

# SENATE BILL REPORT

## SB 5607

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As of February 6, 2023

**Title:** An act relating to requiring fashion retail sellers and manufacturers to disclose environmental due diligence policies.

**Brief Description:** Requiring fashion retail sellers and manufacturers to disclose environmental due diligence policies.

**Sponsors:** Senators Nguyen, Frame, Hunt, Kuderer, Lovelett and Salomon.

**Brief History:**

**Committee Activity:** Environment, Energy & Technology: 2/08/23.

**Brief Summary of Bill**

- Requires every fashion retail seller and fashion manufacturer doing business in the state and having annual worldwide gross receipts that exceed \$100 million to disclose its environmental due diligence policies, processes, and outcomes, including significant real or potential adverse environmental impacts and disclose targets for prevention and improvement.

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### SENATE COMMITTEE ON ENVIRONMENT, ENERGY & TECHNOLOGY

**Staff:** Gregory Vogel (786-7413)

**Background:** Environmental disclosure laws generally require a manufacturer or business to report on environmental impacts of a process or product, such as greenhouse gas emissions or use of a specific chemical, and can be measured at a specific source point or over the life cycle of a process or product. For example, Washington State requires certain facilities and fuel suppliers to annually report greenhouse gas emissions.

The World Resources Institute Apparel and Footwear Sector Science-Based Targets

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Guidance provides recommendations for companies in the sector to set science-based targets, and provides case studies on best practices in target setting and strategies for achieving reductions.

**Summary of Bill:** Every fashion retail seller and fashion manufacturer doing business in the state and having annual worldwide gross receipts that exceed \$100 million must disclose its environmental due diligence policies, processes, and outcomes, including significant real or potential adverse environmental impacts and disclose targets for prevention and improvement.

The disclosure must be published on the fashion retail seller's or fashion manufacturer's website within 12 months of the enactment of the policies, processes, and outcomes.

The disclosure must include supply chain mapping and disclosure, impact and due diligence disclosure, impact disclosure on prioritized adverse environmental impacts, and what targets fashion retail sellers and fashion manufacturers have for impact reductions and for tracking due diligence implementation and results.

The supply chain mapping and disclosure must take a risk-based approach, using good faith efforts to map suppliers across all tiers of production, from raw material to final production. A minimum of 50 percent of suppliers by volume across all tiers of production must be mapped. The mapping and disclosure must use good faith efforts to map the suppliers and associated supply chains relevant to the prioritized risk, and obtain and disclose the names of prioritized suppliers.

The impact and due diligence disclosure must include an environmental sustainability report and externally relevant information on due diligence policies, processes, and activities.

The impact and due diligence disclosure must also include:

- information on measures taken to embed responsible business conduct into policies and management systems;
- the fashion retail seller's or fashion manufacturer's identified areas of significant risks in the contexts of its own activities and business relationships, such as supply chains;
- the significant adverse impacts on risk identified, prioritized, and assessed in the context of its own activities and business relationships, such as supply chain; and
- the actions taken to prevent or mitigate those risks, such as corrective action plans, to be cited where available, including estimated timelines, targets, and benchmarks for improvement and their outcomes.

The disclosure must also include impact disclosure on prioritized adverse environmental impacts within 18 months after enactment of the policies processes, and outcomes, including:

- a quantitative baseline and reduction targets on energy and greenhouse gas emissions, water, and chemical management;

- annual volume of material produced; and
- how much production has been displaced with recycled materials.

Targets for impact reductions, and for tracking due diligence implementation and results, must include where possible, estimated timelines and benchmarks for improvement. Climate change targets must be absolute targets, align with the apparel and footwear sector science-based targets guidance promulgated by the World Resources Institute and include all scopes of production. Fashion retailer sellers and fashion manufacturers must meet targets and report their compliance on an annual basis.

The attorney general is authorized to enforce the disclosure requirements on fashion retailer sellers and fashion manufacturers. Fashion retail sellers and fashion manufacturers found to be out of compliance after the attorney general has provided notice of noncompliance, and after a three-month period to meet the requirements has lapsed, may be fined up to 2 percent of annual revenues of up to \$450 million or more. The fines must be deposited in the community benefit fund.

Any citizen may commence a civil action against any person alleged to have violated or to be in violation of the act's requirements.

A community benefit fund is established which may be used for implementing one or more environmental benefit projects that directly and verifiably benefit overburdened communities and vulnerable populations.

**Appropriation:** None.

**Fiscal Note:** Requested on January 26, 2023.

**Creates Committee/Commission/Task Force that includes Legislative members:** No.

**Effective Date:** Ninety days after adjournment of session in which bill is passed.