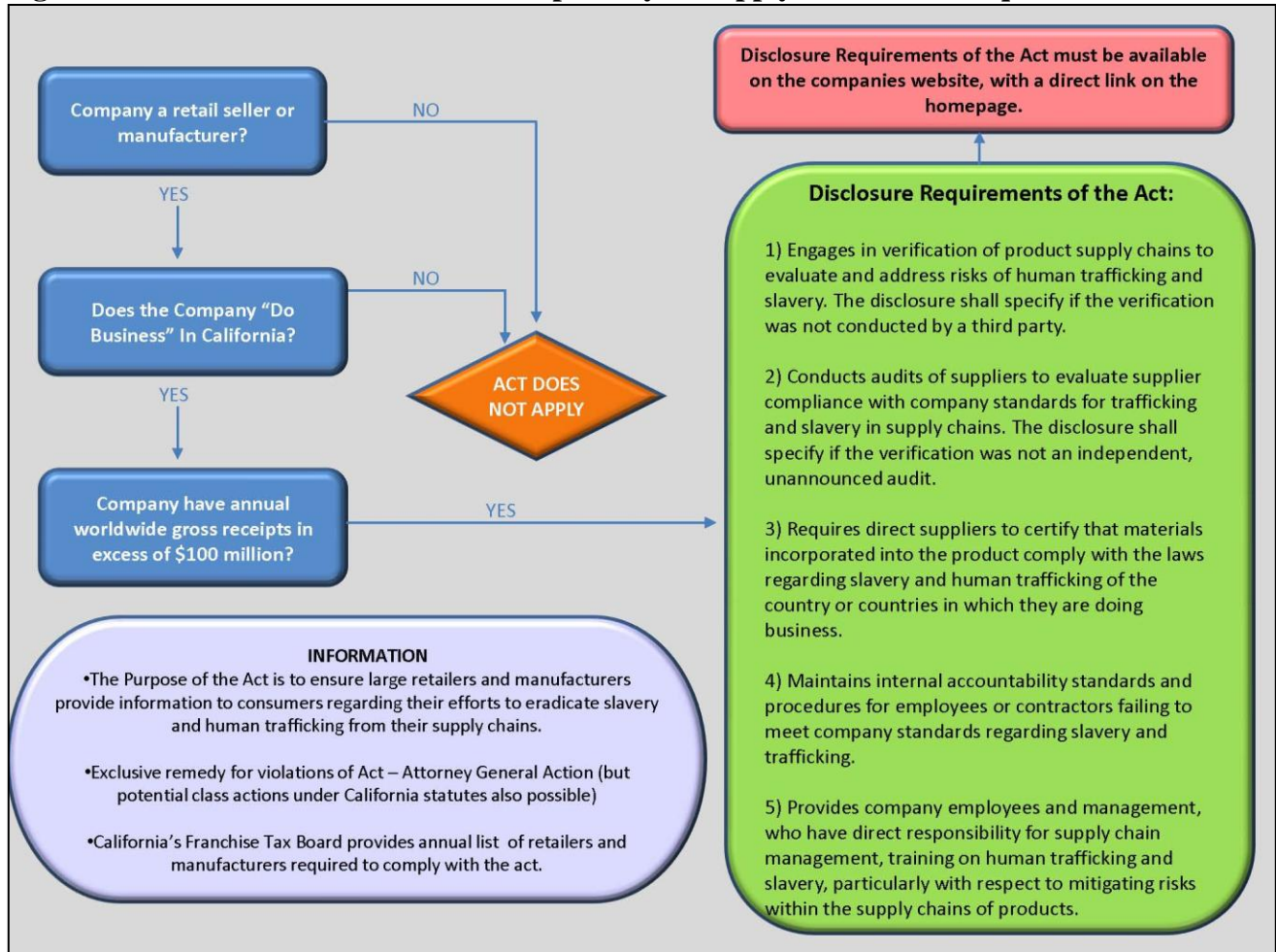
- 1) Engages in verification of product supply chains to evaluate and address risks of human trafficking and slavery. The disclosure shall specify if the verification was not conducted by a third party.
- 2) Conducts audits of suppliers to evaluate supplier compliance with company standards for trafficking and slavery in supply chains. The disclosure shall specify if the verification was not an independent, unannounced audit.
- 3) Requires direct suppliers to certify that materials incorporated into the product comply with the laws regarding slavery and human trafficking of the country or countries in which they are doing business.
- 4) Maintains internal accountability standards and procedures for employees or contractors failing to meet company standards regarding slavery and trafficking.
- 5) Provides company employees and management, who have direct responsibility for supply chain management, training on human trafficking and slavery, particularly with respect to mitigating risks within the supply chains of products.

Disclosure statements are intended to ensure large retailers and manufacturers provide information to consumers regarding their efforts to eradicate slavery and human trafficking from their supply chains, and to educate consumers on how to purchase goods produced by companies that responsibly manage their supply chains. The Franchise Tax Board is required to provide a supplier list of all the companies required to comply with the law to the Attorney General, which will be published annually starting November 30, 2012.

---

<sup>1</sup> Unknown. (2011). *California Transparency in Supply Chains Act Takes Effect January 1, 2012*. Corporate Law Report.

**Figure 1: Flow Chart of California Transparency in Supply Chains Act Requirements**



*Information to create flowchart from: California Transparency in Supply Chains Act of 2010 (SB 657)*

## CHAPTER 2: LITERATURE REVIEW

In today's globalized economy, most of the products Americans consume are manufactured or produced using parts of resources originating in the developing world. Globalization has led to a rise in outsourcing manufacturing jobs for corporations to compete to keep their production costs low by cutting labor costs and overhead costs. This has also allowed a shift in production risks to the factories and low paid workers. This shift has contributed to complex company supply chains and numerous contractors and suppliers used throughout the production process, there is a greater risk to companies for forced labor and human trafficking within their supply chains.

### ***Human Trafficking***

Major forms of human trafficking include forced labor, sex trafficking, bonded labor, debt bondage, forced child labor, and child sex trafficking. *The U.S. Department Office to Monitor and Combat Trafficking in Persons* considers trafficking in persons to include all of the criminal conduct involved in forced labor and sex trafficking. Under the *Trafficking Victims Protection Act (TVPA)*, individuals may be victims regardless of whether they once consented, participated in a crime as a direct result of being trafficked, were transported into the exploitative situation, or were born into servitude.

The TVPA definition of human trafficking<sup>2</sup>:

- (a) "Trafficking in persons" shall mean the recruitment, transportation, transfer, harboring or receipt of persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability, or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation. Exploitation shall include, at a minimum, the exploitation of the prostitution of others or other forms of sexual exploitation, forced labor or services, slavery or practices similar to slavery, servitude, or the removal of organs.
- (b) The consent of a victim of trafficking in persons to the intended exploitation set forth in subparagraph (a) of this article shall be irrelevant where any of the means set forth in subparagraph (a) have been used;

---

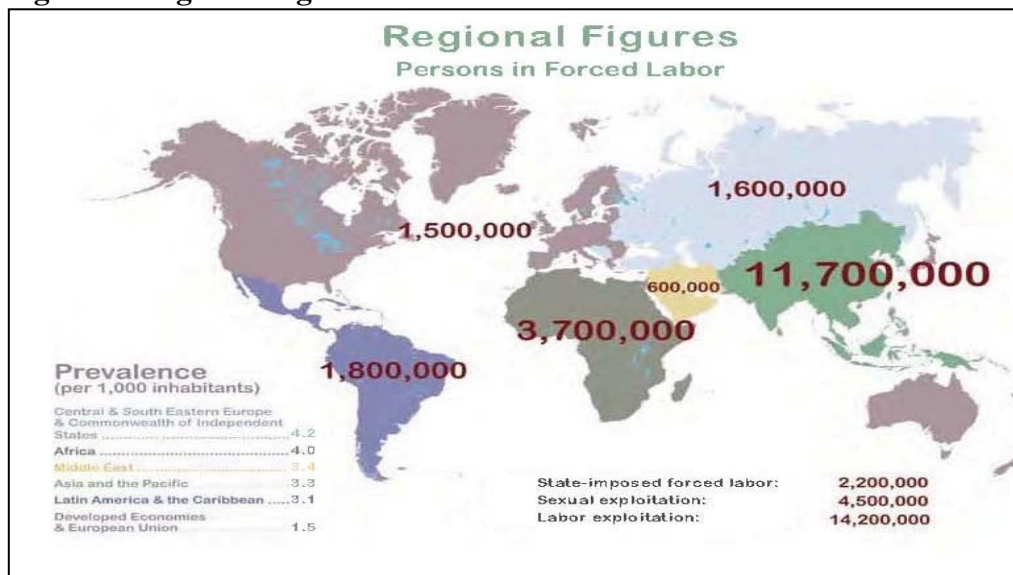
<sup>2</sup> U.S. Department of State -Victims of Trafficking and Violence Protection Act of 2000. Web. Nov 2012.  
<http://www.state.gov/j/tip/laws/61124.htm>

- (c) The recruitment, transportation, transfer, harboring, or receipt of a child for the purpose of exploitation shall be considered “trafficking in persons” even if this does not involve any of the means set forth in subparagraph (a) of this article;
- (d) “Child” shall mean any person under eighteen years of age.

