

**ATEST National Call on Federal Business Transparency Legislation**  
**6/28/2012 – 2:00PM ET**

**NOTE:** Written transcript made available by Arkadin.

**Operator:** Ladies and gentlemen, hello, and welcome to today's ATEST national call on federal business transparency legislation. Please note that all lines are on listen only mode, and there will be a question and answer session at the end of the presentation. For any assistance you may require, please press \*0 to speak to an operator. And now, to start off our conference, I would like to welcome and turn the call over to Aryan Bocquet. Go ahead please.

**Ms. Aryan Bocquet:** Thank you, Operator, and thank you to all participants who have taken the time to join this call. This is a third in a series of calls hosted by the Alliance to End Slavery and Trafficking this month. For those of you who are new to the alliance, we're a coalition of 12 U.S. based human rights organizations working to end modern day slavery and human trafficking in the United States and abroad. We advocate for lasting solutions to prevent both labor and sex trafficking, hold perpetrators accountable, ensure justice for victims, and empower survivors with tools for recovery. Today, we'll provide an overview of HR 2759, the business transparency on trafficking and slavery act, as introduced by Representative Carolyn Maloney. This law would require businesses to disclose what steps, if any, they're taking to eliminate the human rights abuses of human trafficking and slavery, within their supply chains, labor recruitment practices, and use of goods and services. Our speakers will also discuss advocacy, outreach, and next steps related to the bill, including a perspective from the socially responsible investment community, and their advocacy for business transparency in supply chains in human trafficking and slavery. We're pleased to be joined today by ATEST members Karen Stauss of Free the Slaves and Marina Colby of ECPAT USA. Julie Tanner of Christian Brothers Investment Services and Corey Smith with ATEST also join us. Following our speakers' presentations, as the operator mentioned, we'll open up the call for Q&A. She will explain how to get into the queue to ask a question. I also wanted to quickly remind callers that this call is being recorded. We'll send an email with a link to an mp3 file of the call within the next few days as part of our follow up, along with a written transcript of the call. If for some reason you're unable to get in the queue, or would like additional information following this call from our speakers, please feel free to email me, Aryan Bocquet at [abocquet@humanityunited.org](mailto:abocquet@humanityunited.org). That's [abocquet@humanityunited.org](mailto:abocquet@humanityunited.org), and we'll repeat that information after the call closes. So let's get started. I'd like to now turn it over to my colleague, Marina Colby, to review the different aspects of HR 2759 with you. Marina.

**Ms. Marina Colby:** Thank you, Aryan, and good afternoon, everyone. Thank you for joining our call. My name is Marina Colby. I'm director of public policy and government relations at ECPAT USA. ECPAT stands for Ending Child Prostitution and trafficking. We're a national nonprofit working to ensure that children everywhere enjoy their fundamental rights to live free and secure from all forms of commercial sexual exploitation. I just wanted to also mention that ECPAT USA actively promotes a child protection code of conduct for the travel and tourism industry, and to date, there are over 1,000 corporate signatures to this code in 37 countries, and we're working to bring more U.S. companies on board, thanks a lot to our SRI partners such as Julie Tanner today's call. But now to focus in on a synopsis of the bill that we're discussing today, I would like to begin by mentioning that this is a bipartisan bill that was introduced by Representative Maloney of New York, along with Representative Smith of New Jersey,

Representative Speier of California, and Representative McGovern of Massachusetts. It currently has a total of six cosponsors, and we are working to raise awareness of this legislation and to garner more cosponsors, which is a goal of today's call. In my quick summary of the bill's provisions, I'll begin with the sense of Congress that's in the bill text, and it describes the need for this piece of federal legislation, so it begins with saying that it is the sense of Congress that forced labor, slavery, human trafficking, and the worst forms of child labor are among the most egregious forms of abuse in the name of commercial profit. The legislative and regulatory framework to prevent, to reduce forced labor, slavery, human trafficking, and the worst forms of child labor from passing into the stream of commerce is gravely inadequate, and legislation is necessary to provide the information that the public demands, recognizing that businesses can provide information and respond to consumer and investor demands for business reasons, rather than solely reacting to government prescriptions on how to conduct our business. So now onto more specifically what the bill does, so this bill amends the Securities Exchange Act of 1934 to direct the Securities and Exchange Commission, the SEC, to promulgate regulations requiring mandatory annual reports by companies with a minimum of \$100 million in income, so we're talking about large companies here, to disclose measures taken during the year to identify and address conditions of forced labor, slavery, human trafficking and the worst forms of child labor within their supply chains as a business entity. It also requires any business entity filing such disclosure to make them available on its internet website. The disclosure that we're talking about here shall include under a heading to read "policies to address," and this is the line, again, of the formed trust team and forced labor, the worst forms of child labor, a description of whether the company is conducting any activities in the following ten areas, and I want to go over these briefly with you so you have a really good understanding of what we're advocating for. One, whether the company maintains a policy to identify and eliminate risks of human trafficking and slavery within its supply chain, and if the company does have such a policy, the disclosure shall include the text of that policy. Two, whether or not the company maintains a policy prohibiting the use of a person's corporate products, facilities, or services to obtain or maintain someone under the conditions of human trafficking and slavery, so this is an important provision that extends the reach of this bill to cover companies that engage in providing services. Three, whether the company engages in a verification of their supply chain to evaluate and address the risks of trafficking and slavery, four, whether the company audits its suppliers and evaluates whether the supplier is complying with a company's standard for eliminating human trafficking and slavery, and this disclosure shall specify whether or not the verification was an independent, unannounced audit. Five, whether the company assesses supply chain management in procurement systems of suppliers in the company's supply chain to verify whether the suppliers have in place appropriate systems to identify the risks of human trafficking and slavery within their own supply chain. Six, requires suppliers in its supply chain to certify that the materials incorporated into the product also comply with the laws regarding trafficking and slavery of the country in which they're doing business. Seven, whether a company maintains internal accountability standards, supply chain management and procurement systems and procedures for employees or contractors failing to meet the company standards against human trafficking and slavery. Eight, whether the company provides its employees and management direct responsibility for supply chain management, training on human trafficking and slavery. Nine, whether the company ensures that the recruitment practices at all suppliers comply with the corporate standards to eliminate trafficking and slavery, including by conducting audits of labor recruiters and disclosing the results of these audits, and finally, ten, in cases where forced slavery, forced labor, slavery, human trafficking, and the worst forms of child labor have in identified within the supply chain, whether the company ensures that remediation is provided to those who have been identified as victims. So we also want to emphasize on today's call what this bill does *not* do. So I went through the requirements under the disclosure of activities of what a company is doing, but it also, we want to make clear that it still does not require companies to take any

