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AB-405 Fashion Environmental Accountability Act of 2025. (2025-2026)

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AMENDED IN ASSEMBLY MAY 01, 2025

AMENDED IN ASSEMBLY APRIL 21, 2025

AMENDED IN ASSEMBLY APRIL 10, 2025

CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

ASSEMBLY BILL

NO. 405

Introduced by Assembly Member Addis

February 04, 2025

An act *to amend Section 38532 of*, to add Section 38534.5 to, and to add Chapter 10 (commencing with Section 119500) to Part 15 of Division 104 of, the Health and Safety Code, relating to environmental accountability.

LEGISLATIVE COUNSEL'S DIGEST

AB 405, as amended, Addis. Fashion Environmental Accountability Act of 2025.

Existing law requires the State Air Resources Board, on or before July 1, 2025, to develop and adopt regulations requiring specified partnerships, corporations, limited liability companies, and other business entities with total annual revenues in excess of \$1,000,000,000 and that do business in California, defined as “reporting entities,” to publicly disclose starting in 2026 or on a date to be determined by the state board, and annually thereafter, their scope 1 and scope 2 greenhouse gas emissions, as defined, and, starting in 2027 and annually thereafter, their scope 3 greenhouse gas emissions, as defined, for the reporting entity’s prior fiscal year, as provided.

Existing law prescribes additional duties on specific industries for a variety of purposes, including those that promote the public health, safety, and welfare relating to issues that are unique to that industry. Existing law, for example, requires any tanning device used by a tanning facility to comply with all applicable federal laws and regulations.

This bill would enact the Fashion Environmental Accountability Act of 2025 and would require fashion sellers to carry out effective environmental due diligence, as provided. The bill would vest the Department of Toxic Substances Control with jurisdiction over fashion sellers’ compliance with ensuring that a fashion seller’s covered fashion products, as defined, do not contain any regulated chemicals, as defined, above thresholds the act would establish, as provided. The bill would authorize the department to adopt regulations to implement, enforce, interpret, or make specific portions of the act under its jurisdiction, as provided. The bill would vest the state board with jurisdiction over a fashion seller’s environmental due diligence under the act pertaining to emissions of greenhouse gases. The bill would require a fashion seller, in carrying out its effective environmental due diligence, to

comply with certain environmental guidelines that, at a minimum, require the fashion seller to, among other things, embed responsible business conduct in its policies and management systems, identify areas of significant risks of societal and ecological harms from its own activities and its supply chain relationships, identify, prioritize, and assess the significant potential and actual adverse impacts of those risks, and cease, prevent, or mitigate those risks, as provided. The bill would require a fashion seller, beginning July 1, 2027, and annually thereafter, to submit to the department and the state board an Environmental Due Diligence Report pertaining to the effective environmental due diligence performed by the fashion seller for the prior calendar year, as provided. *The bill would specify that fashion sellers are reporting entities for purposes of above-described public disclosure requirement for emissions of greenhouse gases and would require the disclosure be reported on their Environmental Due Diligence Report.* The bill would require a fashion seller, in carrying out its environmental due diligence, to ~~establish~~ *establish, on or before July 1, 2027,* a quantitative baseline for their emissions of greenhouse gases and targets for reductions in the emissions of greenhouse gases in the near-term and long-term covering their scopes 1, 2, and 3 emissions, as provided. ~~The bill would require a fashion seller to include in its Environmental Due Diligence Report certain information related to its greenhouse gas emissions.~~

The bill would require a fashion seller, on or before January 1, 2027, to ensure that their covered fashion products do not contain any regulated chemicals above the act's thresholds, as provided. The bill would prohibit, on and after January 1, 2028, a person from manufacturing, selling, or distributing in commerce any covered fashion product that contains any regulated chemicals above those thresholds, as specified. The bill would authorize the department or the Attorney General to enforce the act's thresholds, as specified, and would punish violations of the threshold requirements and of the act that are enforced by the department with an administrative or civil penalty not to exceed \$5,000 for a first violation, and not to exceed \$10,000 for each subsequent violation, as specified. The bill would subject a fashion seller in violation of the act to a civil ~~penalty of up to 2% of its annual revenue~~ *penalty, as provided,* for violations enforced by the state board. The bill would authorize the department and the state board, as appropriate, to seek appropriate equitable remedies for a violation of the act. The bill would require the civil penalties collected by the state board to be deposited into the Fashion Environmental Remediation Fund, which the bill would establish in the General Fund. The bill would require moneys in the fund, upon appropriation by the Legislature, to be expended for purposes of implementing the act and one or more environmental benefit or environmental remediation ~~projects that directly and verifiably benefit the communities directly impacted, to the extent practicable, at the location the injury has occurred.~~ *projects.*

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: no

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. This act shall be known, and may be cited, as the Fashion Environmental Accountability Act of 2025.