The internationally accepted definition of slavery as defined in the 1926 Slavery Convention in Article 1.1 states: “Slavery is the status of condition of a person over whom any or all of the powers attaching to the right of ownership are exercised”.<sup>3</sup> Many people would think that slavery is a thing of the past; unfortunately it continues to exist today on a variety of levels. It is generally considered that issues such as forced labor, bonded labor (debt bondage), child labor, and trafficking are modern day forms of slavery.

According to the U.S. Department of State *Trafficking in Persons Report June 2012*, the International Labor Organization (ILO) estimates that modern slavery around the world is 20.9 million victims at any time. This figure has increased substantially since the ILO’s 2005 estimate of 12.3 million victims. The ILO estimates that 55% of forced labor victims are women and girls.<sup>4</sup> Seen in Figure 2, Asia and the Pacific region is the largest in terms of number of victims, and labor exploitation is the largest in type of forced labor estimated at 14.2 million victims.

**Figure 2: Regional Figures on Persons in Forced Labor**



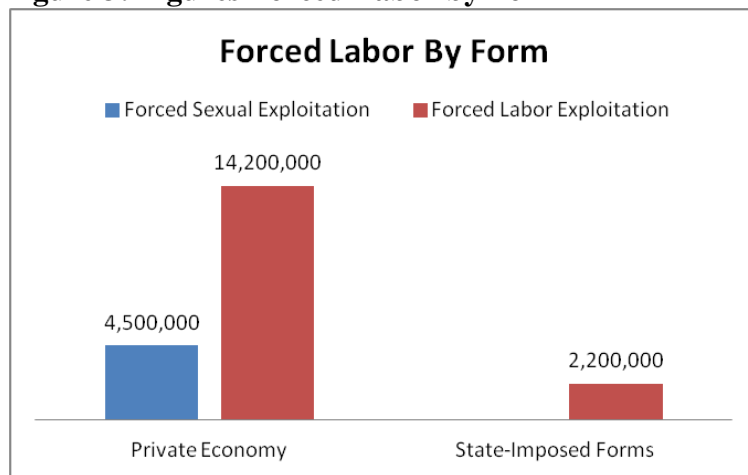
Source: Department of State -Trafficking in Persons Report June 2012

<sup>3</sup> Office of the United Nations High Commissioner for Human Rights- 1926 Slavery Convention. Web. 28 Nov. 2012.

<sup>4</sup> Department of State – United States of America. (2012). “Trafficking in Persons Report June 2012”. U.S.A.

As seen in Figure 3, of the 20.9 million forced laborers, 18.7 million (90%) are exploited in the private economy, by individuals or enterprises. Out of these, 4.5 million (22%) are victims of forced sexual exploitation, and 14.2 million (68%) are victims of forced labor exploitation in economic activities, such as agriculture, construction, domestic work or manufacturing. The remaining 2.2 million (10%) are in state-imposed forms of forced labor, for example in prisons, state military or by rebel armed forces.<sup>5</sup>

**Figure 3: Figures Forced Labor by Form**



Source: International Labor Office. ILO 2012 Estimate of Forced Labor

### ***Sweatshop Labor***

Sweatshops are implicated in human trafficking when workers do not consent into work, or are kept working in forms of debt bondage, child labor, or the uneducated rural poor.<sup>6</sup> According to the U.S. Department of Labor, a sweat shop is any factory that violates more than one of the fundamental U.S. labor laws including; paying a minimum wage, keeping a time card, paying overtime, and paying on time.<sup>7</sup> Groups in the anti-sweatshop movement would add to this definition any factory that does not pay its workers a living wage, which is a wage that can support the basic needs of a small family.

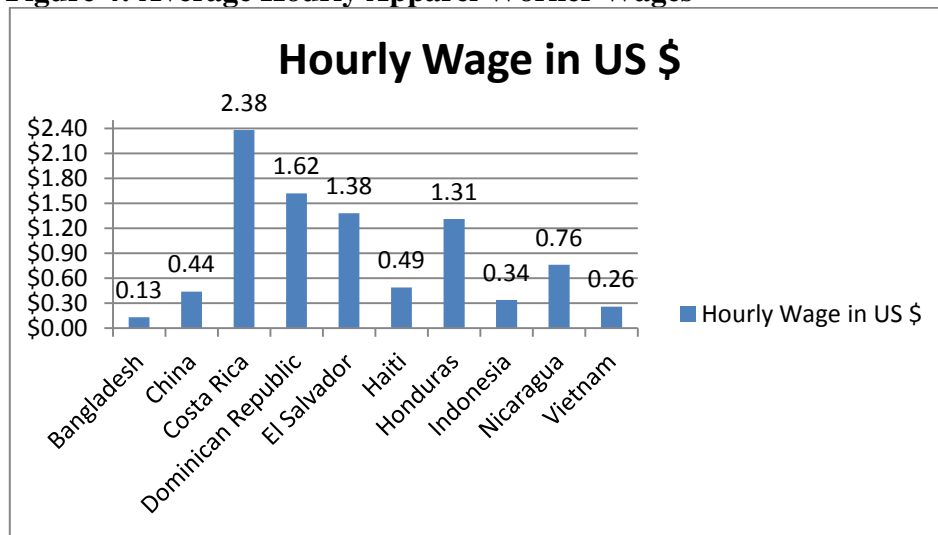
<sup>5</sup> International Labour Office. (2012). *ILO 2012 Estimate of Forced Labour*. Geneva: I.L.O.

<sup>6</sup> Powell, Benjamin, and David Skarbek. (2004). *Sweatshops and Third World Living Standards: Are the Jobs Worth the Sweat?* Department of Economics, San Jose University. The Independent Working Institute.

<sup>7</sup> *United States Department of Labor*. Web. 29 Nov. 2011.

Human rights violations in the garment and apparel industry across the world has spurred debates on sweatshop exploitation for the past decade, and organizations have arisen to address this issue. The apparel industry is the most recognized for exploiting sweatshop labor; Figure 3 shows the average industry wages in countries where at least one U.S. news source claimed sweatshops existed. This table shows the average apparel worker’s earnings as a percent of average per capita income. As seen in the Figure 4, Bangladesh has the lowest paid average hourly wage. Bangladesh is one of the largest exporters of apparel to the United States, and 3.4 million garment workers produce 80% of the country’s exports. The average wage is the lowest wage of any major garment producing country. In Bangladesh typical working conditions include: Poverty wages (the minimum wage is \$43 per month / \$10 per week), verbal and physical abuse, and poor health and safety conditions.<sup>8</sup>

**Figure 4: Average Hourly Apparel Worker Wages**



Source: *Sweatshops and Third World Living*, pg. 5<sup>9</sup>

Over the past decade the anti-sweatshop movements have progressed and focused on garment production issues surrounding labor conditions. Since the rise in globalization, political responsibility isn’t the only answer to solving the issue. In a market economy, the consumer and the corporations both play their part, and if international regulation is not strictly enforced, then it is up

<sup>8</sup> Claeson, Bjorn. (2010). *Enemies of the Nation or Human Rights Defenders? Fighting Poverty Wages in Bangladesh.*

<sup>9</sup> Powell, Benjamin, and David Skarbek. (2004). *Sweatshops and Third World Living Standards: Are the Jobs Worth the Sweat?*

to the consumer. Anti-sweatshop groups are setting agendas through organizing campaigns encouraging the following: adopting government procurement policies, educating the consumer, showcasing alternate vendors who comply with standard labor laws, and creating consortiums housing information on manufacturers.

Most of the Literature surrounding anti-sweatshops movements reflects an international economic debate, the need to mobilize support, and push change on the corporations, consumer, and the government. The anti-sweatshop movement challenges conventional views of political responsibility, by going beyond government action, and asking citizens and corporations to play a part. “The movement is thus expanding the areas and spheres where global political responsibility is practiced to include the market. Although experts debate its effectiveness in solving sweatshop problems, it should be considered a significant movement in the new millennium and part of a more general political process of creating new forms of responsible governance locally, nationally, and globally” (Micheletti 2007, pg. 158).<sup>10</sup> The literature surrounding this topic examines the need to address the problem of sweatshop labor, but stressing that alternate methods of agenda-setting are needed to influence political actors.