specific action to address slavery or trafficking within their supply chain, it's primarily a transparency measure that we hope will work to create competition among companies to improve their practices to end trafficking and slavery by providing the public and the market and consumers with information about what companies are doing and what they're not doing to address these human rights abuses. So this bill, when signed into law, will also help businesses by establishing these federal transparency requirements that put all the businesses on what we would call an even playing field so they don't have to comply with a patchwork of state laws that could potentially emerge after passage of the California Transparency Supply Chains Act, and as I mentioned, another positive aspect to this legislation is to emphasize is that it also extends beyond retail sellers and manufacturing companies to prohibit the use of corporate products, facilities, or services to obtain or maintain someone under the conditions of forced labor, slavery, human trafficking and the worst forms of child labor. This language, for example, would require a hotel chain to report on what they're doing or not doing to ensure that trafficking of persons is not happening on their premises, for example, out of one of their hotel rooms. So that, in sum, is a description of the bill language, and now I would like to pass it on to my colleague, Karen Stauss from Free the Slaves to talk about our advocacy efforts to date to get support in Congress for this legislation, and among our NGO colleagues. Karen?

**Ms. Karen Stauss:** Hi there, this is Karen Stauss. I'm the director of programs with Free the Slaves. A lot of you have been involved, sort of along the way, and I hope there's some new people out there too, so apologies for anything that's repetitive for some of you. I think it's important to understand that our advocacy specifically is aiming to pass this legislation in Congress, but it's also really important that we take advantage of that opportunity also to use the fact that there's a bill being considered in Congress to raise awareness among companies and really among consumers and investors, so there's sort of a broader strategy as well when we're trying to push a bill through Congress, so just to recap the current status of the bill, HR 2759 is a bill that's been introduced in the U.S. House of Representatives. It has not yet been formally introduced into the Senate, and anytime you see a bill that says HR at the beginning, that means it's a bill in the House, that was introduced in the House of Representatives, and if you see S at the beginning, that means it was a bill introduced in the Senate, and so far, unfortunately, we don't have that S bill, that Senate bill. So there's two things that could happen, either this bill could pass in the House, and it would then go over to the Senate to get passed and finally be enacted, or a separate, but hopefully very similar or same bill could be introduced in the Senate and get passed in the Senate, and it's the same, at the end of the day, what you really want is the same bill with the same language to pass both houses, then it can go to the President for signature. So just a recap of high school civics for those out there who needed that. I know that a lot of you didn't. So the bill is sitting in the House Financial Services Committee right now. That's the committee that has oversight over bills related to the Securities and Exchange Commission, or the SEC, and what is needed is basically outreach to as broad a number of supporters as possible to help create momentum around the bill and outreach directly and advocacy and lobbying directly to the members of Congress to ask them to pass the bill as well. So to the extent that there's anyone out there who has good connections with businesses who might be willing to support a bill like this, that would make a huge difference, and please do let us know if you have a particular contact with a business, the more that they have either a very large business or a brand name that's recognizable, that helps a lot, but also mainstream investors' groups, there's a lot of socially responsible investors that we'll hear from a little bit later in the call who have supported this, and to the extent that some of you on the call are also from socially responsible investor groups, or SRIs, some of that outreach, I think, to mainstream investors now would be really helpful too. And just moving on to Congress, then, the main groups we're targeting right now within Congress to try to get support for the bill are Republicans who are on the House committee that is right now considering the bill. So we'll send around, I won't read the very long list of