SEC. 2. *Section 38532 of the Health and Safety Code is amended to read:*

38532. (a) This section shall be known, and may be cited, as the Climate Corporate Data Accountability Act.

(b) For purposes of this section, the following terms have the following definitions:

(1) "Emissions reporting organization" means a nonprofit emissions reporting organization contracted by the state board pursuant to paragraph (3) of subdivision (c) that both:

(A) Currently operates a greenhouse gas emission reporting organization for organizations operating in the United States.

(B) Has experience with greenhouse gas emissions disclosure by entities operating in California.

(2) (A) "Reporting entity" means a partnership, corporation, limited liability company, or other business entity formed under the laws of this state, the laws of any other state of the United States or the District of Columbia, or under an act of the Congress of the United States with total annual revenues in excess of one billion dollars (\$1,000,000,000) and that does business in California. Applicability shall be determined based on the reporting entity's revenue for the prior fiscal year.

(B) *"Reporting entity" includes a fashion seller as defined in Section 119500.*

(3) "Scope 1 emissions" means all direct greenhouse gas emissions that stem from sources that a reporting entity owns or directly controls, regardless of location, including, but not limited to, fuel combustion activities.

(4) "Scope 2 emissions" means indirect greenhouse gas emissions from consumed electricity, steam, heating, or cooling purchased or acquired by a reporting entity, regardless of location.

(5) "Scope 3 emissions" means indirect upstream and downstream greenhouse gas emissions, other than scope 2 emissions, from sources that the reporting entity does not own or directly control and may include, but are not limited to, purchased goods and services, business travel, employee commutes, and processing and use of sold products.

(c) (1) On or before July 1, 2025, the state board shall develop and adopt regulations to require a reporting entity to annually disclose all of the reporting entity's scope 1 emissions, scope 2 emissions, and scope 3 emissions, and obtain an assurance engagement performed by an independent third-party assurance provider. Those regulations shall require the reporting entity to make the annual disclosure to either of the following:

(A) The emissions reporting organization, if contracted for services.

(B) The state board.

(2) The state board shall ensure that the regulations adopted pursuant to this subdivision require all of the following:

(A) (i) (I) That a reporting entity, starting in 2026 on or by a date to be determined by the state board, and annually thereafter on or by that date, publicly disclose to the emissions reporting organization, if contracted for services, or the state board, all of the reporting entity's scope 1 emissions and scope 2 emissions for the reporting entity's prior fiscal year.

(II) That a reporting entity, starting in 2027 and annually thereafter, publicly disclose its scope 3 emissions on a schedule specified by the state board as part of the regulations developed pursuant to this subdivision for the prior fiscal year.

(ii) A reporting entity shall, beginning in 2026, measure and report its emissions of greenhouse gases in conformance with the Greenhouse Gas Protocol standards and guidance, including the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard developed by the World Resources Institute and the World Business Council for Sustainable Development, including guidance for scope 3 emissions calculations that detail acceptable use of both primary and secondary data sources, including the use of industry average data, proxy data, and other generic data in its scope 3 emissions calculations.

(iii) Reports may be consolidated at the parent company level. If a subsidiary of a parent company qualifies as a reporting entity pursuant to paragraph (2) of subdivision (b), the subsidiary is not required to prepare a separate report.

(iv) (I) Starting in 2033, the state board may survey and assess currently available greenhouse gas accounting and reporting standards. At the conclusion of this assessment the state board may adopt a globally recognized alternative accounting and reporting standard if it determines its use would more effectively further the goals of this section. This review process shall include consultation with the stakeholders identified in paragraph (5).

