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California Establishes New Disclosure Requirements for Employers Conducting Social Compliance Audits on Child Labor

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California AB 3234, signed into law on September 22, 2024, establishes new reporting obligations for California employers who voluntarily choose to conduct a social compliance audit, either in whole or in part, to determine if children have performed work in violation of law.¹ Any employer conducting such social compliance audit will be required to publish a report of the findings and post a clear and conspicuous link to that report on its website. The law will take effect January 1, 2025.

Although there is little guidance that accompanies it, the bill defines the term “social compliance audit” to mean a voluntary, nongovernmental inspection or assessment of an employer’s operations or practices to evaluate whether the operations or practices are in compliance with state and federal labor laws, such as wage and hour, and health and safety regulations, including those regarding child labor. “Child” is defined as any natural person under 18 years old, and “child labor” is defined as any work performed by a child *in violation* of state or federal law.

Importantly, AB 3234 does not mandate employers to conduct social compliance audits relating to child labor. The law only imposes specific disclosure requirements for those employers who choose to conduct such audits.

Any audit report published pursuant to AB 3234 must contain the following information:

1. The year, month, day, and time the social compliance audit was conducted, specifying whether it was performed during a day or a night shift;
2. a statement indicating whether employer did or did not engage in, or support the use of, child labor;
3. copies of any written policies and procedures the employer has and had regarding child employees;
4. details about whether the employer has exposed children to any unsafe or hazardous working conditions that could impact their physical or mental health;
5. information specifying whether any children work within or outside regular school hours and/or during night hours; and

6. a statement certifying that the auditing company is not a government agency and is not authorized to verify compliance with state and federal labor laws or other health and safety regulations.

AB 3234 has been chaptered at Labor Code sections 1250 and 1251, meaning it applies to all businesses employing workers in California.

Because the disclosure requirements apply only to those businesses conducting social compliance audits, AB 3234's potential applicability involves a fact-intensive analysis of the employer's operations and practices. Furthermore, there are a number of unanswered questions about the law's implementation, such as the full scope of what social compliance audits are in scope and when a disclosure is expected, whether the rules apply to findings otherwise protected by legal privilege, the timeline for posting findings, and the penalties for noncompliance. The California Division of Labor Standards Enforcement is expected to provide further guidance before it begins enforcement; we will be continuing to monitor and update for developments. If you have questions regarding the potential applicability to your California business, please reach out to attorneys in our ESG practice group.



If you have any questions concerning these developing issues, please do not hesitate to contact any of the following Paul Hastings lawyers:

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¹ *Employers: social compliance audit*, AB 3234, Cal. Sec'y of State (2024), available at <https://legiscan.com/CA/text/AB3234/id/3022091/California-2023-AB3234-Chaptered.html>.

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