### ***Supply Chain Transparency***

Globalization has lead to complex supply chains and multiple contracts and suppliers with the production process. Globalization increases the risk to companies that human trafficking and labor violations occur with-in their supply chain. The idea of supply chain transparency is for companies to disclose information regarding their supply chain, under the presumption that greater transparency will lead to greater responsibility in upholding corporate governance and good business practices. "Company awareness of these risks and knowledge of the ways that traffickers may use a company's products, services, or workplaces in connection with their trafficking activities

---

<sup>10</sup> Micheletti, Michele, and Dietlind Stolle. (2007). *Mobilize Consumers to Take Responsibility for Global Social Justice*. American Academy of Political and Social Science. Vol. 611, pp. 157-175.

## SUPPLY CHAIN TRANSPARENCY

can help companies avoid negative publicity, business interruptions, potential lawsuits, public protests, and a loss of consumer trust, all of which can impact shareholder value".<sup>11</sup> Monitoring suppliers, contracts, and subcontracts can help companies ensure the measures are in place throughout the companies supply chain. Transparency is essential, but more importantly companies need to establish internal and external social responsibility programs, codes of conduct, and corporate governance. Simply requiring this kind of transparency doesn't necessarily translate into responsible governance that eliminates labor violations in the supply chain. Additional efforts must be put in place for monitoring, auditing, and compliance for companies to limit the risks of human trafficking and labor violations in their supply chain.

---

<sup>11</sup> Unknown. (2011). *California Transparency in Supply Chains Act Takes Effect January 1, 2012*. Corporate Law Report.

## CHAPTER 3: METHODOLOGY

The research presented here involves a mixed-method design using quantitative and comparative analysis to evaluate the effectiveness of the policy. The main research focuses on whether requiring companies to publish transparency in their supply chain is an effective policy aimed to educate in companies who violate labor standards in human trafficking and forced labor.

Two measurements of policy analysis were evaluated:

- 1) **Statistical Analysis:** Determine whether there is a relationship with the top performing companies and compliance with labor standards in their supply chain.
- 2) **Comparative Analysis:** Conduct a comparative analysis on this policy's provisions and other Non-Government Organizations, to determine if there are more effective ways to educate the consumer on violations in supply chains.

### *3.1 Methodology#1 Statistical Analysis*

The first step of analysis evaluated the top performing companies in California to determine whether there is a relationship with the top performing companies and compliance with labor standards in their supply chains. The Data Set for this analysis is from the 2011 Fortune 500 List of Top Performing Companies. The Sample size has been reduced to the state of California Top 53 Performing Companies (reference Appendix A). The requirements for the law only require retail sellers or manufacturing companies to comply with the law, all other companies have been eliminated from the data set. Research and data collection was conducted from the websites of the top performing companies for compliance on the five provisions of disclosure required in the *California Transparency in Supply Chains Act*. The dependent variable in the study is compliance. Compliance was calculated by observation of company websites to ascertain whether all five of the provisions were met. The companies were ranked 1-5 for compliance, for example compliance on all five provisions is ranked 5.

The research was coded into a nominal variable:

- 1) Comply (=5)
- 2) Does not Comply (< 5)

The independent variables of the study were company revenue (2011 Data), company rank (measured as “Top Performing”), and location. The research evaluates whether the top performing companies will comply with the provisions of the act, and compliance with standard labor laws in their supply chains. The statistical analysis consists of descriptive statistics and frequencies to examine the trends and behaviors of the companies.

### *3.2 Methodology#2 Comparative Analysis*

The second research step was to conduct a comparative analysis on this policy’s provisions and other Non-Government Organizations, to determine if there are more effective ways to educate the consumer on violations in supply chains.

This research examines:

- What has been done through Non-Governmental Organizations (NGO’s), and how do their results compare with California’s requirements mandating transparency?
- Comparing NGO’s to California state policy, is this an effective policy?

The research consisted of gathering information on the provisions and guidelines of Anti-Slavery and Trafficking NGO’s in comparison to the provisions of the state-run policy. The comparison consisted on how the organization tracks and ranks companies for labor violations. The goal of this analysis is to compare the companies that are compliant with the law and compare them to best practices of NGO’s. This comparison will help bridge the data collected on compliance with the law, and whether or not compliance is comparable to best practices from other organizations.

CHAPTER 4: RESULTS AND DISCUSSION

4.1 Results#1 Statistical Analysis

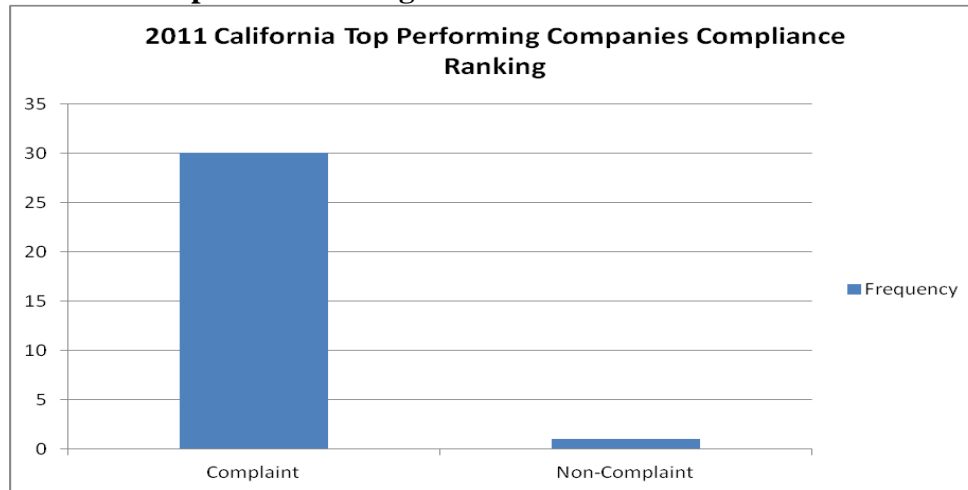
Compliance

The results from this study concluded that 30 companies are compliant and 1 company is not compliant with the provisions of disclosure statements in the *California Transparency in Supply Chains Act* (Table 1). Reference Appendix B for the example of the spreadsheet assembling the research and data collected, which shows how compliance was calculated based on each company’s website disclosure statements.

**Table 1: Companies Measured in the Study**

State Rank	Company	Revenues (\$ millions)	Industry	1	2
				Comply (=5)	Does Not Comply (<5)
1	Chevron	196,337.00	Petroleum Refining	1	-
2	Hewlett-Packard	126,033.00	Computers, Office Equipment	1	-
5	Apple	65,225.00	Computers, Office Equipment	1	-
6	Intel	43,623.00	Semiconductors and Other Electrical Components	1	-
7	Safeway	41,050.00	Food and Drug Store	1	-
8	Cisco Systems	40,040.00	Network and Other Communications Equipment	1	-
9	Walt Disney	38,063.00	Entertainment	1	-
10	Northrop Grumman	34,757.00	Aerospace and Defense	1	-
13	Oracle	26,820.00	Computer Software	1	-
15	Occidental Petroleum	19,857.00	Mining, Crude-Oil Production	1	-
16	Amgen	15,053.00	Pharmaceuticals	1	-
17	Gap	14,664.00	Specialty Retailers: Apparel	1	-
18	PG&E Corp.	13,841.00	Utilities: Gas & Electric	1	-
21	Qualcomm	10,991.00	Network and Other Communications Equipment	1	-
23	Western Digital	9,850.00	Computer Peripherals	1	-
24	Applied Materials	9,548.70	Semiconductors and Other Electrical Components	-	2
28	Synnex	8,617.10	Wholesalers: Electronics and Office Equipment	1	-
30	Gilead Sciences	7,949.40	Pharmaceuticals	1	-
31	Ross Stores	7,866.10	Specialty Retailers: Apparel	1	-
32	Dole Food	6,894.00	Food Consumer Products	1	-
33	Broadcom	6,818.30	Semiconductors and Other Electrical Components	1	-
35	Avery Dennison	6,512.70	Chemicals	1	-
36	Advanced Micro Devices	6,494.00	Semiconductors and Other Electrical Components	1	-
38	Sanmina-SCI	6,318.70	Semiconductors and Other Electrical Components	1	-
41	Symantec	5,985.00	Computer Software	1	-
42	Mattel	5,856.20	Miscellaneous	1	-
45	Clorox	5,534.00	Household and Personal Products	1	-
47	Agilent Technologies	5,444.00	Scientific, Photographic, and Control Equipment	1	-
50	Allergan	4,919.40	Pharmaceuticals	1	-
51	SanDisk	4,826.80	Semiconductors and Other Electrical Components	1	-
53	Levi Strauss	4,410.60	Apparel	1	-
<b>Total</b>				<b>30</b>	<b>1</b>

**Table 2: Compliance Ranking**



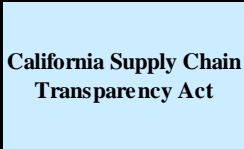



Among the 31 companies evaluated in this study, 30 companies (97%) have complied with the provisions of the law (Table 2). However, the disclosure statements in company websites suggested the need to extend the original focus of research beyond mere compliance to an analysis of its effectiveness. The law has forced companies to post their efforts to eradicate slavery and human trafficking and list how they manage their supply chain. However, their statements are very vague and not all that transparent to the consumer (reference Appendix C for an example of Chevron’s disclosure statement). For example, “Chevron encourages contractors, suppliers, and service providers to conduct their business in a manner consistent with Chevron standards”. Simply complying with the provisions of the law doesn’t help the consumer decide if the company has labor violations in their supply chain. Now that compliance has been measured, the next step of analysis focuses on how compliance with the law tells the consumer about actual violations of trafficking and forced labor in supply chains, and what are next steps that could improve the law based on best practices found from other sources.

