

California Transparency in Supply Chains Act

Summary of Requirements and Overview of Model Disclosures

All disclosures must be posted on the company's website and accessible by a "conspicuous and easily understood" homepage link.

What is the [California Transparency in Supply Chains Act](#)?

Starting January 1, 2012, California law requires that certain large companies disclose to the public the extent of their efforts, if any, to ensure that the goods they sell are not produced by workers who are enslaved, coerced, or otherwise forced into service or who have been the victims of human trafficking. Many companies doing business in California already post disclosures about human trafficking.

The Act does not regulate a company's labor practices, nor does it require companies to reveal confidential, proprietary and/or trade secret information. Instead, it requires businesses subject to the law to simply disclose their practices in five discrete areas so that interested consumers can make better-informed purchasing decisions.

The Law Applies to Businesses That.....

- Do business in California,
- Have annual worldwide gross receipts exceeding \$100 million
- Are identified as manufacturers or retail sellers on their California state tax returns.

A company must address five topics in its supply chains disclosure.

1. Verification. At a minimum, disclose to what extent, if any, that the retail seller or manufacturer 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. Audits. At a minimum, disclose to what extent, if any, that the retail seller or manufacturer 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. Certification. At a minimum, disclose to what extent, if any, that the retail seller or manufacturer 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. Internal Accountability. At a minimum, disclose to what extent, if any, that the retail seller or manufacturer maintains internal accountability standards and procedures for employees or contractors failing to meet company standards regarding slavery and trafficking.

5. Training. At a minimum, disclose to what extent, if any, that the retail seller or manufacturer 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.

KÄHRS GROUP

At Kährs Group, our core values of honesty, integrity and respect are a part of everything we do. We believe in collaborating with others who share our values and who understand the importance of always conducting business ethically.

We are committed to taking steps to end forced labor, whether in the form of human trafficking, indentured labor, prison labor or otherwise. This statement outlines many of our efforts to eradicate forced labor from our direct supply chains.

VERIFICATION

At Kährs Group, we hold our contracted factories to the same high standards of social and environmental responsibility found in our own facilities. We evaluate potential contracted factories against our rigorous standards and require them to agree to Kährs Group's Code of Conduct and communicate our Responsible Business Partner Policy, prior to entering our supply chain. By agreeing to our Code of Conduct, contracted factories are also bound by Kährs Group's Responsible Business Partner Policy. This Policy address topics such as child labor, forced labor, legal wages, discrimination, and harassment-free workplace policies. They also prohibit contracted factories from engaging subcontractors to produce Kährs Group products without the written permission of Kährs Group.

At Kährs Group, we will not knowingly work with factories that use forced labor. We use our own trained factory compliance auditors as well as accredited third-party auditors to ensure compliance with our Terms of Engagement.

AUDITS

Before conducting business with Kährs Group, each factory must undergo a Factory Code of Compliance Audit. Our on-site audit process includes scheduled and unannounced audits by our site compliance representative. We inspect for evidence of health and safety concerns, wage and social compliance, forced labor, child labor issues, harassment-free workplace policies, and environmental issues. A factory must not have any serious health, safety or labor issues in its facility. A factory receiving an accepted status is authorized to produce our products for one year, at which time it must undergo an annual review.

CERTIFICATION

Our Code of Compliance make it clear that contracted factories must conduct business in full compliance with all applicable laws, rules and regulations and comply with the terms of our Responsible Business Partner Policy. The Policy specifically forbid the use of forced labor and prohibit discrimination or harassment in the workplace. Each factory certifies compliance with these terms and conditions prior to becoming an approved contracted factory.

ACCOUNTABILITY

All Kährs Group associates must comply with our Code of Conduct, which includes principles relating to human trafficking and forced labor. Violation of our Code of Conduct by one of our associates can result in disciplinary action, including termination of employment. Consistent with internationally recognized labor standards, our Responsible Business Partner Policy specifies minimum working conditions for employees of our suppliers, helping to ensure that wherever our products are produced, each and every product reflects our values. A contracted factory's breach of the Terms of Engagement can result in Kährs Group taking corrective action, including termination as an approved contracted factory.

All Kährs Group-owned and operated factories undergo compliance audit by our own internal audit committee.

TRAINING

Kährs Group associates complete online and facilitator-led training on our Code of Conduct and sign an agreement to abide by its principles, including those related to human trafficking and forced labor. For our associates and management who have direct responsibility for monitoring, auditing and enforcing our Responsible Business Partner Policy, we provide additional training conducted by our staff or a third party. Training includes topics such as identifying child labor, involuntary or forced labor and preventing human trafficking.

Kährs Group, 2018