

grace farms

California Transparency in Supply Chains Act (SB 657) and UK
Modern Slavery Act Disclosure Statement for Grace Farms
Foods, LLC

2021 - 2022

Introduction

“Human Trafficking is a crime against humanity. It involves an act of recruiting, transporting, transferring, harbouring or receiving a person through a use of force, coercion or other means, for the purpose of exploiting them.” – United Nations Office on Drugs and Crime

“If we want to make a significant change in the lives of the 21 million men, women and children in forced labour, we need to take concrete and immediate action.” “That means working with governments to strengthen law, policy and enforcement, with employers to strengthen their due diligence against forced labour, including in their supply chains, and with trade unions to represent and empower those at risk.” – The ILO Director General

1. Human Trafficking Background

Human trafficking is the second most prevalent form of illegal trade in the world, just after the illicit drug trade and equal to the sale of illegal arms. Sometimes referred to as modern day slavery, it is also the fastest growing illegal business in the world. According to International Labor Organization (ILO) data, there are nearly 21 million forced labor victims and 9.1 million human trafficking victims worldwide. Men are affected, but women and children are particularly vulnerable. These crimes affect nearly every country in the world, and are unbounded by industry or sector. Human trafficking in any industry is a result of poverty and a lack of education, government action and political will. It's often thought of as a problem in the illegal sex trade, but human trafficking can be found in garment factories, fabric and trim mills, and farms in the supply chain. Factories that use third-party labor brokers or unmonitored subcontractors are particularly susceptible. Even in the United States, where foreign migrant workers may seek employment through third-party brokers, factories sometimes employ human trafficking victims.

2. California Civil Code 1714.42 (SB657) – California Transparency in Supply Chains Act (“the Act”)

Beginning January 1, 2012, the Act “require(s) all retail sellers and manufacturers doing business in the state to disclose their efforts to eradicate slavery and human trafficking from their direct supply for tangible goods offered for sale.” The Act helps consumers make informed purchasing decisions by providing them with information on the efforts that companies are taking to ensure their products are not made under slavery or trafficking conditions. The Act applies to all retailers or manufacturers doing business in the state of California with greater than \$100 million in annual worldwide gross receipts, and affects thousands of businesses with operations in the state. It is important to note that the act does not regulate a company's labor practices, but instead requires businesses to disclose practices in five distinct areas: Verification, Audit, Certification, Internal Accountability and Training. Patagonia, as a California business, is required to disclose our efforts. We are committed to sharing the practices we use within our own

supply chain to detect, mitigate, and remediate forced labor and human trafficking in our business operations.

This statement was written following [The California Transparency in Supply Chains Act Resource Guide](#) published by the State Attorney General.

3. [UK Modern Slavery Act 2015](#)

This statement also serves to fulfill the requirements of the [UK Modern Slavery Act 2015](#). Similar to the California Transparency in Supply Chains Act, “One key purpose of this measure is to prevent modern slavery in organisations and their supply chains. A means to achieve this is to increase transparency by ensuring the public, consumers, employees and investors know what steps an organisation is taking to tackle modern slavery.” Organizations, therefore, are required to make this information known through a public statement.

4. [Grace Farms History](#)

Grace Farms is a cultural and humanitarian center located in New Canaan, Connecticut and opened to the public in 2015. Owned and operated by Grace Farms Foundation, a 501(c)3 private operating foundation, Grace Farms is used as a nexus where the public, not-for-profits, governmental groups, quasi-governmental groups, and businesses come together to address pressing humanitarian issues.

Grace Farms Foundation’s interdisciplinary humanitarian mission is to pursue peace through five initiatives — nature, arts, justice, community, and faith — and Grace Farms, a SANAA-designed site for convening people across sectors. Our stake in the ground is to end modern slavery and gender-based violence, and create more grace and peace in our local and global communities. In 2020, Grace Farms started Design For Freedom, a movement that seeks to end forced labor in the construction, architecture and engineering industries.

Also in 2020, Grace Farms created a public benefit limited liability company called Grace Farms Foods with the purpose of raising awareness of Grace Farms and demonstration and educating about ethical and sustainable supply chains. Grace Farms Foods is a Certified B Corp and manufactures organic and fair trade coffees and teas that are sold on-site, online, and through select retailers.

5. [Grace Farms Foods Policy on Forced Labor](#)

Grace Farms Foods prohibits forced labor and human trafficking in all of its forms in our supply chain. When we evaluate potential new factory partners, we will not place purchase orders if we find forced labor. If we find forced labor in one of our existing partners’ factories, that factory is subject to our escalation policy, including a remediation plan to demonstrate commitment to eradicating the practice at issue. In all cases, where a factory is a part of Grace Farms Food’s supply chain, incidences or

conditions contributing to slavery or human trafficking are grounds to end business relations immediately. We fully support the efforts of a growing number of anti-slavery activist groups, nongovernmental organizations (NGO's), and our state and federal government to shed light on human trafficking, slavery, and child labor in the supply chain. We are hopeful that these and other human rights concerns will continue to receive attention and analysis in the public and private spheres.