members on that committee, we'll send that around to folks, but just so that you understand the strategy, it's basically Republicans who now control the House who are on the relevant committee who will be the ones we want to reach out to. In addition, we would like to see some progress on the Senate side, and Senator Rubio, who is a conservative Republican from Florida, who I'm sure a lot of you have heard of in the news and so on, he has expressed, he's someone who we're targeting for potential interest for introducing this bill in the Senate. It would create momentum around the bill if, in addition to HR 2759 in the House, we also had a new bill in the Senate that Senators also could formally sign on to, so just to summarize the general areas of outreach that we're looking for that I just mentioned is first, major businesses, second, mainstream investors, and adding to the support, the really great support we've had so far from socially responsible investors, third, House Republicans on the Financial Services committee, which is the relevant committee, and finally in the Senate where we're looking to start is really with Senator Rubio where we're hoping there's some promising signs that he might be a strong supporter for something like this in the Senate. So that is basically where we are. I just want to go through, I've given an overview of some of the categories of important support we need for the bill, but let me just specifically mention things we're asking you to do as next steps to build support for this legislation, if it's something that you support, and there's really just two, well three things we would want to ask you to do right now, and we'll follow up with this in writing. Right now, three things we want to ask you to do, and then I also want to let you know about some events coming up in Congress that hopefully you all could support, or those of you who are in the DC area maybe even attend. So the first thing we would love for you to do that is very easy is just to send a reply email to me after this call adding your organization's name to the list of supporters for the bill. That list is something that we always use when we have lobbying meetings on the hill, and it's really helpful the longer the list is and staffers on the hill can look at that and see how much support there is, so you can just send an email to me, I'm at karen.stauss (like the name Strauss, with no 'r'), and then it's karen.stauss@freetheslaves.net. We'll include that in the follow-up email as well. So that's the first, I think, easiest thing to do to start to show some support for this bill if you haven't already. The second thing that we'll also include in the email is to contact House members who are on the relevant committee. We'll include that list in the email, but if you can reach out to those, especially if you find one who's in your district or in your state, then that can be really helpful, too, to get them to continue thinking about sponsoring this bill, and hopefully some of them can sign on. And then the third specific thing that we would ask people to do is to reach out to Senator Rubio's office. We would really like to encourage them to keep thinking in the direction of potentially sponsoring, so direct outreach to that office could have a huge impact in terms of getting a bill introduced in the Senate. We, as probably a lot of you know, the Senate is controlled by Democrats, and Senator Rubio is a Republican, but what we need is for there to be a sense among Democrats that there would be some degree of support from both sides of the aisle, so we're pretty sure that Democrats will also be willing to co-introduce a legislation as long as there's some sign of bipartisan support. So Senator Rubio, that's why Senator Rubio is particularly key on the Senate side right now. So those are the three things: add your name to the list of supporters, reach out to members on the House, Republican members on the House Financial Service Committee, and finally, Senator Rubio in the Senate. As far as upcoming events in the Senate, it's really exciting, I think, that there's a lot of momentum building around this issue over on the hill, and in particular, we really want to take advantage of the momentum and the attention that's coming up next month through a few events that I'll talk about to actually use that opportunity to ask more members to be signing on to the House bill or support introduction of a bill in the Senate. So the first, so there's actually four potential events on Capitol Hill in the month of July, potentially, so let me just go through those. First, Mrs. Maloney would like to hold a briefing, and the tentative date for that is the morning of July 19, the morning of Thursday, July 19, and she would like that briefing to focus very specifically on the issue of business transparency on slavery and trafficking, so this bill will be

very relevant to that briefing, and we'll send out information about that to everyone as soon as we know that there's a confirmed date. The second thing that's also really exciting is that Senator Rubio himself has indicated an interest in potentially also holding a briefing around the same time on the same issue of business transparency on slavery and trafficking. Now we don't know, yet, if that signals that he'd want to introduce this bill. There's a lot of things you can talk about with respect to business transparency on slavery and trafficking without necessarily endorsing a requirement of reporting to the SEC, so we don't know that yet, but it's still great momentum for the issue that he would even strongly consider holding a briefing on the issue, so that briefing is also to be determined as to the date, but as soon as we get any final confirmation on that, we'll definitely send it out as well. So those are two briefings, those are more informal speaking events on the Hill, but there are also two hearings, which are formal events, formal Congressional events that go into the record of Congress, that are going to be held by Senator John Kerry, who chairs the Senate Foreign Relations Committee. These hearings are tentative also. I know it's already the end of June, but unfortunately, sometimes things just tend to be final, final dates are set at the last minute, so we can't say for sure that these hearings will take place in July, but there definitely seems to be strong interest from Senator Kerry to hold two separate hearings in his committee, in the Senate Foreign Relations Committee on the issue of human trafficking broadly, and if that happens, they have definitely indicated that they would like business transparency on slavery and trafficking to be one of the issues that's considered at those broader hearings dealing with trafficking, both globally and domestically. So just to recap quickly, four separate events, none of which date has been finally confirmed, but that would be a house briefing, a Senate briefing, both specifically on business transparency on slavery and trafficking, and then two additional Senate hearings in Senator Kerry's foreign relations committee, on human trafficking more broadly, but where business transparency would be one of the issues that would be considered. So, I hope that that all makes sense, but we'll have time for Q&A later if anyone has any follow-up questions. I wanted to specifically thank the group of socially responsible investors, because they have been really great allies on really business and human rights issues more broadly, but specifically on slavery and trafficking, so thanks to all of you who are out there, and thank you in particular to Julie Tanner who's joining us on this call and who will speak now. Thanks so much, everyone.

