



California Transparency in Supply Chains Act

The Okonite Company manufactures insulated electric wire and cable for the transmission of energy in commercial, industrial and utility settings. Okonite manufactures its products in five factories, located exclusively in the United States. Okonite does not outsource any aspect of its manufacturing operations. Okonite has a policy against the use of child or forced labor by its suppliers.

Okonite is in a niche industry. The suppliers of materials to Okonite from which Okonite manufactures insulated wire and cable also generally supply similar materials to Okonite's competitors. If Okonite's suppliers were relying on forced or child labor, that fact would be known in the industry comprised of Okonite and its competitors.. The contrary is known; namely, that Okonite's suppliers do not rely on either child or forced labor.

The California Transparency in Supply Chains Act requires disclosure of practices under five separate topics, all addressed to the overall goal of detecting and eliminating the potential use of child and forced labor on the part of Okonite's suppliers. Okonite addresses these five criteria as follows.

1.& 2. Verification and Audit. Okonite has verified the identities of those suppliers who by dollar volume together represent at least 95% of all the materials and services Okonite purchases for the manufacture and distribution of its wire and cable ("Okonite's suppliers").

Okonite's relationships with its suppliers are long term, and involve repeated, frequent and extensive dealings with them. Those relationships involve in-person visits by Okonite personnel to the facilities that produce Okonite's supplies. Okonite's visits to its suppliers involve first hand inspection of the suppliers' manufacturing operations, and of the supplier workforce which carries out those operations. Okonite demands certainty in the quality, reliability and conformance to Okonite specifications of the materials manufactured for it, and of the capability and integrity of the workforce engaged in such manufacture as an indicator of the degree to which Okonite can rely on the continuing and uninterrupted availability of the materials it needs for its own operations. Such inspection and monitoring by Okonite necessarily subsumes the opportunity to detect whether any supplier is relying on child or forced labor.

Okonite is thus aware of where each of its suppliers has facilities, which of those facilities supplies Okonite with materials, and Okonite personnel have made and continue to make in-person inspections of those facilities. On the basis of all the above, Okonite has concluded that none of those facilities rely on child or forced labor. The inherent, long-term and close nature of these supplier relationships will enable Okonite to continue to know with certainty into the future whether any inappropriate changes in its suppliers' work force constituencies occur.

In addition to the foregoing, a number of Okonite's suppliers are themselves subject to the California Transparency in Supply Chains Act. As to those, Okonite also relies on their respective compliance with the Act as posted on their web sites to know that their businesses do not incorporate child or forced labor into their operations.

In addition to the foregoing, virtually all of Okonite's suppliers are subject to the anti-trafficking provisions of the Federal Acquisition Regulation found at 48 Code of Federal Regulations §52I222-50. This fact provides further support for Okonite's conclusion that its Suppliers do not engage in child or forced labor practices.

In addition to the foregoing, Okonite also relies on the Certification by its suppliers, discussed in the next section, to know that their businesses do not incorporate child or forced labor into their operations.

Because of the long-term nature of the business relationships between Okonite and its suppliers, and the personal knowledge gained by Okonite of the manufacturing personnel and practices of its suppliers, Okonite does not believe any greater efficacy in detecting or eliminating the potential for child or forced labor could be achieved by third-party verification or audit. Accordingly, Okonite does not pursue either option.

3. Certification by Direct Suppliers. Okonite does require Certification by direct suppliers that their operations do not involve the use of child or forced labor. Every Okonite purchase order to its suppliers contains the following provision:

By accepting this Purchase Order, Supplier certifies to Okonite that: (1) it has reviewed all child labor laws and human trafficking laws of the country or countries where the Goods to be supplied are manufactured or sourced; and (2) the Goods to be supplied under this Purchase Order will not be manufactured or otherwise sourced in violation of any such child labor or human trafficking laws.

This Certification is a material term of the Purchase and Sale transaction represented by this Purchase Order, and any violation of it entitles Okonite to void this transaction, and to all other relief available to Okonite under the Uniform Commercial Code as enacted in the State of California.

Thus by accepting a Purchase Order from Okonite, the Supplier automatically and of necessity certifies it does not engage in the use of children in its workforce, or in coercion of labor from otherwise vulnerable workers. If a supplier refuses to so certify, then it will not be allowed to sell its materials to Okonite.

4. Maintenance of Internal Accountability Standards.

a. Okonite's own employees: Under Okonite's policy, no Okonite employee should in any way attempt to incorporate child or forced labor into any Okonite operation. Any intentional violation of this policy would be ground for instant termination. An unintentional violation would subject the employee to reprimand, and further training by the Human Resources Department in not allowing such a defalcation to re-occur.

b. Okonite's suppliers: Any intentional OR unintentional use by an Okonite supplier of either child or forced labor will result in cancellation of the Purchase Order previously submitted for that supplier's material, return of any funds which Okonite may have paid previously under such Purchase Order, and damages as allowed by law. Okonite is prepared to litigate any such cancellation under California law. In the case of a supplier, Okonite does not make a distinction between intentional or unintentional use of child or forced labor. The reason is that if such an event involved Okonite's own employees, Okonite would be able to make a reasoned and reliable determination of whether the violation was intentional or otherwise. Okonite would not have the same ability in the case of a supplier, because Okonite could not determine the full extent of or control the inquiries that would have to be made into the supplier's employee's conduct. Thus in furtherance of the policy against use of child or forced labor by a supplier, the risk of cancellation of a Purchase Order must fall on the supplier, on an objective, not subjective basis; namely, that child or forced labor was used in fact, without regard to negligence or any other unintended wrong.

5. Training of Okonite Employees. Okonite maintains a separate Human Resources Department within its corporate structure, and has assigned to that Department training of Okonite's personnel with direct purchasing responsibility in the invidious nature of child and coerced labor, in recognizing such practices on the part of Okonite's suppliers, and in strictly enforcing Okonite's policies against the use of either in Okonite's supply chain. Such training will be administered to each new employee involved in the purchasing function, and re-administered to existing employees on an as needed basis. Because of the nature of Okonite's own operations, Okonite considers it a virtual impossibility that any Okonite factory, or any of its distribution facilities, would ever employ, even unintentionally, child or forced labor. Thus the training which Okonite's Human Resources Department will give to its supply chain personnel will focus on recognizing potential abuse of children or other potential human trafficking in the businesses of its suppliers.