(II) If the state board adopts an alternative accounting and reporting standard, the state board shall develop and adopt new regulations, pursuant to paragraph (1), to ensure full conformance with the new standard and reporting of scope 1 emissions, scope 2 emissions, and scope 3 emissions and other requirements of this section.

(v) During 2029 the state board shall review, and on or before January 1, 2030, the state board shall update as necessary, the public disclosure deadlines established pursuant to clause (i) to evaluate trends in scope 3 emissions reporting and consider changes to the disclosure deadlines to ensure that scope 3 emissions data is disclosed to the emissions reporting organization, if contracted for services, or the state board, as close in time as practicable to the deadline for reporting entities to disclose scope 1 emissions and scope 2 emissions data.

(vi) The reporting timelines shall consider industry stakeholder input and shall take into account the timelines by which reporting entities typically receive scope 1 emissions, scope 2 emissions, and scope 3 emissions data, as well as the capacity for an independent assurance engagement to be performed by a third-party assurance provider.

(B) That a reporting entity's public disclosure maximizes access for consumers, investors, and other stakeholders to comprehensive and detailed greenhouse gas emissions data across scope 1 emissions, scope 2 emissions, and scope 3 emissions, as defined by this section, and is made in a manner that is easily understandable and accessible.

(C) That a reporting entity's public disclosure includes the name of the reporting entity and any fictitious names, trade names, assumed names, and logos used by the reporting entity.

(D) (i) That the emissions reporting is structured in a way that minimizes duplication of effort and allows a reporting entity to submit to the emissions reporting organization, if contracted for services, or the state board, reports prepared to meet other national and international reporting requirements, including any reports required by the federal government, as long as those reports satisfy all of the requirements of this section.

(ii) Reporting entities that are required to report mandatory industrial emissions pursuant to regulations adopted pursuant to Section 38530 may provide that data with the disclosure required pursuant to this section.

(E) That a reporting entity's disclosure takes into account acquisitions, divestments, mergers, and other structural changes that can affect the greenhouse gas emissions reporting, and is disclosed in a manner consistent with the Greenhouse Gas Protocol standards and guidance or an alternative standard, if one is adopted after 2033.

(F) (i) That a reporting entity obtains an assurance engagement, performed by an independent third-party assurance provider, of their public disclosure. The reporting entity shall ensure that a copy of the complete assurance provider's report on the greenhouse gas emissions inventory, including the name of the third-party assurance provider, is provided to the emissions reporting organization, if contracted for services, or the state board, as part of or in connection with the reporting entity's public disclosure.

(ii) The assurance engagement for scope 1 emissions and scope 2 emissions shall be performed at a limited assurance level beginning in 2026 and at a reasonable assurance level beginning in 2030.

(iii) During 2026, the state board shall review and evaluate trends in third-party assurance requirements for scope 3 emissions. On or before January 1, 2027, the state board may establish an assurance requirement for third-party assurance engagements of scope 3 emissions. The assurance engagement for scope 3 emissions shall be performed at a limited assurance level beginning in 2030.

(iv) A third-party assurance provider shall have significant experience in measuring, analyzing, reporting, or attesting to the emission of greenhouse gasses and sufficient competence and capabilities necessary to perform engagements in accordance with professional standards and applicable legal and regulatory requirements. The assurance provider shall be able to issue reports that are appropriate under the circumstances and independent with respect to the reporting entity, and any of the reporting entity's affiliates for which it is providing the assurance report. During 2029 the state board shall review and, on or before January 1, 2030, shall update as necessary, the qualifications for third-party assurance providers based on an evaluation of trends in education relating to the emission of greenhouse gases and the qualifications of third-party assurance providers.

(v) The state board shall ensure that the assurance process minimizes the need for reporting entities to engage multiple assurance providers and ensures sufficient assurance provider capacity, as well as timely reporting implementation as required under clause (i) of subparagraph (A).

(G) (i) That a reporting entity shall pay an annual fee to the state board for the administration and implementation of this section.

(ii) The state board shall set the fee established pursuant to clause (i) in an amount sufficient to cover the state board's full costs of administrating and implementing this section. The total amount of fees collected shall not exceed the state board's actual and reasonable costs to administer and implement this section.