**Ms. Julie Tanner:** Thank you so much, Karen. I'm Julie Tanner, the associate director of socially responsible investing at Christian Brothers Investment Services where a 30 year old investment advisory firm with offices in New York, Chicago, San Francisco, and Rome. We have \$4 billion in assets under management, and we invest for 1,000 Catholic institutions. In January 2012, Christian Brothers, socially responsible investment firm Calbert Investments, as well as the interfaith center on corporate responsibility, which is a coalition of 300 faith based institutional investors, along with U.S. SIF, the Forum for Sustainable and Responsible Investment, which is the U.S. membership association for professional firms, institutions, and organizations engaged in sustainable and responsible investing wrote House Speaker and Majority Leader on behalf of any institutional investors with over \$42 billion in assets under management to strongly support HR 2759. We believe that this bill recognizes a company's ability to positively impact human rights around the world and its responsibility to protect shareholder value by providing material information about investment risk. Because human trafficking is so egregious and pervasive, we need greater disclosure by companies, especially in global supply chains. Individually, corporate trafficking initiatives are important, but we also need timely congressional action to establish a reporting requirement that creates a level playing field for all companies. We think this innovative and forward looking bill reflects the reality for the marketplace, which increasingly requires the company be sensitive to social and ethical issues, including human rights in their operations and global supply chains, and creates human rights policies as well as due diligence processes to evaluate, monitor, and strengthen these

policies. We think the bill establishes clear federal transparency requirements that put all businesses on an even playing field so they don't have to comply with a patchwork of state laws in an area of clear federal jurisdiction. This kind of disclosure is essential and has benefits to investors, consumers, and companies, and signatories to the letters have worked with corporations to adopt codes of conduct that establish rules for respecting basic human rights in the workplace, the availability of information like that requested in 2759 is critical to investors and is an important input into our evaluation of a company's risks and opportunities. The absence of appropriate policies and systems to manage human rights issues can negatively impact a company's ability to access new markets, diminish a company's ability to attract and retain employees, cause hardship to a company's reputation, and potentially lead to business interruptions, all of which can impact shareholder value, and this is why we're so supportive of this. If you'd like more information on investor efforts, I can be reached at jtanner@cbisonline.com, and we are so supportive and fully appreciate all of ATEST's great work and look forward to working together on this. Thanks.

**Ms. Aryan Bocquet:** Thanks so much, Julie, and with that, Operator, I want to turn it over to you to open up the call for questions. Operator?

**Operator:** Thank you, I'm sorry. Ladies and gentlemen, at this time, if you would like to ask a question, you may do so by pressing 01 on your telephone keypad at this time. Again, that's 01 on your telephone keypad to ask a question. Okay, and first we have Nancy Hiraga with Mercy Investment Services. Go ahead please.

**Ms. Pat Zerega:** Hi, this is Pat Zerega with Mercy Investment Services. The person who was talking about July 19 and the potential meetings on the hill? I was wondering if you're aware that that's the week of the International AIDS Conference, and there'll be 30,000 people in D.C., and I guess I bring it up for two points. One is they may take over the stage for anything that's happening, but the second is wondering if that international communities there might be helpful to connect into somehow to bring the message forward.

**Ms. Karen Stauss:** Hi, Pat, this is Karen. I don't think that I was specifically aware of that. I mean, one of the things that we're running into in July, just in general, there's just so much happening, even just within the anti-trafficking movement at that time, but if you have, if you think that, we'll definitely, first of all, just remind folks over on the hill of that in case they think that that would have any impact. I suspect they might still want to go ahead with the date, but with that said, if you think, we'll definitely let them know, so appreciate that information, and if you think that there's any chance that they, some of them might want to participate in this issue also or bring some support in some kind of way, I'm not sure what it is that they're planning, but if you're in contact with them, then do please, feel free to put us in touch, because that would be great if there's 30,000 people around and they don't happen to have anything that morning, they can, all 30,000 can come to this breakfast meeting, and it'll be really fun!

**Ms. Pat Zerega:** At [INDISCERNIBLE] conferences, there's a thing called the global village, which is open to the community, and it might make sense for some of the DC folks to visit there to see if there are particular exhibits. There's something like 300 different community groups, from people on the ground in different countries –

**Ms. Karen Stauss:** Oh, very cool.

**Ms. Pat Zerega:** And it's somewhere near the convention center, because the whole thing's at the convention center.

**Ms. Karen Stauss:** Okay, got it. Okay, yeah. No, that's really interesting. And of course, there's a lot of relevance and overlap for that issue with survivors of human trafficking also.

**Ms. Pat Zerega:** Great.

**Operator:** Thank you. And next, we have Emily [PH] Parnak-Lapchick with U.S. Fund for USF. Go ahead, please. Emily, your line is open for questions.

**Ms. Emily Parnak-Lapchick:** Hi, sorry. I guess my, I had muted my own phone, so I was talking, but no one could hear me. So this is to Karen as well. As far as outreach going to supporters and good connections to businesses, has anyone been in touch with David Arklust? Is he in on this?

**Ms. Karen Stauss:** Well, yes, he's definitely aware about it, so we could potentially see if that's someone who could speak out about it as well. He's definitely aware of it. We've spoken about it at some forums where he's also been present, so that's been a good –

**Ms. Emily Parnak-Lapchick:** Yeah, I know he was trying to develop that business coalition against trafficking, so if you could just at least get the businesses to have signed on to that to support, that would be great.

**Ms. Marina Colby:** And this is Marina Colby with ECPAT USA, and we work closely with the Carlson Companies. They promote the code of conduct in the travel and tourism industry, and they are working to co-chair that coalition with David, so that's, if anyone else has any other corporate or company ideas, please let us know. These are great, thank you.

