LEGISLATIVE BACKGROUNDER

The Fashion Sustainability and Social Accountability Act

The Fashion Sustainability and Social Accountability Act is a *groundbreaking piece of legislation* that will make New York the global leader in accountability for the $2.5 Trillion fashion industry.

As a separate country, New York would rank as the world's *10th largest economy*, ahead of Canada, Russia and Korea. New York is also a global fashion capital. This gives New Yorkers a powerful role to play and a responsibility to keep fashion companies that sell to their market accountable to people and the planet.

WHY THE LAW IS NECESSARY

Environment

Apparel and footwear is responsible for a massive part of the climate crisis, occupying 4 to 8.6% of the world's global greenhouse gas footprint. Even based on the conservative estimate, that is *more* than France, Germany and the United Kingdom *combined*.

- The sector has such a vast environmental impact, because it exists in a regulatory vacuum. Currently there are no legally binding environmental standards that reach this industry.
- In absence of any regulation and fueled by social media and the influencer and celebrity economy, new industry players based in the UK and Asia - such as Boohoo, Shein, Primark and Romwe - are accelerating the impact of the industry more than ever before.
- Left unchecked, the industry will be responsible for more than ¼ of the world's global carbon budget by 2050.
- As plastic fibers have become the leading raw material in the fashion industry, our clothing has become a significant part of the plastic crisis. Over 12% of all plastics produced since 1950 have been for polyester, nylon and acrylic fibers. Apparel is also a leading source of microplastic pollution.

- As Hurricane Ida reminds us, New York State does and will continue to suffer from the climate crisis and consumer products are a large driver of climate change causing emissions.

85%

Reduced Emissions by 2050

New York state has a target of reducing its emissions by 85% by 2050. A 2015 study found that the production and use of household goods and services —including fashion— was responsible for *60 percent of global greenhouse gas emissions.*

Labor

According to the Department of Labor, the apparel industry is a leading industry of exploited and child labor around the globe.

- New York is a global fashion capital. Its residents, women garment workers working in association with wealthy elites, were the early leaders of the labor movement, helping forge national safety standards and basic protections, like the concept of the weekend. New York has a critical legacy to stand up for the workers producing the products we buy.

- By requiring active due diligence and a plan to mitigate risk, this bill shifts the industry away from the tragic race to the bottom that led to the Rana Plaza Building collapse in Bangladesh.

In an environment with a more level playing field —domestic workers, including New York garment workers— will become more competitive.

Business

There are calls from within the industry for regulation. *"Fashion is one of the most harmful industries and least policed. Sadly, the idea of us self-regulating [is] not a fair thing to ask of an industry. We need to be helped. If we could just have some regulation, some policies, some [standardised] methods to measure our impact."*[1] — Stella McCartney

- Without legislation, apparel companies that seek to do the right thing are put at a competitive disadvantage as their costs increase relative to those companies that

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1 https://www.ft.com/content/f4fdc9d4-973a-4e17-80c4-4ba02f78e453?desktop=true&segmentId=7c8f09b9-9b61-4fbb-9430-9208a9e233c8#myft:notification:daily-email:content

are not pursuing these strategies. By creating a legal floor, a level playing field can be set in the industry.

New York is a global fashion capital.

- American fashion brands care about the impacts of their products. New York and American fashion companies are at a competitive disadvantage to foreign players that do not maintain environmental or social standards. New, foreign players are rapidly taking over market share, using their abuse of the environment and of labor as a competitive advantage. Shein, a company based in China has gained an additional 16% of total fast fashion market share in just six months. For New York based fashion companies to remain competitive globally, all companies must be tasked with operating within the bounds of the planet.

This law would create *stable expectations to guide investment decisions*. It would also create strong ongoing incentives for industry players to cooperate, which would allow companies to make long-term strategic plans.

Environmental Justice

- The local effects of the climate crisis are disproportionately felt by Disadvantaged Communities. In the U.S., these more vulnerable communities are largely communities of color, immigrants, low-income and people for whom English is not their native language. As time goes on, they will suffer the worst impacts of climate change, unless we recognize that fighting climate change and environmental justice are inextricably linked.

Proceeds from this law would go directly to these disadvantaged communities.

WHAT COMPANIES WOULD IT COVER?

This New York State law would cover any apparel or footwear company doing business in New York that has annual global revenue of $100 million.

This law would leverage New York's significant market size to *advance sustainability standards* not just for New York companies but for any company wishing to sell into New York's significant market. This will make New York a global sustainability leader.

WHAT DOES THE LAW DO?

(1) Clear, Relevant, Common and Transparent Environmental Accounting and Disclosures

Currently, company estimates and reporting of environmental impacts is voluntary, inconsistent and often unaudited. Looking just at greenhouse gas emissions reporting, one brand report might highlight only the reduction of emissions at a company's owned and operated facilities, while another could include the emissions from a company's full supply chain. Some companies report emissions per unit output, without disclosing absolute emissions. So emissions might decrease per product, but that may very well be outweighed by the growth in the number of products the company produces. The planet and its fires, hurricanes and icebergs, does not give extra credit points for such creative accounting.

This legislation would require *clear, relevant common and transparent reporting* on Energy, greenhouse gas emissions, water, plastic use, and chemical management.

Greenhouse gas emission reporting would be required to conform to the universal environmental accounting standards set forth in the GHG Protocol Corporate Standard and the GHG Protocol Scope 3 Standard. This will provide an apples to apples comparison of different companies' impacts.

To tackle the plastics crisis, companies would be required to disclose their material use, including plastic-based materials, opening what has been a black box in the industry. These material disclosures would be a critical first step to curb plastic use in the fashion industry.

(2) Mandatory Science Based Targets

The Fashion Sustainability and Social Accountability Act will be the global leader in reducing the carbon footprint of the fashion industry by requiring companies wishing to sell to the New York market to set and achieve Science Based Targets. Science Based Targets means that the pace of reductions are in line with the scale required to keep global warming below 2C from pre-industrial levels, as set out in the Paris Agreement.

(3) Mandatory Due Diligence and Meaningful Labor Disclosures

The fashion industry has relied on a broken system of factory audits that have been unsuccessful in curbing labor abuses in its supply chain. By requiring mandatory due diligence, companies will be required to be actively engaged in improving standards in their supply chain.

(4) Enforcement

The law would be enforced by the Attorney General or the Attorney General's designated administrator. Additionally, citizens may commence a civil action against a person or business in violation, or to ensure the Attorney General is enforcing the requirements of the law.

Companies found to be out of compliance and which do not remedy within three months of notice of non compliance may be fined up to 2% of annual revenues.

Together, these provisions will make New York the *leader* in corporate accountability and environmental justice.