#### *4.2 Results#2 Comparative Analysis*

The comparative analysis research was collected on the best practices from other NGO’s. The organizations compared in the study were: Free2Work.Org, Fair Labor Association, and the Worker’s Rights Consortium. These organizations were selected because they share similar

objectives to educate the consumer on labor violations and to hold corporations accountable for responsible governance. The research compared the following areas: policies, transparency, worker’s rights, monitoring, tracking, and ranking. The summary of the research findings is shown in Table 3, and details to each section are provided in the following analysis.

**Table 3: Comparative Analysis NGO Research**

				
	<b>SB 657</b>	<b>Free2Work</b>	<b>Fair Labor Association</b>	<b>Workers Rights Consortium</b>
<b>Summary</b>	The law requires retail sellers and manufacturers to disclose their efforts to combat slavery and human trafficking and try to eliminate it from their direct supply chains.	Free2work.org is a non-governmental organization; their research provides consumers with a rating scale that rates companies on a grading scale A-F. Free2Work is supported by the International Labor Rights Forum.	The mission of the Fair Labor Association is to combine the efforts of business, civil society organizations, and colleges and universities to promote and protect workers’ rights and to improve working conditions globally through adherence to international standards.	The Worker Rights Consortium (WRC) is an independent labor rights monitoring organization, conducting investigations of working conditions in factories around the globe. Our purpose is to combat sweatshops and protect the rights of workers who make apparel and other products.
<b>Policies</b>	Retail and Manufacture Companies must disclose how they engages in verification of product supply chains to evaluate and address risks of human trafficking and slavery.	Provides consumers with information on how products relate to modern-day slavery. Through the site you can learn how brands are working to address forced and child labor.	Companies become members of the FLA on a voluntary basis and commit to ensuring fair labor practices and working conditions in their supply chains. These companies must meet strict labor standards as long as they are affiliated.	The WRC conducts investigations of labor conditions in factories around the world that produce apparel and other products that are sold in the U.S. and Canada. The WRC’s primary focus is the labor rights practices of factories producing apparel and other products bearing university logos on behalf of our university affiliates.
<b>Transparency</b>	Disclosure Statements on Company Website based on five provisions on auditing, certification, internal accountability, and training activities.	Free2Work is a strategic tool that promotes transparency in supply chains, empowers consumers to make informed choices, and mediates communication between consumers and companies.	Independent Assessments and monitoring are published on the FLA Website, as well as third party complaints and investigations.	The investigations and monitoring are posted on the WRC website.
<b>Worker's Rights</b>	Disclosure Company Efforts on Worker's Rights and Code of Conduct	Analyzes company monitoring reports on Worker's Rights and Code of Conduct.	Through its complaints and investigations, FLA works to bring resolution to worker's rights violations flagged by union representatives, workers, and local civil society organizations.	The WRC launches factory assessments in direct response to worker complaints and also initiates assessments on a proactive basis.
<b>Monitoring</b>	Attorney General and Franchise Tax Board	Evaluates brand's efforts to address forced labor and child labor within their supply chains. 1) Evaluate a supply chain's level of risk based on industries and countries involved 2) Identify three main levels of the supply chain, one main material, one main input, and the final stage of production. 3) At each of these levels, evaluate the brand's policies, transparency & traceability, monitoring programs, and workers rights.	FLA holds participating companies accountable for monitoring 100% of their own supply chains to ensure that they meet FLA Labor Standards.	The WRC investigates working conditions at these factories, issues detailed public reports, and works with factories, North American apparel companies, and workers and local organizations to correct problems and improve respect for worker rights.
<b>Tracking</b>	N/A	Through a rating scale of A-F, each company is graded and monitored on the website and cell phone app.	FLA conducts independent assessments of a random sample of companies' supplier factories.	The WRC hosts a searchable on-line database on factories engaged in the production of collegiate goods.
<b>Ranking</b>	Currently there is not a ranking system on Companies that need to comply	Each company receives an overall grade, and an individual grade on their efforts in the following categories: 1) Policies 2) Transparency 3) Monitoring 4) Worker's Rights	Tracking Charts, FLA conducts unannounced factory visits throughout the supply chain of company affiliates. The results of these assessments are publicly available.	N/A

**Summary and Policies**

Free2Work.Org (Supported by International Labor Rights Forum)

The International Labor Rights Forum (ILRF) is an advocacy organization dedicated to achieving just and humane treatment for workers worldwide.<sup>12</sup> The ILRF has supported Free2Work.org; their research provides consumers with a rating scale that rates companies on a grading scale A-F.<sup>13</sup> Free2Work.org is a strategic tool that promotes transparency in supply chains and provides consumers with information on how brands are working to address forced and child labor. Each company receives an overall grade, and an individual grade on their efforts in the following categories: Policies, Transparency, Monitoring, and Worker’s Rights.

Out of the 31 Companies measured for compliance with the *California Transparency in Supply Chains Act*, 6 of them are ranked on Free2Work.org. As Seen in Table 4, although the companies comply with the act, Free2Work.org rankings are not great, especially in worker’s rights.

**Table 4: Comparison of Compliance with California Act and Free2Work.org Ratings**

Company	Industry	Compliance	Free2Work.org				
		California Act	Ratings				
		Comply	Overall	Policies	Transparency	Monitoring	Worker's Rights
<a href="#">Hewlett-Packard</a>	Computers, Office Equipment	Yes	C	B-	C+	D	D
<a href="#">Apple</a>	Computers, Office Equipment	Yes	D	C+	D	D	D-
<a href="#">Walt Disney</a>	Entertainment	Yes	C+	B	B-	B-	D
<a href="#">Gap</a>	Specialty Retailers: Apparel	Yes	B	A-	B+	B	D
<a href="#">Mattel</a>	Miscellaneous	Yes	D	C	D	D	D-
<a href="#">Levi Strauss</a>	Apparel	Yes	B	A	A-	B+	D+

Source: <http://money.cnn.com/magazines/fortune/fortune500/2011/sta> | <http://www.free2work.org/>

<sup>12</sup> International Labor Rights Forum. Web. 13 Mar. 2013. <http://www.laborrights.org/>.

<sup>13</sup> Free2Work.org. Web. 4 Apr. 2013. <http://www.free2work.org/>.

### *Fair Labor Association*

The mission of the Fair Labor Association (FLA) is to combine the efforts of business, civil society organizations, and colleges and universities to promote and protect workers' rights and to improve working conditions globally through adherence to international standards.<sup>14</sup> Companies become members of the FLA on a voluntary basis and have to commit to ensuring fair labor practices and working conditions in their supply chains. These companies must meet strict labor standards as long as they are affiliated. Independent assessments and monitoring are published on the FLA website, as well as third party complaints and investigations. The FLA conducts unannounced factory visits, and independent assessments on a random sample of companies' supplier factories. Factory tracking charts and assessment results are publicly available on the FLA website.

### *The Worker Rights Consortium*

The Worker Rights Consortium (WRC) is an independent labor rights monitoring organization, conducting investigations of working conditions in factories around the globe. The purpose is to combat sweatshops and protect the rights of workers who make apparel and other products.<sup>15</sup> The WRC's primary focus is the labor rights practices of factories producing apparel and other products with university logos on behalf of university affiliates. The WRC conducts investigations and monitoring of the conditions of factories and the results are posted on the WRC website. The WRC also conducts factory assessments in response to worker's complaints and also on a proactive basis. The WRC hosts a searchable on-line database on factories engaged in the production of collegiate goods.

### ***Transparency***

Based on the comparison, transparency is essential to educate the consumer, and to hold companies accountable for fair labor standards and responsible corporate governance.

---

<sup>14</sup> *Fair Labor Association*. Web. 17 Mar. 2013. <http://www.fairlabor.org/our-work/mission-charter>.

<sup>15</sup> *Worker's Rights Consortium*. Web. 29 Mar. 2013. <http://www.workersrights.org/>.

Free2Work.org provides transparency to consumers through their website and cell phone app ranking companies by their efforts, and mediates communication between the consumers and companies. Both the FLA and the WRC publish independent assessments, investigations, and monitoring on their websites available to the consumer to investigate companies' behaviors.