(iii) The proceeds of the fees imposed pursuant to clause (i) shall be deposited in the Climate Accountability and Emissions Disclosure Fund, which is hereby created in the State Treasury. Notwithstanding Section 13340 of the Government Code, the money in the fund is continuously appropriated to the state board and shall be expended by the state board for the state board's activities pursuant to this section and to reimburse any outstanding loans made from other funds used to finance the initial costs of the state board's activities pursuant to this section. Moneys in the fund shall not be expended for any purpose not enumerated in this section.

(iv) The state board may adjust the fee in any year to reflect changes in the California Consumer Price Index during the prior year.

(3) The state board may contract with an emissions reporting organization to develop a reporting program to receive and make publicly available disclosures required by this section pursuant to paragraph (1).

(4) The state board may adopt or update any other regulations that it deems necessary and appropriate to implement this section.

(5) In developing the regulations required pursuant to this subdivision, the state board shall consult with all of the following:

(A) The Attorney General.

(B) Other government stakeholders, including, but not limited to, experts in climate science and corporate carbon emissions accounting and reporting.

(C) Investors.

(D) Stakeholders representing consumer and environmental justice interests.

(E) Reporting entities that have demonstrated leadership in full-scope greenhouse gas emissions accounting and public disclosure and greenhouse gas emissions reductions.

(6) This section does not require additional reporting of emissions of greenhouse gases beyond the reporting of scope 1 emissions, scope 2 emissions, and scope 3 emissions required pursuant to the Greenhouse Gas Protocol standards and guidance or an alternative standard, if one is adopted after 2033.

(d) (1) On or before July 1, 2027, the state board shall contract with the University of California, the California State University, a national laboratory, or another equivalent academic institution to prepare a report on the public disclosures made by reporting entities to the emissions reporting organization, if contracted for services, or the state board, pursuant to subdivision (c) and the regulations adopted by the state board pursuant to that subdivision. In preparing the report, consideration shall be given to, at a minimum, greenhouse gas emissions from reporting entities in the context of state greenhouse gas emissions reduction and climate goals. The entity preparing the report shall not require reporting entities to report any information beyond what is required pursuant to subdivision (c) or the regulations adopted by the state board pursuant to that subdivision.

(2) The state board shall ensure the report required by this subdivision is posted publicly by either of the following:

(A) The emissions reporting organization, if contracted for services, to be made publicly available on the digital platform required to be created by the emissions reporting organization pursuant to subdivision (e).

(B) The state board on its public internet website.

(e) (1) (A) The state board, or the emissions reporting organization, if contracted for services, on or before the date determined by the state board pursuant to clause (i) of subparagraph (A) of paragraph (2) of subdivision (c), shall create a digital platform, which shall be accessible to the public, that will feature the emissions data of reporting entities in conformance with the regulations adopted by the state board pursuant to subdivision (c) and the report prepared for the state board pursuant to subdivision (d). The state board, or the emissions reporting organization, if contracted for services, shall make the reporting entities' disclosures and the state board's report available on the digital platform no later than 90 days after receipt.

(B) The digital platform shall be capable of featuring individual reporting entity disclosures, and shall allow consumers, investors, and other stakeholders to view reported data elements aggregated in a variety of ways, including multiyear data, in a manner that is easily understandable and accessible to residents of the state. All data sets and customized views shall be available in electronic format for access and use by the public.

(C) Any contract for services with a reporting organization shall be considered a noninformation technology services contract for procurement purposes.

(2) The emissions reporting organization, if contracted for services, or the state board, shall submit, within 30 days of receipt, the report prepared for the state board pursuant to subdivision (d) to the relevant policy committees of the Legislature.

(f) (1) Section 38580 does not apply to a violation of this section.

(2) (A) The state board shall adopt regulations that authorize it to seek administrative penalties for nonfiling, late filing, or other failure to meet the requirements of this section. The administrative penalties authorized by this section shall be imposed and recovered by the state board in administrative hearings conducted pursuant to Article 3 (commencing with Section 60065.1) and Article 4 (commencing with Section 60075.1) of Subchapter 1.25 of Chapter 1 of Division 3 of Title 17 of the California Code of Regulations. The administrative penalties imposed on a reporting entity shall not exceed five hundred thousand dollars (\$500,000) in a reporting year. In imposing penalties for a violation of this section, the state board shall consider all relevant circumstances, including both of the following:

(i) The violator's past and present compliance with this section.