**Ms. Emily Parnak-Lapchick:** Thank you.

**Operator:** Thank you, and the next question is from Mara Smith with Business Ending Slavery. Go ahead please.

**Ms. Mar Smith:** Hi there, this is Mar from Business Ending Slavery and Trafficking, we are out in Seattle Washington and have—I've talked with a number of you, so one thing, just to follow up on the last call, I actually have a call with David, I think next week sometime, so if this is something you'd like me to ask him about, I'd be happy to, unless someone else wants to take the lead on it. The other thing, it would be really helpful to me if there is some sort of a one-pager or a couple pages more specifically about the bill, I haven't seen the information like that so far, and the one pager that we did get is a little, I think I'm thinking of a one-pager that I can specifically give to businesses so they know what the content of the bill is so they can decide for themselves whether they want to be part of it, because the other one-pager is a little less on content of the bill, so do you know if that exists, or could someone send that out, and I'd be happy to pass that along to the businesses that we're working with.

**Ms. Karen Stauss:** Yeah, no, that is a great idea, and the one pager we sent out is really designed more for quick overview for staffers, so I think your point that that would be really good to have one for businesses, which is actually on our to do list, so we'll try to make a priority of that so that you have something to use an outreach to businesses, and definitely really appreciate your support with that. Thanks.

**Ms. Julie Tanner:** Just one thing, too, in case it's helpful, but to demonstrate to businesses investors' support, a lot of what I was mentioning today was some of the information that the letter, the letter from investors, and that's why on Christian Brothers' website, and I'd be happy to either send it to you, or you can find it on our website at [www.cbisonline.com](http://www.cbisonline.com), and that's that letter we wrote in January, but it would demonstrate to businesses that investors are behind this, in case that's helpful when you approach any company.

**Operator:** Thank you. And next we have [PH] Kathryn Kaskowaltz with the Center for Human Rights. Go ahead, please.

**Ms. [PH] Kathryn Kaskowaltz:** Hi, my question is for, I think, Marina, and that is, how does this bill compare to the legislation in California, and has there been enough time that has went by to compare even just kind of best practices or impact of the similar legislation that passed in California?

**Ms. Marina Colby:** Okay, hi, Kathryn, and thanks for the question. It's an excellent one. I did make a quick reference to the California supply chains transparency act, which is now a law in California, and it's still in the implementation stages. We're still following it very closely as a test, and really hoping that the attorney general begins to prioritize the effective implementation of the law, and just to respond directly to your question, the California transparency act does apply to companies in California, and as we know, the economy in California is one of the largest in the world, so it impacts thousands of companies, and one distinction with the, in comparison to the federal bill that's pending is that the federal bill has provisions to cover companies in the services sector, and the California law focuses primarily on retail sellers and companies that manufacture goods, so in the federal version, we're looking for an extension of language to cover even more companies, but as I mentioned, we definitely have that implementation of the California law on our radar, and we want as much focus on effective implementation and dedicated resources to the implementation of that bill in California, so if there are any California groups on the call, and you're working and following the implementation of this law, we'd also love to hear from you on that, so thank you.

**Ms. [PH] Kathryn Kaskowaltz:** Thank you.

**Ms. Marina Colby:** Karen, do you have anything to add?

**Ms. Karen Stauss:** Yeah, I would just add that, as far as the disclosures, so the California law lists five disclosures, and when the federal bill was being drafted, the idea was not to create confusion with the California bill, with the California law, so the federal bill was drafted really with the California law in mind, and basically incorporate the five disclosures that are required under the California law, so that if a company is already required to comply in California, they will already be a good part of the way there with respect to compliance with the federal bill, so there's entire consistency, but the federal bill then builds on those disclosures and has five additional disclosures that go further than the approach of the California law. The California law tends to be focused on sort of audits as one of the most important ways for companies to look deeper into their supply chains, but the federal bill really also emphasizes the importance of actually developing management systems that would prevent problems from happening proactively beyond audits after the fact, so it does go a little bit further, and then as Marina said, because it moves beyond only covering manufacturers and retail sellers, it also includes then more disclosures that would be potentially more relevant to the broader array of companies, and it includes, for example, risks of slavery that occur because of labor recruitment practices, so it moves beyond only supply chains to looking at labor recruitment practices, and as Marina



mentioned, also looking at the use of goods and services, and then I think the final way in which the federal law would be different if it were enacted in its current form is that it would have a much higher degree of accountability for companies. The California bill, sorry, the California law was a bill for so long that we keep calling it a bill, but it's actually a law now. The California law requires information to be posted on the company's website, and if it's not posted, then the remedy is that the California Attorney General can seek an injunction, which is basically just a court order that, no, no, you really do have to put it on your website. So there's not as much teeth. Now the importance of a transparency measure in any case is that the teeth really should come from consumers and investors, so the California law is still a great law that we support, and it has started to make a difference, a lot more companies are starting to think about this issue and how, when they comply, they can be in a position to be saying something good about what it is that they're doing, so it's already having an impact, but the federal bill does go a little, would go, like I said, if it were enacted in its current form, it goes a little bit, it would go a little bit further because it requires disclosure to the SEC, and disclosures by publicly listed companies, publicly traded companies that go to the SEC have now, after Sarbanes-Oxley act, they have a much higher degree of, they really tend to focus the mind of the CEO and members of the board of directors of companies, because there is a certain amount of accountability that potentially can go straight to them if it's found that there's a disclosure that's false or misleading. So it just goes a little bit further as far as accountability.