### ***Worker's Rights***

The *California Transparency in Supply Chains Act* requires companies to disclose efforts on worker's rights and code of conduct. Free2Work.org as part of their assessment analyzes company monitoring reports on worker's rights and code of conduct, and incorporates these into their grading system. The FLA works to bring resolution to worker's rights violations through union representatives, workers, and local civil society organizations. The WRC launches factory assessments in direct response to worker complaints and also initiates assessments on a proactive basis.

### ***Auditing & Monitoring***

As mentioned in Chapter 1, one of the five provisions of the law requires a company to disclose information on how they conduct audits and monitor their suppliers. A company must also disclose information on whether they conduct independent, or third party announced audits.

As part of the comparative analysis, auditing compliance with the law was compared with NGO auditing best practices. For this analysis the following questions were considered when observing the company websites:

#### California Transparency in Supply Chains Act

1. Does the company disclose information on auditing and monitoring suppliers?
2. Does the company disclose information on whether they conduct independent, or third party announced audits or monitoring?

#### NGO Best Practices

3. Does the company disclose the number of audits conducted annually?
4. Does the company share the audit and monitoring results publicly?

Table 5 compares the auditing requirements of the *California Transparency in Supply Chains Act* with the NGO Best Practices (reference Appendix D for data collection on auditing practices).

**Table 5: Compliance in Auditing: California Transparency Law Requirement and NGO Best Practices**

Auditing & Monitoring				
Auditing: California Transparency Act- Law Requirement			Auditing: NGO Best Practices	
	Does the company disclose information on auditing and monitoring suppliers?	Does the company disclose information independent, or third party unannounced audits or monitoring?	Does the company disclose the number of audits conducted annually?	Does the company share the audit and monitoring results publicly?
Yes	30	26	5	2
No	1	5	26	29
<b>Percent Disclosed</b>	<b>97%</b>	<b>84%</b>	<b>16%</b>	<b>6%</b>

Among the 31 companies evaluated in the study, per the law requirements 97% disclosed monitoring and auditing information on their suppliers, 84% disclosed information on whether they conducted independent, or third party unannounced audits. Based on the NGO best practices only 16% disclosed the number of audits conducted annually, and only 6% share the audit results publicly.

***Tracking & Ranking***

The *California Transparency in Supply Chains Act* currently does not have a ranking system on companies that need to comply with the law. Free2work.org ranks companies with a letter grade A-F on their efforts in the following categories: Policies, Transparency, Monitoring, and Worker’s Rights (reference Table 4). The FLA publishes unannounced factory visits and independent assessments of a random sample of companies’ supplier factories. The factory visits and published through tracking charts of the FLA website. The WRC host a searchable on-line database on factories engaged in the production of collegiate goods, along with detailed public reports on investigations on working conditions.

*Summary of Best Practices from NGO Comparison*

Based on the comparative analysis some best practices of these organizations include:

- Promoting transparency
- Requiring independent assessments of a random sample of companies' supplier factories
- Supplying resolutions to third party complaints and investigations
- Factory visit tracking charts
- Rating systems
- Online databases available to the public.

As seen with the FLA, companies become members voluntarily to labor organizations, and have to meet the strict labor standards as long as they are affiliated. These organizations all promote transparency, but the efforts go beyond simply stating transparency and have established systems to hold companies and factories accountable. *The California Transparency in Supply Chains Act* does not require monitoring or independent assessments to ensure they are in compliant with the company's disclosure statements.

## CHAPTER 5: CONCLUSIONS

Given the results from the study, the research concludes that companies are complying with provisions of *The California Transparency Supply Chains Act*. The Law is a step in the right direction; however it does not go far enough based on the best practices of NGO's. Simply stating transparency does not necessarily transpose to accountability of labor violations in the supply chain. Based on the NGO Comparison *The California Transparency in Supply Chains Act* does NOT meet the best practices in the following areas:

- The current law places the responsibility on the consumer to make informed choices based on disclosure statements.
- The disclosure statements are simply stating the companies "efforts" to address forced labor and human trafficking. It does not address the suppliers or factories efforts, worker's rights, or violations within a supply chain.
- Lastly, the law does not require external audits or monitoring of suppliers to hold companies accountable for their disclosure statements.

The provision of law, simply stating transparency, does not effectively educate the consumer on violations of human-trafficking and forced labor within a supply chain. Other organizations are requiring independent assessments and monitoring to hold compliance accountable, as well as publishing factory tracking reports and investigations made available to the public.

Slavery and human trafficking are global problems, responsibility and governance takes more than one state, one organization, or one factory to enforce fair labor standards. *The California Transparency in Supply Chains Act* is a step in the right direction, and the only state to have a law of its kind. This law is one step to improve the conditions within supply chains, and attempt to hold corporations accountable by stating their efforts to eliminate forced labor and human trafficking in their supply chains. However, additional steps must be taken to hold companies accountable for their disclosure statements which could include; independent assessments, monitoring, and an on-

## SUPPLY CHAIN TRANSPARENCY

line database to track factories and suppliers. Purely stating transparency doesn't necessarily transpose to responsible governance and eliminating labor violations in the supply chain. Additional efforts must be put in place for monitoring, auditing, and compliance for companies to limit the risks of human trafficking and labor violations in their supply chain.

## REFERENCES

- Bales, Kevin. (2000). *Disposable People: New Slavery in the Global Economy*. Berkeley, Los Angeles, and London: University of California Press.
- Bales, Kevin. (2002). *International Labour Standards: Quality of Information and Measures of Progress in Combating Forced Labour*. Paper presented at the International Labour Standards: Quality of Information and Measures of Progress Workshop, Washington D.C., July 10-11, 2002.
- Claeson, Bjorn. (2010). *Enemies of the Nation or Human Rights Defenders? Fighting Poverty Wages in Bangladesh*. Retrieved from <http://www.sweatfree.org/bcws>.
- Cuyvers, Ludo, Danny van den Bulcke, and Chrisna Wijaya. (2001). *Quantifying Respect for Selected Core Labour Standards with Special Emphasis on Force Labour*. Unpublished Mimeograph. Geneva: I.L.O.
- Fair Labor Association. Web. 17 Mar.2013. <http://www.fairlabor.org/our-work/mission-charter>.
- Free2Work.org. Web. 4 Apr. 2013. <http://www.free2work.org/>.
- Hiscox, Michael. (2002). *International Trade and Political Conflict: Commerce, Coalitions, and Mobility*. Princeton University Press, New Jersey.
- International Labour Office. (2001). *Stopping Forced Labour. Global Report under the Follow-Up to the ILO Declaration on Fundamental Principles and Rights at Work*. Geneva: I.L.O.
- International Labour Office. (2012). *ILO 2012 Estimate of Forced Labour*. Geneva: I.L.O.
- International Labor Rights Forum. Web. 13 Mar. 2013. <http://www.laborrights.org/>.
- Micheletti, Michele, and Dietlind Stolle. (2007). *Mobilize Consumers to Take Responsibility for Global Social Justice*. American Academy of Political and Social Science. Vol. 611, pp. 157-175.
- Office of the United Nations High Commissioner for Human Rights- 1926 Slavery Convention. Web. 28 Nov. 2012. <http://www2.ohchr.org/english/law/slavery.htm>
- Powell, Benjamin, and David Skarbek. (2004). *Sweatshops and Third World Living Standards: Are the Jobs Worth the Sweat?* Department of Economics, San Jose University. The Independent Working Institute.
- Seidman, Gary W. (2007). *Beyond the Boycott: Labor Rights, Human Rights, and Transnational Activism*. Russell Sage Foundation, New York.
- United States Department of Labor. Web. 29 Feb. 2012. <http://www.dol.gov>

## SUPPLY CHAIN TRANSPARENCY

U.S. Department of State – United States of America. (2012). *Trafficking in Persons Report June 2012*. U.S.A.

U.S. Department of State -Victims of Trafficking and Violence Protection Act of 2000. Web. Nov 2012. <http://www.state.gov/j/tip/laws/61124.htm>

Unknown. (2011). *California Transparency in Supply Chains Act Takes Effect January 1, 2012*. Corporate Law Report. Retrieved from:  
<http://corporatelaw.jdsupra.com/post/13987213821/california-transparency-in-supply-chains-takes-effect>.

Worker's Rights Consortium. Web. 29 Mar. 2013. <http://www.workersrights.org/>.

