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California Transparency Act

California Transparency in Supply Chains Act of 2010

As a retail seller doing business in the state of California, we are providing details of our efforts to monitor and prevent the serious issue of slave labor and human trafficking in our supply chain.

Transformco has a Global Compliance Program to ensure that our suppliers comply with applicable local laws, as well as Transformco internal standards related to child labor, wages and benefits, working hours, harassment/abuse, discrimination, health and safety, factory security, freedom of association, environmental compliance, and forced/slave labor, human trafficking.

A summary of specific efforts by Transformco to adhere to the requirements of the California Transparency in Supply Chain Act of 2010 includes:

- **Supplier Requirements.** We specifically inform our Suppliers who produce merchandise for Transformco of the need to adhere to the Transformco Global Compliance GUIDEBOOK to Program Requirements, which outlines our expectations pertaining to social compliance, labor rights, and human rights, including slave labor and human trafficking. Click [here](#) to review this publication.

Furthermore, we require suppliers to certify that a) they have read and understand the Transformco Global Compliance policy prohibiting the use of slavery or human trafficking, b) they have read and understand the requirements of the California Transparency in Supply Chain Act of 2010, c) their company and their supply chain used to manufacture our products do not use, and prohibit the use of slavery or human trafficking, and d) their company and supply chain have no business relationship with companies using or allowing slavery and/or human trafficking.

- **Supplier Audits.** SHC uses a risk assessment model to determine which factories will be audited based on 1) the brands being produced, 2) the factory's location, 3) factory certifications by a credible industry program, 4) whether the factory employs migrant workers, and 5) whether the factory is routinely audited based on a vendor or licensor's code of conduct which is comparable to the Transformco Global Compliance Program Requirements. Factories considered "high risk" are routinely audited to ensure that the supplier is adhering to Transformco Global Compliance Requirements, including slave labor and human trafficking.

Seventy percent of our audits are conducted by auditors employed by Transformco, and 30% are conducted by approved 3rd party audit firms on our behalf. Factories are audited every 6-12 months; Transformco conducts an average of 3,000 audits annually.

The audits are unannounced, conducted on site, and involve discussions with workers, management interviews, a review of pertinent factory records, and a physical inspection of the factory and dormitory. The auditors are trained to review and assess high risk areas associated with slave labor and human trafficking, including but not limited to: 1) the presence of migrant workers, 2) the availability of a formal communication channel in the factory for workers to raise human rights issues, 3) the number of intermediaries between the factory and the migrant worker, 4) the use of labor recruiters and the process, 5) the recruitment costs passed on to migrant workers, 6) loans held by workers, 7) the terms and conditions of employment, 8) the handling of visas and passports. After each audit, any violation of our

Requirements is documented, and a detailed corrective action plan is required. Regular follow-up visits are also conducted to ensure efforts are made to correct any violations. Transformco will terminate a supplier if a violation related to slave labor or human trafficking is cited.

- **Supplier Training.** We specifically inform new vendors and factories of the need to adhere to the Transformco Global Compliance GUIDEBOOK to Program Requirements, which outlines our expectations pertaining to social compliance, including slave labor and human trafficking. We also send a periodic newsletter to all vendors, reminding them of our policy as it pertains to this important area. And, we work closely with vendors who produce in high risk factories which have not reached an acceptable level of compliance to all Requirements.
- **Internal Training & Accountability.** We provide routine training on all of our Program Requirements, including slave labor and human trafficking, to auditors employed by Transformco, as well as auditors employed by 3rd party audit firms who conduct social compliance audits on our behalf. All auditors are trained to understand our Program, our expectations, and the laws in each country. As stated in the “Supplier Audit” section, the auditors are trained to review and assess high risk areas associated with slave labor and human trafficking.

In addition, Transformco employees who visit factories as part of their job responsibilities receive annual training on the indicators of slave labor and human trafficking, and are required to report potential issues for further investigation. Failure to report any indicators of slavery or human trafficking is a violation of the SHC Code of Conduct.

For more information regarding Transformco' efforts to monitor and prevent slave labor and human trafficking in our supply chain, you may email laborc@searshc.com.

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