**Ms. Kathryn Kaskowitz:** Great, thank you very much.

**Operator:** Thank you. The next question is from Mary Delorey, Catholic Relief Services. Go ahead, please.

**Ms. Mary Delorey:** Hi, I have a question, both for Julie, and also one for Karen. For Julie, with the outreach that you have done and ICR members have done, what kind of feedback and concerns are being raised by the companies and the efforts to get some champions involved? Just what kind of feedback are you getting with that? And for Karen, I assume you know that the four members of the Brazilian pact are going to be in DC on the 19<sup>th</sup> of July, and is there a way that they're being incorporated into, if there's going to be a briefing on that day?

**Ms. Julie Tanner:** Thanks, Mary, for the question. In terms of feedback we've been getting from companies, and I assume, well, just in one respect, feedback on SB 657, the California law, generally has been somewhat positive. Companies, a lot of companies are already reporting on many of these aspects in terms of forced labor and child labor and have policies on that, so some companies in their disclosure on the California law are not having too much trouble complying with it, but that said, a lot of the compliance that we've been seeing has been inadequate and insufficient, and we feel like companies really need to do a better job on that, and I know that several of us that are on the phone are working to try to encourage companies to have much better disclosure and have some good plans for that, but in general, I find companies have been somewhat confused and surprised about the expense of investor interest, and not really fully understanding why what they have is insufficient, so I think a lot has really helped us explain exactly what it is that we need and what it is that we want, so we have been talking to a lot of companies about this and providing a lot of suggestions on how to improve it. Christian Brothers, ICCR, and Calvert issued a guide to supply chain accountability where we provided companies with suggestions on how to improve their disclosure, as did Verite did their hiring toolkit with a lot of great information to companies as well, so I think in general, companies have been so far somewhat supportive of the SB 657, but it's especially because it wasn't a particularly onerous law to many of them. That said, there's also a whole host of companies that have not even reported according to the California law, so there's many companies who we're still looking

for their disclosure, and I think it wasn't always clear to companies that they had to comply with the law, so I think there's a lot of education we need to do on our part, which I think will impact the 2759.

**Ms. Karen Stauss:** This is Karen, and I would just add to that that there's a good number of companies, at least who might feel that they're doing good work on their transparency, but they don't like the idea of introducing accountability to the SEC, and in general, human rights hasn't historically been viewed as much being within the purview of the SEC, although there's lots of precedent, especially with some laws that passed in 2010, but even before that, there's lots of precedent for the SEC taking account of social issues in the disclosures to the SEC. So, and Mary, thanks for the question about the members of the Brazil pact. So we do have one of those who's visiting on the list of speakers for the panel that we were planning to propose to Mrs. Maloney, who's hosting the House briefing, we hope, on July 19. So, and that's Leonardo Sakamoto from Reporter Brazil, but to be honest, I didn't realize there were other people who were coming with him, so if you wouldn't mind just shooting me over an email to say who else is coming, but we were aware at least that he was coming and had been thinking of including him as one of the proposed speakers. Now obviously, these aren't our final decisions as to who speaks, but we can definitely make strong recommendations.

**Ms. Julie Tanner:** And I also just wanted to mention one more thing, Mary, on the 2759, I think a lot of companies aren't aware of 2759, and it hasn't made a big splash, and they haven't really been following it that closely, so in terms of your question regarding company reaction to 2759, but I think in general, based on some of the things that have gone on with conflict minerals, and reporting to the SEC that there will be a lot of company concern about that disclosure aspect to the SEC.

**Operator:** Okay, well we can move onto the next question, and that would be from Matthew Rackety, Global Centurion Foundation. Go ahead, please.

**Ms. Christina Ho:** Hi, this is actually Christina Ho from Global Centurion. Thank you so much for doing this conference call. This bill sounds wonderful. My questions are, are there any mechanisms for enforcing compliance with this bill, and how much money, if you know, do you think it would cost to companies to comply with this?

**Ms. Karen Stauss:** This is Karen, and I'll just, the enforcement mechanism is basically what I described a few minutes ago, which is, the disclosure, so there's two things that are required by the bill, the disclosure that Marina described has to be posted on the website, public website of a company, but it also has to be submitted in the annual disclosures that publicly listed companies have to file with the SEC every year. Those disclosures deal with a whole host of issues going beyond just slavery. This would incorporate the disclosures on human trafficking and slavery and child labor and forced labor into the disclosures to the SEC. And like I said, I'm not, I don't know the details of what are quite, it's basically the enforcement mechanisms of Sarbanes Oxley that, depending on the degree of culpability of boards of directors and CEOs who are required to sign public disclosures, the enforcement runs directly to them, so that is not something that is directly mentioned in this bill, it's just something that applies broadly to those public disclosures that cover a whole number of issues as part of Sarbanes Oxley.

**Operator:** Thank you. Our next question will be from Chris Miller with Geneva Global. Go ahead, please.

**Mr. Chris Miller:** Thanks. Karen, this is, I guess, a question for you. You mentioned that one of the differences between the California law and the Maloney Bill is the reporting to the SEC. I think that constitutes one of the main improvements, actually, to the California law, is that this data, the bill [INDISCERNIBLE] as written would be far more available than the data generated by the California law is, however, I wanted to ask you, I read earlier today that Mary Shapiro just got a fairly strongly worded letter concerning the SEC's inability to implement regulations concerning 1502 of Dodd Frank, and I was wondering what you're hearing from the SEC, either directly, or perhaps via House Financial Services Committee staff concerning their attitude towards potentially getting further involved in these human rights issues, and if they're opposed to it, and if there's anything that supporters of the bill can do to, I don't know, change their mind.

