

# STATE OF NEW YORK

8352

2021-2022 Regular Sessions

## IN ASSEMBLY

October 20, 2021

Introduced by M. of A. KELLES -- read once and referred to the Committee on Consumer Affairs and Protection

AN ACT to amend the general business law, in relation to requiring fashion retail sellers and manufacturers to disclose environmental and social due diligence policies; and to amend the state finance law, in relation to establishing a community benefit fund

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. Short title. This act shall be known and may be cited as  
2 the "Fashion sustainability and social accountability act".

3 § 2. The general business law is amended by adding a new section 399-  
4 mm to read as follows:

5 § 399-mm. Fashion sustainability and social accountability act. 1. As  
6 used in this section, the following terms shall have the following mean-  
7 ings:

8 (a) "Doing business in this state" shall mean actively engaging in any  
9 transaction for the purpose of financial or pecuniary gain or profit.

10 (b) "Gross receipts" shall mean the gross amounts realized, otherwise  
11 known as the sum of money and the fair market value of other property or  
12 services received, on the sale or exchange of property, the performance  
13 of services, or the use of property or capital, including rents, royalti-  
14 ties, interest, and dividends, in a transaction that produces business  
15 income, in which the income, gain, or loss is recognized, or would be  
16 recognized if the transaction were in the United States, under the  
17 Internal Revenue Code, as applicable for purposes of this section.  
18 Amounts realized on the sale or exchange of property shall not be  
19 reduced by the cost of goods sold or the basis of property sold. Gross  
20 receipts, even if business income, shall not include the following  
21 items:

EXPLANATION--Matter in italics (underscored) is new; matter in brackets  
[-] is old law to be omitted.

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1 (1) repayment, maturity, or redemption of the principal of a loan,  
2 bond, mutual fund, certificate of deposit, or similar marketable instru-  
3 ment;

4 (2) the principal amount received under a repurchase agreement or  
5 other transaction properly characterized as a loan;

6 (3) proceeds from issuance of the taxpayer's own stock or from sale of  
7 treasury stock;

8 (4) damages and other amounts received as the result of litigation;

9 (5) property acquired by an agent on behalf of another;

10 (6) tax refunds and other tax benefit recoveries;

11 (7) pension reversions;

12 (8) contributions to capital, except for sales of securities by secu-  
13 rities dealers;

14 (9) income from discharge of indebtedness;

15 (10) amounts realized from exchanges of inventory that are not recog-  
16 nized under the Internal Revenue Code;

17 (11) amounts received from transactions in intangible assets held in  
18 connection with a treasury function of the taxpayer's unitary business  
19 and the gross receipts and overall net gains from the maturity, redemp-  
20 tion, sale, exchange, or other disposition of those intangible assets;  
21 and

22 (12) amounts received from hedging transactions involving intangible  
23 assets. A "hedging transaction" means a transaction related to the  
24 taxpayer's trading function involving futures and options transactions  
25 for the purpose of hedging price risk of the products or commodities  
26 consumed, produced, or sold by the taxpayer.

27 (c) "Fashion manufacturer" shall mean a business entity which lists  
28 manufacturing as its principal business activity in the state of New  
29 York, as reported on the entity's state business tax return, and prima-  
30 riarily manufactures articles of wearing apparel or footwear.

31 (d) "Fashion retail seller" shall mean a business entity which lists  
32 retail trade as its principal business activity in the state of New  
33 York, as reported on the entity's state business tax return, and prima-  
34 riarily sells articles of wearing apparel or footwear.

35 (e) "Article of wearing apparel" shall mean any costume or article of  
36 clothing worn or intended to be worn by individuals.

37 (f) "Footwear" shall mean any covering worn or intended to be worn on  
38 the foot.

39 (g) "Due diligence" shall mean the process companies should carry out  
40 to identify, prevent, mitigate and account for how they address actual  
41 and potential adverse impacts in their own operations, their supply  
42 chain and other business relationships, as recommended in the Organisa-  
43 tion for Economic Co-operation and Development guidelines for multina-  
44 tional enterprises, the Organisation for Economic Co-operation and  
45 Development due diligence guidance for responsible business conduct and  
46 United Nations guiding principles for business and human rights.