B. Disclosure of Grace Farms Foods pursuant to the California Transparency In Supply Chains Act and the UK Modern Slavery Act

While not required to based on our annual revenues, we voluntarily disclose our efforts to eliminate forced labor. Focusing on the five topic areas covered in the California Transparency Act, our statement discloses how we monitor our supply chain for child labor and all forms of forced labor, including slavery and human trafficking. The statement also serves to fulfill the disclosure requirements of the UK Modern Slavery Act.

Verification

Requirement: “[D]isclose to what extent, if any, [the company]...[e]ngages 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.”

A. Verification Protocols

Grace Farms Foods is committed to fair labor practices within our supply chain. As part a public benefit limited liability corporation owned by Grace Farms Foundation, we prohibit any forms of forced labor, human trafficking, or child labor in the supply chain. Additionally, our Code has detailed benchmark standards that align with each code element. We have written policies and procedures outlining how we identify, evaluate, address and remediate human trafficking and child labor.

For current factories, we audit all of our baking, tea, and coffee production factories for compliance with our Code of Conduct and detailed benchmark document. This includes compliance with our policies on forced and child labor. We require immediate remediation if we find any noncompliance with our Code of Conduct, including slave labor, human trafficking and child labor. You can find additional factory social and environmental responsibility information on our [Supplier Code of Conduct](#) online.

B. Frequency

Grace Farms Foods tracks and records its direct suppliers and product manufacturers on an ongoing basis. New and existing suppliers submit mapping documents that detail their supply chain and are required to keep Grace Farms Foods abreast of any changes.

Grace Farms Foods uses this information to identify sites that will be monitored throughout the duration of our relationship with the supplier. All new factories undergo a pre-sourcing audit and only when a factory is able to satisfactorily meet our standards can orders be placed. The supplier is then put on a monitoring cycle and programs tailored to the supplier's performance level. This includes audits, trainings, capacity building consultations, and other types of engagements that help the supplier identify root causes and achieve full compliance. Depending on the factory's needs and performance, these events can occur annually, and for auditing events, they always include an evaluation of forced labor and human trafficking.

Lastly, as a B-Corporation, we are required to submit a self-assessment every two years, allow onsite audits by BLab our certifier, and publish an annual B-Corp report which includes efforts on social and environmental responsibility.

2. Supplier Audits

Requirement: "[D]isclose to what extent, if any, [the company]... [c]onducts 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."

A. Audit Methodology

Our production facilities are subject to annual auditing or more frequently if any labor or environmental issues are found. In all social audits, we employ a triangulation method for detecting and substantiating findings which consists of: 1) Interviews with management and a diverse set of workers from various departments. 2) If necessary, review of documents that may signal forced labor or debt bondage such as proof of age, payroll, time records, production records, disciplinary notices, grievances, employment contracts, human resource policies and personnel files. 3) Visual observations throughout the audit and particularly during the factory tour and health and safety walkthrough.

3) Certification

Requirement: "[D]isclose to what extent, if any, [the company]... [r]equires 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."

A. Certification Requirements

All our direct major suppliers are required to sign a statement that certifies the ingredients incorporated into their products comply with slavery and human trafficking laws in the country or countries in which they do business. We know that education and awareness can be the best form of prevention. To this end, we send our suppliers materials to educate them about areas where human trafficking can be found, as it can

inadvertently occur in sourcing of ingredients for composite products. We work to identify ingredients that are 'at risk' of forced labor and source those ingredients to remove reasonable doubt there is forced labor in the supply chain.

Grace Farms Foods works with our suppliers to source ingredients that carry third party 'fair trade' certifications. These third-party certifications are established organizations that routinely audit certified sources to ensure forced labor and child labor does not exist. Additionally, the certifications ensure farmers are paid a minimum rate for yields and additional premiums that are reinvested into their communities. We specifically source ingredients that are either Fairtrade International/America certified by the Fair Labor Organization (FLOCERT) or Fair Trade Certified™ by Fair Trade USA.

4. Internal Accountability

Requirement: “[D]isclose to what extent, if any, [the company]... [m]aintains internal accountability standards and procedures for employees or contractors failing to meet company standards regarding slavery and trafficking.”

A. Identification of Policies

As a B-Corporation, we are required to submit a self-assessment every two years, allow onsite audits by B-Lab, our certifier, and publish an annual B-Corp report which includes efforts on social and environmental responsibility. Patagonia prohibits any form of forced labor, including slavery and human trafficking. If this grave concern was to be found in our supply chain, the factory would be subject to our factory disciplinary policy. Disciplinary actions include immediate remediation and termination of business.

5) Training

Requirement: “[D]isclose to what extent, if any, [the company]... [p]rovides 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.”

A. Training Methodology

Internal Training

Trainings on Grace Farms Foods' social and environmental responsibility efforts and the issues affecting our industry are conducted throughout the year. We employ different training and communication methods to educate or update our employees including:

- On a regular and as-needed basis we will conduct new hire trainings on our corporate responsibility program during employee orientations.
- Our social and environmental responsibility team visit our stores around the world to provide trainings. This includes our company's efforts on addressing migrant worker issues.

- We create and distribute Frequently Asked Questions sheets on particular social or environmental issues.