**Ms. Karen Stauss:** Okay, so just for background for folks who are following, Mary Shapiro is the chair of the Securities and Exchange Commission. There's five commissioners of the SEC, and she is the chair, and the 1502 that Chris is referring to is the DRC conflict minerals provision. It's a law that passed and was enacted almost two years ago that requires companies to give specific information about their efforts to remove conflict minerals from the Democratic Republic of Congo, well not to profit from minerals that have illegally benefitted armed groups in the Congo, just for background, so as far as the position of the SEC, I think it's varied within the SEC. I think that among the five commissioners, there are a couple that are more sympathetic, and a couple who are less sympathetic to the idea of the SEC dealing with these types of human rights issues, and then I would say similarly, among the staff over there, but I think a big part of the delay, the regulations that were supposed to be, I don't want to get too much into the nitty gritty, but I guess the simplest way to explain it is, the law passed two years ago, the DRC conflict minerals provision passed two years ago, and in April of this year, the SEC was basically supposed to tell companies formally how they could comply with it. That was April of 2011, so they're now well over a year late with those instructions in the form of regulations that basically tell companies, here's exactly what you do to comply. I think that the biggest reason that they haven't been issued is not necessarily because of internal resistance within the SEC, but also a fear that they will get sued by companies who will say that the law or the regulations are unreasonable, so as far as what people can do about that, I mean, it's partly changing, it's partly dealing with changing just a bigger culture of non-accountability or non-responsibility for human rights abuses that are committed within supply chains several steps away from the final company that's presenting a public face to consumers and investors in the United States, so for that, I don't want to confuse folks too much with lots of other things that could be done, but among the things that could be done is pressure on companies who are connected to the U.S. Chamber of Commerce. The U.S. Chamber of Commerce is an institution that has been really opposed to these types of measure before the SEC, and sometimes it's not the companies who are members of the chamber who publicly oppose human rights related regulation, but they rather sort of rely on the Chamber of Commerce to do that, so pressure on companies to either not support the Chamber of Commerce in taking those kind of positions, but it's basically the same type of thing, make sure that your members of Congress know that, actually, you think this is a good thing for Congress to be doing, and letters to the SEC as well. The SEC has a formal process for considering submissions in support of particular regulations, and those, I wouldn't underestimate the degree, these decisions are partly legal, but they're also partly political, and so the more that they know that everyone really involved from the SEC to businesses to supporters and opponents on the Hill, the more that they know that this is something that the general public supports, that does make a difference, so there's just a whole host of things that could potentially be done that I don't want to confuse folks too much by getting into the details on it, but I hope that helps.

**Ms. Julie Tanner:** This is Julie. Sorry, I had my cell phone on mute before. It's Julie. I just wanted to make one comment. I'm sorry, Chris, were you going to say something else, because I had a comment based on a prior caller's question.

**Mr. Chris Miller:** Yeah, I just wanted, just, as it relates, using what the SEC, as I understand sort of, whether some willingness or inability or whatever to issue the guidelines related to 1502, if that is an indication that they would also be opposed, we're speaking, I guess, about 2759, so I'm apologizing if I'm conflating the two and it's confusing to people, but is that something that we can do about potential SEC opposition to 2759 as part of the outreach efforts that you have asked us to make to Congress and businesses and everything else. I mean, what you said about the Chamber, does that apply now or later?

**Ms. Karen Stauss:** What you're saying about the Chamber applies now with respect to the DRC conflict minerals law, but what I think is probably a little bit early to start reaching out to the SEC about their opposition, about any anticipated opposition to 2759, but it's not at all too early, and in fact, it's just the right time to reach out to the SEC in support of DRC conflict minerals, because I think that that precedent moving forward will be helpful for 2759 whenever it comes down the pike. I definitely think it wouldn't necessarily hurt to talk to commissioners who are friendly to these issues about 2759, but it's probably early, and rather what's needed is for the culture within the SEC to fully shift to be more, but really, it has to do with businesses and the Hill, and maybe some of the members, some of the commissioners and members on the SEC. So I think it's more important to push through the things that are already law, where regulations are already overdue, so that there's precedent for this to happen.

**Ms. Julie Tanner:** I also think, you know, sort of keep in mind, there's a lot of, in some cases, you know, differences in terms of the aspects of 2759 and the conflict minerals in terms of the whole electronics industry, go figuring out, down to the smelter level and developing a certification process is somewhat different, in some ways possibly more difficult than some of the tasks that are in 2759, so the level of opposition on 2759 maybe a little different, of course, so I just wanted to make that point, and to the previous caller, in terms of the cost of implementation of 2759, I think in many cases, it's very difficult to determine the cost, because it would depend on a company's size, on a company's supply chain on how many tiers of suppliers, on how often audits are done, there's a lot of different things on how many people are trained, on what level of training, so I just wanted to respond to a previous question with a question about cost, so I just wanted to get that point in.

**Operator:** Thank you. And our next question is from Kieran Kaufman, international labor rights. Go ahead please

**Mr. Bjorn Kaufman:** Yeah, hello, this is Bjorn Kaufman with International Labor Rights Forum, if that's the person that you're looking for.