47 2. Every fashion retail seller and fashion manufacturer doing business  
48 in the state and having annual worldwide gross receipts that exceed one  
49 hundred million dollars shall disclose, as set forth in subdivision four  
50 of this section, its environmental and social due diligence policies,  
51 processes and outcomes, including significant real or potential adverse  
52 environmental and social impacts and disclose targets for prevention and  
53 improvement.

54 3. The disclosure described in subdivision two of this section shall  
55 be posted on the fashion retail seller's or fashion manufacturer's  
56 website with a clear and easily understood link to the required informa-

1 tion placed on such fashion retail seller's or fashion manufacturer's  
2 homepage within twelve months of the enactment of such policies, proc-  
3 esses and outcomes, except as otherwise provided. In the event the fash-  
4 ion retail seller or fashion manufacturer does not have an internet  
5 website, consumers shall be provided a written disclosure within thirty  
6 days of receiving a written request for the disclosure from a consumer.

7 4. The disclosure required pursuant to subdivision two of this section  
8 shall include, at a minimum:

9 (a) supply chain mapping and disclosure, including:

10 (i) taking a risk-based approach, use good faith efforts to map  
11 suppliers across all tiers of production, from raw material to final  
12 production. A minimum of fifty percent of suppliers by volume across all  
13 tiers of production shall be mapped; and

14 (ii) using good faith efforts to map the suppliers and associated  
15 supply chains relevant to the prioritized risk, and obtain and disclose  
16 the names of prioritized suppliers.

17 (b) impact and due diligence disclosure, including a social and envi-  
18 ronmental sustainability report, to include externally relevant informa-  
19 tion on due diligence policies, processes and activities conducted to  
20 identify, prevent, mitigate, and account for potential adverse impacts,  
21 including the findings and outcomes of those activities. Such report  
22 shall include, in line with the United Nations guiding principles on  
23 business and human rights, the International Labor Organization declara-  
24 tion on fundamental principles and rights at work, the Organisation for  
25 Economic Co-operation and Development guidelines for multinational  
26 enterprises and the Organisation for Economic Co-operation and Develop-  
27 ment due diligence guidance for responsible business conduct:

28 (i) a link on the fashion retail seller's or fashion manufacturer's  
29 website to relevant policies on responsible business conduct;

30 (ii) information on measures taken to embed responsible business  
31 conduct into policies and management systems;

32 (iii) the fashion retail seller's or fashion manufacturer's identified  
33 areas of significant risks in the contexts of its own activities and  
34 business relationships such as supply chains;

35 (iv) the significant adverse impacts on risks identified, prioritized  
36 and assessed in the context of its own activities and business relation-  
37 ships such as supply chains;

38 (v) the prioritization criteria;

39 (vi) the actions taken to prevent or mitigate those risks, such as  
40 corrective action plans, to be cited where available, including esti-  
41 imated timelines, targets and benchmarks for improvement and their  
42 outcomes;

43 (vii) measures to track implementation and results; and

44 (viii) the fashion retail seller's or fashion manufacturer's provision  
45 of or co-operation in any remediation.

46 (c) impact disclosure on prioritized adverse environmental and social  
47 impacts within eighteen months after enactment of the policies, proc-  
48 esses, and outcomes, including:

49 (i) a quantitative baseline and reduction targets on energy and green-  
50 house gas emissions, water, chemical management. Greenhouse gas report-  
51 ing shall be independently verified, include absolute figures and  
52 conform with the greenhouse gas protocol corporate accounting and  
53 reporting standard and the greenhouse gas protocol corporate value chain  
54 scope three standard promulgated by the World Resources Institute;

55 (ii) annual volume of material produced, including breakdown by mate-  
56 rial type which shall be independently verified;

1 (iii) how much production has been displaced with recycled materials  
2 as compared to growth targets which shall be independently verified;

3 (iv) the median wages of workers of prioritized suppliers and how this  
4 compares with local minimum wage and living wages; and

5 (v) the company's approach for incentivizing supplier performance on  
6 workers' rights; state any key performance indicators or performance  
7 incentives used; and describe the incentives used to reward suppliers  
8 and encourage good performance. Examples may include contract renewals,  
9 price premiums and the offer of longer-term contracts.