## APPENDICES

## Appendix A: Fortune 500- State of California Top Performing Companies

State Rank	Company	Fortune 500 rank	City	Revenues (\$ millions)	Industry
1	<a href="#">Chevron</a>	3	San Ramon	196,337.00	Petroleum Refining
2	<a href="#">Hewlett-Packard</a>	11	Palo Alto	126,033.00	Computers, Office Equipment
3	<a href="#">McKesson</a>	15	San Francisco	108,702.00	Wholesalers: Health Care
4	<a href="#">Wells Fargo</a>	23	San Francisco	93,249.00	Commercial Banks
5	<a href="#">Apple</a>	35	Cupertino	65,225.00	Computers, Office Equipment
6	<a href="#">Intel</a>	56	Santa Clara	43,623.00	Semiconductors and Other Electrical Components
7	<a href="#">Safeway</a>	60	Pleasanton	41,050.00	Food and Drug Store
8	<a href="#">Cisco Systems</a>	62	San Jose	40,040.00	Network and Other Communications Equipment
9	<a href="#">Walt Disney</a>	65	Burbank	38,063.00	Entertainment
10	<a href="#">Northrop Grumman</a>	72	Los Angeles	34,757.00	Aerospace and Defense
11	<a href="#">Ingram Micro</a>	75	Santa Ana	34,589.00	Wholesalers: Electronics and Office Equipment
12	<a href="#">Google</a>	92	Mountain View	29,321.00	Internet Services and Retailing
13	<a href="#">Oracle</a>	96	Redwood City	26,820.00	Computer Software
14	<a href="#">DirecTV</a>	110	El Segundo	24,102.00	Telecommunications
15	<a href="#">Occidental Petroleum</a>	129	Los Angeles	19,857.00	Mining, Crude-Oil Production
16	<a href="#">Amgen</a>	163	Thousand Oaks	15,053.00	Pharmaceuticals
17	<a href="#">Gap</a>	167	San Francisco	14,664.00	Specialty Retailers: Apparel
18	<a href="#">PG&amp;E Corp.</a>	177	San Francisco	13,841.00	Utilities: Gas & Electric
19	<a href="#">Health Net</a>	179	Woodland Hills	13,619.90	Insurance: Health and Managed Care
20	<a href="#">Edison International</a>	198	Rosemead	12,409.00	Utilities: Gas & Electric
21	<a href="#">Qualcomm</a>	222	San Diego	10,991.00	Network and Other Communications Equipment
22	<a href="#">Jacobs Engineering Group</a>	250	Pasadena	9,915.50	Engineering, Construction
23	<a href="#">Western Digital</a>	251	Lake Forest	9,850.00	Computer Peripherals
24	<a href="#">Applied Materials</a>	259	Santa Clara	9,548.70	Semiconductors and Other Electrical Components
25	<a href="#">URS</a>	267	San Francisco	9,177.10	Engineering, Construction
26	<a href="#">eBay</a>	269	San Jose	9,156.30	Internet Services and Retailing
27	<a href="#">Sempra Energy</a>	274	San Diego	9,003.00	Utilities: Gas & Electric
28	<a href="#">Synnex</a>	281	Fremont	8,617.10	Wholesalers: Electronics and Office Equipment
29	<a href="#">Visa</a>	297	San Francisco	8,065.00	Financial Data Services
30	<a href="#">Gilead Sciences</a>	299	Foster City	7,949.40	Pharmaceuticals
31	<a href="#">Ross Stores</a>	303	Pleasanton	7,866.10	Specialty Retailers: Apparel
32	<a href="#">Dole Food</a>	341	Westlake Village	6,894.00	Food Consumer Products
33	<a href="#">Broadcom</a>	343	Irvine	6,818.30	Semiconductors and Other Electrical Components
34	<a href="#">AECOM Technology</a>	353	Los Angeles	6,559.40	Engineering, Construction
35	<a href="#">Avery Dennison</a>	356	Pasadena	6,512.70	Chemicals
36	<a href="#">Advanced Micro Devices</a>	357	Sunnyvale	6,494.00	Semiconductors and Other Electrical Components
37	<a href="#">Yahoo</a>	365	Sunnyvale	6,324.70	Internet Services and Retailing
38	<a href="#">Sanmina-SCI</a>	366	San Jose	6,318.70	Semiconductors and Other Electrical Components
39	<a href="#">Reliance Steel &amp; Aluminum</a>	367	Los Angeles	6,312.80	Wholesalers: Diversified
40	<a href="#">Spectrum Group International</a>	381	Irvine	6,012.40	Miscellaneous
41	<a href="#">Symantec</a>	382	Mountain View	5,985.00	Computer Software
42	<a href="#">Mattel</a>	392	El Segundo	5,856.20	Miscellaneous
43	<a href="#">Franklin Resources</a>	393	San Mateo	5,853.00	Securities
44	<a href="#">Pacific Life</a>	405	Newport Beach	5,603.00	Insurance: Life, Health (Stock)
45	<a href="#">Clorox</a>	411	Oakland	5,534.00	Household and Personal Products
46	<a href="#">Core-Mark Holding</a>	412	South San Francisco	5,510.30	Wholesalers: Food and Grocery
47	<a href="#">Agilent Technologies</a>	419	Santa Clara	5,444.00	Scientific, Photographic, and Control Equipment
48	<a href="#">CB Richard Ellis Group</a>	440	Los Angeles	5,119.20	Miscellaneous
49	<a href="#">Live Nation Entertainment</a>	444	Beverly Hills	5,063.70	Entertainment
50	<a href="#">Allergan</a>	457	Irvine	4,919.40	Pharmaceuticals
51	<a href="#">SanDisk</a>	468	Milpitas	4,826.80	Semiconductors and Other Electrical Components
52	<a href="#">Charles Schwab</a>	491	San Francisco	4,474.00	Securities
53	<a href="#">Levi Strauss</a>	496	San Francisco	4,410.60	Apparel