(ii) Whether the violator took good faith measures to comply with this section and when those measures were taken.

(B) A reporting entity shall not be subject to an administrative penalty under this section for any misstatements with regard to scope 3 emissions disclosures made with a reasonable basis and disclosed in good faith.

(C) Penalties assessed on scope 3 reporting, between 2027 and 2030, shall only occur for nonfiling.

(g) This section applies to the University of California only to the extent that the Regents of the University of California, by resolution, make any of these provisions applicable to the university.

(h) The provisions of this section are severable. If any provision of this section or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

SEC. 2. SEC. 3. Section 38534.5 is added to the Health and Safety Code, to read:

38534.5. (a) For purposes of this section, unless otherwise stated, all terms used shall have the same meanings set forth in Section 38532 or Chapter 10 (commencing with Section 119500) of Part 15 of Division 104.

(b) In carrying out its effective environmental due diligence under Chapter 10 (commencing with Section 119500) of Part 15 of Division 104, a fashion seller shall do all of the following:

(1) (A) ~~Establish~~ *On or before July 1, 2027, establish* a quantitative baseline for the fashion seller's emissions of greenhouse gases and targets for reductions in the emissions of greenhouse gases in the near-term and long-term covering the fashion seller's scopes 1, 2, and 3 emissions that align with, at a minimum, target validation criteria promulgated by the Science Based Targets initiative, a partnership of the United Nations Global Compact, the World Resources Institute, CDP, and the World Wide Fund for Nature.

(B) For fashion sellers with a global revenue of over one billion dollars (\$1,000,000,000), the absolute contraction approach for the reduction in emissions of greenhouse gases shall be used to calculate the scope 3 emissions.

(2) Report, as a part of the Environmental Due Diligence Report required by Section 119513, both of the following:

(A) Its compliance with the targets set pursuant to paragraph (1).

(B) ~~(i) Its greenhouse gas emissions inventory, including absolute figures, that conforms with the accounting and reporting requirements of the Greenhouse Gas Protocol Corporate Accounting and Reporting Standards, the Scope 2 Guidance, and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard promulgated by the World Resources Institute and the World Business Council for Sustainable Development.~~ *in accordance with Section 38532.*

~~(ii) The greenhouse gas emissions inventory shall be independently verified not less than once every two years.~~

(c) (1) If a fashion seller fails to meet the targets set in paragraph (1) of subdivision (b), the fashion seller shall have 18 months to reduce their emissions of greenhouse gases to meet those targets and return to the necessary reduction pathway to meet those targets.

(2) For a fashion seller with an annual revenue of over one billion dollars (\$1,000,000,000), ~~in nontarget years~~, the fashion seller is deemed to be in violation of this section if the absolute emissions of greenhouse gases reported pursuant to this section increase in five consecutive years.

(d) (1) Notwithstanding Part 6 (commencing with Section 38580), this section shall be enforced pursuant to Article 3 (commencing with Section 119520) of Chapter 10 of Part 15 of Division 104.

(2) A fashion seller is not subject to a civil penalty for a misstatement with regards to the scope 3 emissions disclosure if the disclosure is made with a reasonable basis and disclosed in good faith.

(e) The provisions of this section are severable. If any provision of this section or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.

~~SEC. 3.~~ **SEC. 4.** Chapter 10 (commencing with Section 119500) is added to Part 15 of Division 104 of the Health and Safety Code, to read:

CHAPTER 10. Fashion Sellers

Article 1. General Provision

119500. For purposes of this chapter, the following definitions shall apply:

(a) "Act" means this chapter or Section 38534.5.

(b) "Covered fashion product" means any of the fashion goods.

(c) "Department" means the Department of Toxic Substances Control.

(d) "Doing business in the state" means engaging in transactions on a regular and continual basis within the state for financial or pecuniary gain or profit.

(e) "Environmental due diligence" means the comprehensive process companies shall carry out to identify, cease, prevent, mitigate, account for, and remediate actual and potential adverse impacts to the environment in their own operations and in their supply chain, in compliance with, at a minimum, the standards outlined in the most recent Organisation for Economic Co-operation and Development Guidelines for Multinational Enterprises, and the most recent Organisation for Economic Co-operation and Development Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector.