10 (d) what targets, fashion retail sellers and fashion manufacturers  
11 have for impact reductions, and for tracking due diligence implementa-  
12 tion and results, including where possible estimated timelines and  
13 benchmarks for improvement. Climate change targets must be absolute  
14 targets, align with the apparel and footwear sector science-based  
15 targets guidance promulgated by the World Resources Institute and  
16 include all scopes of production. Fashion retail sellers and fashion  
17 manufacturers shall meet targets and report their compliance on an annu-  
18 al basis.

19 5. (a) The requirements imposed on fashion retail sellers and fashion  
20 manufacturers by this section may be enforced by the attorney general or  
21 an administrator designated by the attorney general bringing civil  
22 proceedings for an injunction, monetary damages, or civil performance of  
23 a statutory duty.

24 (i) The attorney general, or the attorney general's designated admin-  
25 istrator as applicable, shall annually publish and make publicly avail-  
26 able a report regarding compliance with this section, listing the fash-  
27 ion retail sellers and fashion manufacturers who are known to be out of  
28 compliance with this section and including an up-to-date report on the  
29 attorney general's monitoring of such compliance.

30 (ii) Fashion retail sellers and fashion manufacturers found to be out  
31 of compliance with this section after the attorney general, or the  
32 attorney general's designated administrator as applicable, has provided  
33 notice of non-compliance, and after a three-month period to meet obli-  
34 gations under this section has lapsed, may be fined up to two percent of  
35 annual revenues of four hundred fifty million dollars or more. Such  
36 finances shall be deposited in the community benefit fund established by  
37 section ninety-seven-ccc of the state finance law.

38 (b) Any citizen may commence a civil action:

39 (1) against any person who is alleged to have violated or to be in  
40 violation of this section or an order by the attorney general, or the  
41 attorney general's designated administrator as applicable, with respect  
42 to the standards and requirements set forth in this section, including:

43 (i) New York state;

44 (ii) governmental instrumentality or agency to the extent permitted by  
45 the eleventh amendment to the United States constitution; and

46 (iii) any business.

47 (2) to compel the attorney general, or the attorney general's desig-  
48 nated administrator as applicable, to investigate an entity's compliance  
49 with this section, to enforce compliance with this section, or to apply  
50 the prohibitions set forth in this section to any business operating  
51 within this state; and

52 (3) against the attorney general, or the attorney general's designated  
53 administrator as applicable, where there is an alleged failure of the  
54 attorney general or the attorney general's designated administrator to  
55 perform any act or duty under this section which is not discretionary

1 with the attorney general, or the attorney general's designated adminis-  
2 trator as applicable.

3 § 3. The state finance law is amended by adding a new section 97-ccc  
4 to read as follows:

5 § 97-ccc. Community benefit fund. 1. There is hereby established in  
6 the joint custody of the comptroller, the commissioner of taxation and  
7 finance, and the commissioner of environmental conservation a special  
8 fund to be known as the community benefit fund.

9 2. Such fund shall consist of all moneys deposited pursuant to subpar-  
10 agraph (ii) of paragraph (a) of subdivision five of section three  
11 hundred ninety-nine-mm of the general business law.

12 3. The moneys in the fund shall be expended by the department for  
13 environmental conservation for the purpose of implementing one or more  
14 environmental benefit projects that directly and verifiably benefit  
15 environmental justice communities.

16 4. On or before the first day of February each year, the comptroller  
17 shall certify to the temporary president of the senate, and the speaker  
18 of the assembly, the amount of money deposited by source in the fund  
19 during the preceding calendar year, as well as all disbursements from  
20 the fund during the preceding calendar year.

21 5. Moneys shall be payable from the fund on the audit and warrant of  
22 the comptroller on vouchers certified and approved by the commissioner  
23 of environmental conservation.

24 § 4. This act shall take effect immediately.