Source: <http://money.cnn.com/magazines/fortune/fortune500/2011/states/CA.html>

# SUPPLY CHAIN TRANSPARENCY

## Appendix B: Research Collection Spreadsheet on Top Performing Companies and Compliance

### Capstone Research Data Collection Spreadsheet

#### 2011 - Fortune 500-State of California Top Performing Companies

⚠️ looked at website, couldn't find supply chain link

State Rank	Company	Fortune 500 rank	City	Revenues (\$ millions)	Industry	Link to Website Disclosure Statement	Direct Link Y or N?	Compliance (See Disclosure Provisions listed Below)					Total Rank (1-5)	Comply (-5)	Does Not Comply (+5)
								1	2	3	4	5			
1	<a href="#">Chevron</a>	3	San Ramon	196,337.00	Petroleum Refng	<a href="http://www.chevron.com/documentsandsettings/SupplyChainsAct.pdf">http://www.chevron.com/documentsandsettings/SupplyChainsAct.pdf</a>	Yes	1	1	1	1	1	5	1	-
2	<a href="#">Hewlett-Packard</a>	11	Palo Alto	126,033.00	Computers, Office Equipment	<a href="http://www.hp.com/hpinfo/global/citizenship/socialresponsibility/transparencyin-supply-chains-act-of-2010.html">http://www.hp.com/hpinfo/global/citizenship/socialresponsibility/transparencyin-supply-chains-act-of-2010.html</a>	Yes	1	1	1	1	1	5	1	-
3	<a href="#">McKesson</a>	15	San Francisco	109,702.00	Wholesalers: Health Care	X							0	-	2
4	<a href="#">Wells Fargo</a>	23	San Francisco	93,248.00	Commercial Banks	X							0	-	2
5	<a href="#">Apple</a>	35	Cupertino	65,225.00	Computers, Office Equipment	<a href="http://www.apple.com/usa/corporate/socialresponsibility/working-conditions-labor-and-human-rights.html">http://www.apple.com/usa/corporate/socialresponsibility/working-conditions-labor-and-human-rights.html</a>	Yes	1	1	1	1	1	5	1	-
6	<a href="#">Intel</a>	56	Santa Clara	43,623.00	Semiconductors and Other Electrical Components	<a href="http://www.intel.com/usa/corporate/csr/working-conditions-labor-and-human-rights.htm">http://www.intel.com/usa/corporate/csr/working-conditions-labor-and-human-rights.htm</a>	Yes	1	1	1	1	1	5	1	-
7	<a href="#">Safeway</a>	60	Pleasanton	41,050.00	Food and Drug Store	<a href="http://www.safeway.com/corporate/safeway/socialresponsibility/working-conditions-labor-and-human-rights.htm">http://www.safeway.com/corporate/safeway/socialresponsibility/working-conditions-labor-and-human-rights.htm</a>	Yes	1	1	1	1	1	5	1	-
8	<a href="#">Cisco Systems</a>	62	San Jose	40,040.00	Network and Other Communications Equipment	<a href="http://www.cisco.com/web/about/citizenship/environmental/socialresponsibility/human-trafficking_position_statement.pdf">http://www.cisco.com/web/about/citizenship/environmental/socialresponsibility/human-trafficking_position_statement.pdf</a>	Yes	1	1	1	1	1	5	1	-
9	<a href="#">Walt Disney</a>	65	Burbank	38,063.00	Entertainment	<a href="http://www.waltdisney.com/citizenship/2010/humanrights">http://www.waltdisney.com/citizenship/2010/humanrights</a>	Yes	1	1	1	1	1	5	1	-
10	<a href="#">Northrop Grumman</a>	72	Los Angeles	34,757.00	Aerospace and Defense	<a href="http://www.northropgrumman.com/corporate/citizenship/socialresponsibility/supply-chain-act.html">http://www.northropgrumman.com/corporate/citizenship/socialresponsibility/supply-chain-act.html</a>	Yes	1	1	1	1	1	5	1	-
11	<a href="#">Ingram Micro</a>	75	Santa Ana	34,589.00	Wholesalers: Electronics and Office Equipment	X							0	-	2
12	<a href="#">Google</a>	92	Mountain View	28,321.00	Internet Services and Retailing	X							0	-	2
13	<a href="#">Oracle</a>	96	Redwood City	26,830.00	Computer Software	<a href="http://www.oracle.com/us/corporate/citizenship/socialresponsibility/human-supply-chain/index.html">http://www.oracle.com/us/corporate/citizenship/socialresponsibility/human-supply-chain/index.html</a>	Yes	1	1	1	1	1	5	1	-
14	<a href="#">DirecTV</a>	110	El Segundo	24,102.00	Telecommunications	X							0	-	2
15	<a href="#">Occidental Petroleum</a>	129	Los Angeles	19,857.00	Mining, Crude-Oil Production	<a href="http://www.oxy.com/ir/humanrights/Pages/HumanRightsPolicy.aspx">http://www.oxy.com/ir/humanrights/Pages/HumanRightsPolicy.aspx</a>	Yes	1	1	1	1	1	5	1	-
16	<a href="#">Amgen</a>	163	Thousand Oaks	15,053.00	Pharmaceuticals	<a href="http://www.amgen.com/usa/citizenship/suppliers_conduct_audit.html">http://www.amgen.com/usa/citizenship/suppliers_conduct_audit.html</a>	Yes	1	1	1	1	1	5	1	-
17	<a href="#">Gap</a>	167	San Francisco	14,664.00	Specialty Retailers: Apparel	<a href="http://www.gapinc.com/citizenship/socialresponsibility/supply-chain-act-2010.html">http://www.gapinc.com/citizenship/socialresponsibility/supply-chain-act-2010.html</a>	Yes	1	1	1	1	1	5	1	-
18	<a href="#">PG&amp;E Corp.</a>	177	San Francisco	13,841.00	Utilities: Gas & Electric	<a href="http://www.pge.com/aboutus/citizenship/socialresponsibility/working-conditions-labor-and-human-rights.htm">http://www.pge.com/aboutus/citizenship/socialresponsibility/working-conditions-labor-and-human-rights.htm</a>	Yes	1	1	1	1	1	5	1	-
19	<a href="#">Health Net</a>	179	Woodland Hills	13,619.90	Insurance: Health and Managed Care	X							0	-	2
20	<a href="#">Edison International</a>	198	Rosemead	12,409.00	Utilities: Gas & Electric	X							0	-	2
21	<a href="#">Qualcomm</a>	222	San Diego	10,991.00	Network and Other Communications Equipment	<a href="http://www.qualcomm.com/about/citizenship/environmental/socialresponsibility/human-supply-chain">http://www.qualcomm.com/about/citizenship/environmental/socialresponsibility/human-supply-chain</a>	Yes	1	1	1	1	1	5	1	-
22	<a href="#">Jacobs Engineering Group</a>	250	Pasadena	9,915.50	Engineering, Construction	X							0	-	2
23	<a href="#">Western Digital</a>	251	Lake Forest	9,850.00	Computer Peripherals	<a href="http://www.wdc.com/resources/pressreleases/suppliersandhumanrights.aspx">http://www.wdc.com/resources/pressreleases/suppliersandhumanrights.aspx</a>	Yes	1	1	1	1	1	5	1	-
24	<a href="#">Applied Materials</a>	259	Santa Clara	9,548.70	Semiconductors and Other Electrical Components	<a href="http://www.appliedmaterials.com/investor/corporate-governance">http://www.appliedmaterials.com/investor/corporate-governance</a> & <a href="http://www.appliedmaterials.com/about-us/working-conditions-labor-and-human-rights.htm">http://www.appliedmaterials.com/about-us/working-conditions-labor-and-human-rights.htm</a>	No	0	0	0	0	0	0	-	2
25	<a href="#">URS</a>	267	San Francisco	9,177.10	Engineering, Construction	X							0	-	2
26	<a href="#">eBay</a>	269	San Jose	9,156.30	Internet Services and Retailing	X							0	-	2
27	<a href="#">Sempra Energy</a>	274	San Diego	9,003.00	Utilities: Gas & Electric	X							0	-	2
28	<a href="#">Synnex</a>	281	Fremont	8,617.10	Wholesalers: Electronics and Office Equipment	X							0	-	2
29	<a href="#">Visa</a>	297	San Francisco	8,065.00	Financial Data Services	X							0	-	2
30	<a href="#">Celadon Sciences</a>	299	Foster City	7,849.40	Pharmaceuticals	<a href="http://www.celadon.com/ethics">http://www.celadon.com/ethics</a>	Yes	1	1	1	1	1	5	1	-
31	<a href="#">Ross Stores</a>	303	Pleasanton	7,866.10	Specialty Retailers: Apparel	<a href="http://www.rossstores.com/ethics/working-conditions-labor-and-human-rights-act.pdf">http://www.rossstores.com/ethics/working-conditions-labor-and-human-rights-act.pdf</a>	Yes	1	1	1	1	1	5	1	-
32	<a href="#">Dole Food</a>	341	Westlake Village	6,894.00	Food Consumer Products	<a href="http://dole.com/approach/supply-chain-management/">http://dole.com/approach/supply-chain-management/</a>	Yes	1	1	1	1	1	5	1	-
33	<a href="#">Broadcom</a>	343	Irvine	6,818.30	Semiconductors and Other Electrical Components	<a href="http://www.broadcom.com/pressroom/citizenship-socialresponsibility/working-conditions-labor-and-human-rights.htm">http://www.broadcom.com/pressroom/citizenship-socialresponsibility/working-conditions-labor-and-human-rights.htm</a>	Yes	1	1	1	1	1	5	1	-
34	<a href="#">AECOM Technology</a>	353	Los Angeles	6,559.40	Engineering, Construction	X							0	-	2
35	<a href="#">Avery Dennison</a>	356	Pasadena	6,512.70	Chemicals	<a href="http://www.averydennison.com/citizenship/socialresponsibility/supply-chain-transparency.html">http://www.averydennison.com/citizenship/socialresponsibility/supply-chain-transparency.html</a>	Yes	1	1	1	1	1	5	1	-
36	<a href="#">Advanced Micro Devices</a>	357	Sunnyvale	6,494.00	Semiconductors and Other Electrical Components	<a href="http://www.amd.com/us/about/amd/corporate-citizenship/socialresponsibility/supply-chain-management/Pages/supply-chain.aspx">http://www.amd.com/us/about/amd/corporate-citizenship/socialresponsibility/supply-chain-management/Pages/supply-chain.aspx</a>	Yes	1	1	1	1	1	5	1	-
37	<a href="#">Yahoo</a>	365	Sunnyvale	6,324.70	Internet Services and Retailing	X							0	-	2
38	<a href="#">Sanmina-SCI</a>	366	San Jose	6,318.70	Semiconductors and Other Electrical Components	<a href="http://www.sanmina-sci.com/citizenship/socialresponsibility/supply-chain/index.php">http://www.sanmina-sci.com/citizenship/socialresponsibility/supply-chain/index.php</a>	Yes	1	1	1	1	1	5	1	-
39	<a href="#">Nalco Steel &amp; Aluminum</a>	367	Los Angeles	6,312.80	Wholesalers: Diversified	X							0	-	2
40	<a href="#">Spectrum Group International</a>	381	Irvine	6,012.40	Miscellaneous	X							0	-	2
41	<a href="#">Symantec</a>	382	Mountain View	5,985.00	Computer Software	<a href="http://www.symantec.com/corporate-responsibility/working-conditions-labor-and-human-rights">http://www.symantec.com/corporate-responsibility/working-conditions-labor-and-human-rights</a>	Yes	1	1	1	1	1	5	1	-
42	<a href="#">Mattel</a>	392	El Segundo	5,856.20	Miscellaneous	<a href="http://www.mattel.com/about-us/corporate-responsibility/working-conditions-labor-and-human-rights.htm">http://www.mattel.com/about-us/corporate-responsibility/working-conditions-labor-and-human-rights.htm</a>	Yes	1	1	1	1	1	5	1	-
43	<a href="#">Franklin Resources</a>	393	San Mateo	5,853.00	Securities	X							0	-	2
44	<a href="#">Pacific Life</a>	405	Newport Beach	5,603.00	Insurance: Life, Health (Stock)	X							0	-	2
45	<a href="#">Clorox</a>	411	Oakland	5,534.00	Household and Personal Products	<a href="http://www.clorox.com/citizenship/socialresponsibility/working-conditions-labor-and-human-rights/">http://www.clorox.com/citizenship/socialresponsibility/working-conditions-labor-and-human-rights/</a>	Yes	1	1	1	1	1	5	1	-
46	<a href="#">Coca-Cola Bottling</a>	412	South San Francisco	5,510.30	Wholesalers: Food and Grocery	X							0	-	2
47	<a href="#">Agilent Technologies</a>	419	Santa Clara	5,444.00	Scientific, Photographic, and Control Equipment	<a href="http://www.agilent.com/environment/037862_CTISCA_Web_Statement.pdf">http://www.agilent.com/environment/037862_CTISCA_Web_Statement.pdf</a>	Yes	1	1	1	1	1	5	1	-
48	<a href="#">CB Richard Ellis Group</a>	440	Los Angeles	5,192.20	Miscellaneous	X							0	-	2
49	<a href="#">Live Nation Entertainment</a>	444	Beverly Hills	5,063.70	Entertainment	X							0	-	2
50	<a href="#">Allergan</a>	457	Irvine	4,919.40	Pharmaceuticals	<a href="http://www.allergan.com/usa/citizenship/socialresponsibility/supply-chain-disclosure.htm">http://www.allergan.com/usa/citizenship/socialresponsibility/supply-chain-disclosure.htm</a>	Yes	1	1	1	1	1	5	1	-
51	<a href="#">SanDisk</a>	468	Milpitas	4,826.80	Semiconductors and Other Electrical Components	<a href="http://www.sandisk.com/Assets/Attachments/AboutSanDisk/Corporate-Social-Responsibility/Corporate-Responsibility/working-conditions-labor-and-human-rights-act-2010-12-11.pdf">http://www.sandisk.com/Assets/Attachments/AboutSanDisk/Corporate-Social-Responsibility/Corporate-Responsibility/working-conditions-labor-and-human-rights-act-2010-12-11.pdf</a>	Yes	1	1	1	1	1	5	1	-
52	<a href="#">Charles Schwab</a>	491	San Francisco	4,474.00	Securities	X							0	-	2
53	<a href="#">Lew Strauss</a>	496	San Francisco	4,410.60	Apparel	<a href="http://www.lewstrauss.com/files/citizenship-socialresponsibility/working-conditions-labor-and-human-rights-act-2011a.pdf">http://www.lewstrauss.com/files/citizenship-socialresponsibility/working-conditions-labor-and-human-rights-act-2011a.pdf</a>	Yes	1	1	1	1	1	5	1	-