**Ms. Karen Stauss:** Go ahead.

**Mr. Bjorn Kaufman:** Okay, great. Very helpful summary of the bill from Marina Colby, so thank you for that. I have a couple of follow up questions. First, a quick clarification that the disclosure requirement does not include the actual names and locations of suppliers in various corporate supply chain, and part B of my question is, if you can say a little bit more about this oral theory of change in the bill that transparency can lead to better practices and lead to race to the top rather than race to the bottom. If you imagine that you were to convince a skeptic of that,

how would you do that, and would you have any specific examples that you can cite where it's going to approach transparency leading to actual better corporate practices have worked before.

**Ms. Karen Stauss:** This is Karen. As far as names and locations, the bill does not specifically require that. Of course, that would be, you know, a wonderful thing if that was part of what companies are providing, or if it was part of what they were explaining that they track, but that's not something that the bill specifically requires right now, and as far as your second question about how to convince skeptics, I guess it would depend a little bit whether it's a business who is skeptical, or if you're thinking more about members of Congress or other potential supporters outside of businesses. What, I think that what we've seen over a long period of time is that the main thing that causes companies to act is, right now, despite the presence of a number of laws on the books that are even more prescriptive than a transparency measure, the enforcement for many of those measures on the books has not been, has been very lacking, so there's a number of loopholes for some of those provisions, there's a law on the books right now, the Smoot Hawley Tariff Act of 1830[sic] would prevent any goods that were made with slave labor from coming into the United States, and then in the 80+ years that that's been on the books, there's about 40 enforcement actions that have been recorded, so I think what we're seeing now is that there's not that much effective, as far as more prescriptive measures, that are on the books. And so, but what we have seen causes companies to sit up and pay attention is more when their public, when their reputation is affected in the media, and so having a requirement of transparency, I think, gives an opening for that type of thing, because if they are basically required to transparently say, here's what I'm doing, and then what they're doing doesn't look good at all, then that's something people can point to, whereas right now, there's a whole lot of, it's very opaque, really, as to what a lot of companies are doing. Some are actually doing some things, but nobody knows what those things are, and then obviously a whole host of other companies really aren't doing much, so the ability to be able to point, sort of identify, maybe companies who are not doing a good job, and companies who are doing a good job, I think can potentially make a difference, and I will say, even without this bill having passed, just the presence of the California law already on the books, for which their enforcement hasn't started yet, but the presence of that law on the books, and then this bill has already resulted in companies reaching out to a number of either labor rights advocacy organizations, anti-trafficking organizations, or even CSR practices within law firms to start to think about what it is that they can do that would help them make improvements in this area, so I think just the fact that that is happening already can start to have an impact on the culture. Now if you're looking for something that is a silver bullet to ending this problem, that's not this bill. I wish that it were, but that's not this bill. There's no silver bullet, and what we're trying to do with this is invoke, bring in another actor or another set of actors, which is mainly businesses, some will definitely be better than others, into the movement against human trafficking and slavery, and this helps a lot to bring along their culture if something like this passes, but like I said, even in the absence of it passing, but it's certainly not a silver bullet because it's not the full level of accountability that would be required to also get compliance from companies who really have absolutely no interest in improving human rights abuses that might be happening further within their supply chain, or even closer to them at their first tier suppliers or within their own business, so I think that's what –

**Ms. Marina Colby:** This is Marina again, and I'd just like to say that information is power, and so this is a first step in terms of being able to require from companies information that consumers can turn around and act on, and so as advocates, we can also use this information in our campaigns to push companies that are doing the right, that need to be pushed, and also to support companies that are doing the right thing and to support them as leaders in their sectors, so we really see this as a great first step, and giving us the information we need to be better advocates to end trafficking and slavery.

**Ms. Julie Tanner:** This is Julie. I just wanted to hit on a couple comments just in terms of, how do you push or convince that this is a good thing, if you're speaking in terms of companies. Some of the, there is some great information put out by the UN Global Compact as well as UNGIFT, and there's a document that's actually called Dilemmas in Human Rights, and it focuses on several companies and explains instances that have happened to companies in terms of human rights, some of which are about human trafficking examples, and we do have instances where Apple and the Foxconn example, where Apple had to repay, I think, about \$6 million for workers that were paying labor brokers and recruiters for jobs, I think there's some real hardcore number examples of money that companies have had to pay because of violations, so just, there's some good information out there in terms of how companies have paid the price when these things haven't been done well, and of course, a lot of this is about trying to protect your reputation and not having to pay out these kinds of costs and doing it right at the outset to avoid these things which, you know, then can impact shareholder value.

**Mr. Bjorn Kaufman:** Great, thank you. I'm looking for exactly, just to clarify, I am certainly a believer in these transparency measures, and I'm looking for exactly this very concrete persuasive tool saying this is how X company has changed in response to this kind of transparency measure, which I think, as some of the examples given right now, will be very helpful. Thank you.

**Operator:** Thank you, and we have no additional questions.

**Ms. Aryan Bocquet:** Great, thank you so much, Operator, and I just want to take a moment to thank the speakers on the call, Marina, Karen, and Julie for the time that you spent with us, informing us of this fantastic bill, and thank you so much for all the participants who stayed with us through the hour and ten minutes of the call. We really appreciate it. Just as a reminder, the call has been recorded, and we'll send out a link to the audio file including a written transcript in the following days. Any kind of follow up will also be sent in the following days. If you have specific questions regarding some of the items that were discussed today, please feel free to email me or respond directly to the RSVP email that you received, and again, my email is [abocquet@humanityunited.org](mailto:abocquet@humanityunited.org). So thank you so much, and have a wonderful day.

**Operator:** Thank you, ladies and gentlemen for joining. This will conclude today's presentation.