(f) "Environmental Due Diligence Report" means a document prepared by a fashion seller to communicate all relevant information concerning the existence, implementation, and outcomes of due diligence in order to comply with the requirements of this chapter, and to comply with any rules or regulations established pursuant to this chapter.

(g) "Fashion bag" means flexible packaging made of textiles, leather or other animal products, woven material, or other similar materials intended for repeated use, including, when applicable, those produced as a private label.

(h) "Fashion goods" means wearing apparel, footwear, or fashion bags.

(i) "Fashion seller" means a business entity that does business in the state involving the sale of fashion goods in excess of one hundred million dollars (\$100,000,000) in annual gross receipts. "Fashion seller" does not include fashion sellers that sell used fashion goods and does not include multibrand retailers, unless the total annual gross receipts of all of the private labels under the retailer exceeds one hundred million dollars (\$100,000,000).

(j) "Footwear" means any covering worn or intended to be worn on the foot, including, when applicable, those produced as a private label.

(k) "Fund" means the Fashion Environmental Remediation Fund established pursuant to Section 119530.

(l) (1) "Gross receipts" means the gross amounts realized on the sale or exchange of property, the performance of services, or the use of property or capital, including rents, royalties, interest, and dividends, in a transaction that produces business income. Amounts realized shall not be reduced by the cost of goods sold or the basis of property sold.

(2) "Gross receipts" does not include the following:

(A) Repayments, redemption, or maturity of the principal of a loan, mutual fund, or similar marketable instrument.

(B) The principal amount received under a purchase agreement or other transaction properly characterized as a loan.

(C) Proceeds from the issuance of the fashion seller's own stock.

(D) Damages and other amounts received as a result of litigation.

(E) Property acquired on behalf of another.

(F) Tax refunds and other tax benefits received.

(G) Pension reversions.

(H) Contributions to capital.

(I) Income from discharge of indebtedness.

(J) Amounts realized from exchanges of inventory that are not recognized under Title 26 of the United States Code, or would not be recognized if the exchange occurred in the United States.

(K) Amounts received from transactions in intangible assets held in connection with a treasury function of the taxpayer's unitary business and the gross receipts and overall net gains from the maturity, redemption, sale, exchange, or other disposition of those assets.

(L) Amounts received from hedging transactions involving intangible assets. A "hedging transaction" for this purpose means a transaction related to the taxpayer's trading function involving futures and options transactions for the purpose of hedging price risks of the products or commodities consumed, produced, or sold by the taxpayer.

(m) "Independently verified" means audited by a verification body accredited by the department or state board, as appropriate.

(n) "OECD" means the Organisation for Economic Co-operation and Development.

(o) "Open data principles" means data that can be freely used, reused, and redistributed by any person, that is findable or easily discoverable on an internet website or within a database, that is accessible or available in a machine-readable, convenient, modifiable form, that is published as a whole, complete dataset that is interoperable or able to be mixed with different data sets, and that is reusable or provided under an open license that permits reuse and redistribution, including the intermixing with other datasets.

(p) "Produced as a private label" means produced under a name, label, or entity separate from the fashion seller, but that is sold by the fashion seller.

(q) "Regulated chemicals" means any of the following:

- (1) Azo-amines and arylamine salts.
- (2) Bisphenols.
- (3) Flame retardants.
- (4) Formaldehyde.
- (5) Phthalates.
- (6) Lead.

(r) "Risk-based approach" means commensurate to the likelihood and severity of the harm. A "risk-based approach" includes, but is not limited to, prioritizing the order of action based on the likelihood and severity of harm, measured by the harm's scale or gravity, scope, and irremediable character.

(s) "Significant supplier" means suppliers representing 75 percent of fabric by volume.

(t) "State board" means the State Air Resources Board.

(u) "Supply chain tiers" means a four tier system consisting of the following:

- (1) "Tier one" means suppliers that produce finished goods for fashion sellers, including suppliers' subcontractors, that provide services, including, but not limited to, sewing and embroidering.
- (2) "Tier two" means suppliers to tier one, including subcontractors, that provide services, including, but not limited to, knitting, weaving, washing, dyeing, finishing, printing for finished goods, and components and materials for finished goods if they are stand-alone operations and not integrated into tier one suppliers. "Components" for this purpose means materials used to create a product, including, but not limited to, buttons, zippers, rubber soles, down, and fusibles.
- (3) "Tier three" means suppliers to tier two suppliers, including subcontractors, that process raw materials, such as spinning.
- (4) "Tier four" means companies, including subcontractors, that supply raw materials to tier three suppliers.