Source: <http://money.com/investing/fortune500/2011/#state%20>

Not Sure - If they qualify under the law did not find disclosure  
Not a Retailer or Manufacturer - Not Required under the law

53 30 1  
10 12

#### Compliance - Disclosure Statement Provisions - With a direct link of their home page.

- Engages in verification of product supply chains to evaluate and address risks of human trafficking and slavery. The disclosure shall specify if the verification was not conducted by a third party.
- Conducts audits of suppliers to evaluate supplier compliance with company standards for trafficking and slavery in supply chains. The disclosure shall specify if the verification was not an independent, unannounced audit.
- Requires direct suppliers to certify that materials incorporated into the product comply with the laws regarding slavery and human trafficking of the country or countries in which they are doing business.
- Maintains internal accountability standards and procedures for employees or contractors failing to meet company standards regarding slavery and trafficking.
- Provides company employees and management, who have direct responsibility for supply chain management, training on human trafficking and slavery, particularly with respect to mitigating risks within the supply chains of products.

59 30 29

## Appendix C: Chevron Example of Disclosure Statement

Chevron Disclosure Statement | February 2012



## California Transparency in Supply Chains Act of 2010

The [California Transparency in Supply Chains Act of 2010](#) (SB 657) requires many companies manufacturing or selling products in the state of California to disclose their efforts (if any) to address the issue of forced labor and human trafficking in their supply chains. The law was designed to increase consumers' knowledge about products they buy and the companies they choose to support.

### Chevron's Commitments

Chevron's commitment to respecting human rights wherever we operate is embodied in [The Chevron Way](#), our [Operational Excellence Management System](#), our [Business Conduct and Ethics Code](#) and our [Human Rights Policy](#).

Our Business Conduct and Ethics Code provides information about how we conduct our day-to-day business activities according to the principles of The Chevron Way. The Business Conduct and Ethics Code, which also includes our Human Rights Policy, is required reading for all directors and employees. Failure to comply with company policies and procedures may result in disciplinary actions up to and including termination.

As part of our Human Rights Policy implementation, we have refreshed our human rights training programs. We have also broadened the training population to include relevant employees and contractors in the Procurement/Supply Chain Management organization.

### Supplier Engagement

Chevron encourages contractors, suppliers and service providers to conduct their business in a manner consistent with Chevron standards. These expectations are communicated through a variety of channels, including Chevron's contracts.

We have specific language in our policies related to engagement with suppliers on labor issues. We require that our suppliers adhere to all applicable domestic laws and encourage them to be consistent with the International Labor Organization's core labor principles.

We have begun the process of updating supplier contracts to reinforce expectations related to labor standards that address the use of forced or involuntary labor. We also are working to raise awareness of potential labor issues with our key suppliers through supplier forums and other efforts.

Through our Contractor Health, Environment and Safety Management and Supplier Qualification processes, we work with suppliers to increase accountability and continually improve their performance. Major suppliers are selected for periodic audits based on a risk ranking determined by the nature of the work to be performed and responses to a questionnaire on supplier policies, processes and performance. Business units may use internal, external or third-party auditing resources, depending on the audit strategy. The audits cover health, environmental and safety standards and compliance. Particular labor issues or concerns may be emphasized as part of this process, depending on the business location.

[www.chevron.com](http://www.chevron.com)

© 2012 Chevron Corporation. All rights reserved. CHEVRON and the Chevron Hallmark are registered trademarks of Chevron Intellectual Property LLC.

1

SUPPLY CHAIN TRANSPARENCY

Appendix D: Research Collection on Auditing, California Transparency Act Law Requirement and NGO Best Practices

State Rank	Company	Industry	Auditing & Monitoring			
			Auditing: Law Requirement		Auditing: Best Practices	
			Does the company disclose information on auditing and monitoring suppliers?	Does the company disclose information independent, third party unannounced audits or monitoring?	Does the company disclose the number of audits conducted annually?	Does the company share the audit and monitoring results publicly?
1	Chevron	Petroleum Refining	Yes	Yes	No	No
2	Hewlett-Packard	Computers, Office Equipment	Yes	Yes	Yes	No
5	Apple	Computers, Office Equipment	Yes	Yes	Yes	No
6	Intel	Semiconductors and Other Electrical Components	Yes	Yes	No	No
7	Safeway	Food and Drug Store	Yes	Yes	No	No
8	Cisco Systems	Network and Other Communications Equipment	Yes	Yes	No	No
9	Walt Disney	Entertainment	Yes	Yes	Yes	Yes
10	Northrop Grumman	Aerospace and Defense	Yes	Yes	No	No
13	Oracle	Computer Software	Yes	Yes	No	No
15	Occidental Petroleum	Mining, Crude-Oil Production	Yes	No	No	No
16	Amgen	Pharmaceuticals	Yes	Yes	No	No
17	Gap	Specialty Retailers: Apparel	Yes	Yes	No	No
18	PG&E Corp.	Utilities: Gas & Electric	Yes	No	No	No
21	Qualcomm	Network and Other Communications Equipment	Yes	No	No	No
23	Western Digital	Computer Peripherals	Yes	Yes	No	No
24	Applied Materials	Semiconductors and Other Electrical Components	No	No	No	No
28	Synnex	Wholesalers: Electronics and Office Equipment	Yes	Yes	No	No
30	Gilead Sciences	Pharmaceuticals	Yes	Yes	No	No
31	Ross Stores	Specialty Retailers: Apparel	Yes	Yes	No	No
32	Dole Food	Food Consumer Products	Yes	Yes	No	No
33	Broadcom	Semiconductors and Other Electrical Components	Yes	No	No	No
35	Avery Dennison	Chemicals	Yes	Yes	No	No
36	Advanced Micro Devices	Semiconductors and Other Electrical Components	Yes	Yes	No	No
38	Sanmina-SCI	Semiconductors and Other Electrical Components	Yes	Yes	No	No
41	Symantec	Computer Software	Yes	Yes	No	No
42	Mattel	Miscellaneous	Yes	Yes	Yes	Yes
45	Clorox	Household and Personal Products	Yes	Yes	No	No
47	Agilent Technologies	Scientific, Photographic, and Control Equipment	Yes	Yes	No	No
50	Allergan	Pharmaceuticals	Yes	Yes	No	No
51	SanDisk	Semiconductors and Other Electrical Components	Yes	Yes	No	No
53	Levi Strauss	Apparel	Yes	Yes	Yes	No

Yes	30	26	5	2
No	1	5	26	29
Percent Disclosed	97%	84%	16%	6%

Appendix E: Descriptive Statistics