(v) "Thresholds" means the allowable level of regulated chemicals in a covered fashion product as follows:

- (1) No greater than 20 parts per million for azo-amines and arylamine salts.
- (2) No greater than 10 parts per million for ~~bisphenol-A for textiles and leather~~, *bisphenol-A*, no greater than 100 parts per million for bisphenol-B and bisphenol-F, and no greater than 200 parts per million for all bisphenols.
- (3) No greater than 10 parts per million for flame retardants.
- (4) No greater than 75 parts per million for formaldehyde.
- (5) No greater than 500 parts per million for phthalates.
- (6) No greater than 1 parts per million for lead.

(w) (1) "Wearing apparel" means any costume or article of clothing worn or intended to be worn by individuals.

- (2) "Wearing apparel" does not include single-use hygiene products.

119501. (a) The department shall have jurisdiction over a fashion seller's compliance with ensuring that the fashion seller's covered fashion products do not contain any regulated chemicals above the thresholds set in this chapter.

(b) The state board shall have jurisdiction over a fashion seller's environmental due diligence under this act pertaining to emissions of greenhouse gases.

119502. (a) (1) The department and the state board, as appropriate, may, separately or jointly, prescribe regulations necessary or appropriate to carry out the purposes of this act under their respective jurisdiction.

- (2) In developing the regulations, the department and the state board shall minimize duplication of efforts in the reporting requirement by authorizing the submission of a due diligence report that is prepared to meet other ~~national~~ *state, national*, or

international reporting requirements as a means of compliance with Section 119513, if the due diligence report meets the requirements of this chapter.

(b) The department and the state board, as appropriate, shall develop and disseminate education materials to fashion sellers, including providing alerts to time-sensitive issues, emerging issues, and high-risk country situations, and assist fashion sellers in improving the quality of their due diligence.

119503. The department and the state board shall, separately or jointly, develop an application process for accrediting entities to act as independent verifiers for purposes of this chapter. The process shall include, at minimum, all of the following:

(a) Consideration of the qualifications of the applicant's verification staff, including, but not limited to, their education, experience, and professional licenses.

(b) A requirement that the applicant employ five full-time staff with expertise in the requirements they seek to verify under this chapter.

(c) Consideration of whether the applicant has policies and mechanisms in place to prevent conflicts of interest and to identify and resolve potential conflict-of-interest situations, if they arise. The department shall require the applicant to provide at least the following information to make this consideration:

(1) Identification of the services to be provided by the applicant, the industries that the applicant serves, and the locations where those services are provided.

(2) A detailed organizational chart that includes the applicant, its management structure, and any related entities.

(3) The applicant's internal conflict-of-interest policy that identifies activities and limits to monetary or nonmonetary gifts that applies to all employees and procedures to monitor conflicts of interest.

(d) Prohibition of a verifying entity that is accredited by the department or the state board pursuant to this chapter from providing services to any entity where a conflict of interest exists. Conflicts of interest include, but are not limited to, the following:

(1) The verifying entity and the fashion seller being reviewed share any management staff or board of directors.

(2) The senior management staff of the fashion seller being reviewed was an employee of the verifying entity within the previous five years, or vice versa.

(3) Any employee of the verifying entity or a subcontractor who is a member of the verifying entity's team for the review of the fashion seller has provided the fashion seller with services related to verification within the previous five years.

(4) Any employee of the verifying entity provides any type of nonmonetary incentive to a fashion seller to secure a verification contract.

(5) Any additional criteria determined by the department or the state board.

(e) A requirement that a verifying entity notify the department or the state board, as appropriate, within 30 calendar days if it no longer meets the requirements to be a verifying entity set forth by this section or by regulations adopted by the department or the state board under this section.

Article 2. Environmental Due Diligence

119510. (a) Every fashion seller shall carry out effective environmental due diligence, consistent with this chapter, for the portions of their business related to fashion goods, including, but not limited to, those items produced as a private label.

(b) (1) Environmental due diligence required under this article shall include a fashion seller taking a risk-based approach and ~~implementing good faith efforts to map~~ identifying suppliers as follows:

(A) No later than January 1, 2027, tier one suppliers shall be disclosed, and contain at least 80 percent of suppliers by volume.

(B) No later than January 1, 2028, tier two suppliers shall be disclosed, and contain at least 75 percent of suppliers by volume.

(C) No later than January 1, 2030, tier three suppliers shall be disclosed, and contain at least 50 percent of suppliers by volume or dollar value.

(D) No later than January 1, 2032, tier four suppliers shall be disclosed, and contain at least 50 percent of suppliers by volume or dollar value.

(2) Supplier disclosure for all tiers shall include the name, address, parent company, and product type.

119511. In carrying out its environmental due diligence under this article, a fashion seller shall comply with the environmental guidelines of OECD's Guidelines for Multinational Enterprises on Responsible Business Conduct and OECD's Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector that, at a minimum, require a fashion seller to do all of the following:

- (a) Embed responsible business conduct in the fashion seller's policies and management systems.
- (b) Identify areas of significant risks of societal and ecological harm from its own activities and its supply chain relationships.
- (c) Identify, prioritize, and assess the significant potential and actual adverse impacts of those risks.
- (d) Cease, prevent, or mitigate those risks, including, but not limited to, all of the following:
 - (1) Taking actions specified in Sections 38534.5 and 119512.
 - (2) Using responsible exit or disengagement strategies.
 - (3) Consulting and engaging with impacted and potentially impacted stakeholders and rights holders and their representatives.
- (e) Tracking the implementation of activities to cease, prevent, and mitigate risks and the result of those activities.
- (f) Provision for, or cooperating in, the remediation of adverse environmental impacts resulting from the fashion seller's or its supplier's operation.

119512. (a) On or before January 1, 2027, a fashion seller shall ensure that their covered fashion products do not contain any regulated chemicals above the thresholds set in this chapter.

(b) On and after January 1, 2028, no person shall manufacture, sell, or distribute in commerce any covered fashion product that is manufactured, sold, or distributed by a fashion seller that contains any regulated chemicals above the thresholds set in this chapter.

(c) (1) The department or the Attorney General may enforce this section.

(2) A violation of this section, and a violation of this chapter that is enforced by the department pursuant to its authority, shall be punishable by an administrative or civil penalty not to exceed five thousand dollars (\$5,000) for a first violation, and not to exceed ten thousand dollars (\$10,000) for each subsequent violation.

(3) Penalties may be assessed for each violation or, for continuing violations, for each day that the violation continues.

(d) The department may adopt regulations to implement, enforce, interpret, or make specific the provisions of this chapter that are subject to its authority.

(e) Upon appropriation by the Legislature, funds in the Toxic Substances Control Account may be used by the department to implement this chapter.

119513. (a) (1) Beginning July 1, 2027, and annually thereafter, a fashion seller shall develop and submit to the department and the state board an Environmental Due Diligence Report pertaining to the effective environmental due diligence performed by the fashion seller for the prior calendar year, including activities and financial expenditures to support supply chain environmental due diligence for review by the department and the state board, as appropriate. The report shall also include the fashion seller's annual volume of material produced including a breakdown by material type.

(2) The information specified in the Environmental Due Diligence Report shall be independently verified before submission.

(b) (1) The fashion seller shall make the Environmental Due Diligence Report available to the public on its internet website consistent with the open data principles contemporaneously with the submission of the report under subdivision (a).

(2) If the fashion seller does not have an internet website, they shall provide a written disclosure within 30 days to any person that requests a copy of the Environmental Due Diligence Report.

(c) The department and the state board shall review the Environmental Due Diligence Report under their respective jurisdiction for completeness.

Article 3. Enforcement

119520. (a) The department or the state board, as appropriate, shall identify and notify any fashion seller that fails to comply with Section 119513 and provide the noncompliant fashion seller with a 30-day grace period to file a complete Environmental Due Diligence Report as required by Section 119513.

(b) If the fashion seller fails to file a complete Environmental Due Diligence Report within the time period specified in subdivision (a), the department or the state board, as appropriate, shall place the fashion seller on a publicly available list of noncompliant fashion sellers.

(c) If the fashion seller fails to file a complete Environmental Due Diligence Report within three months of its due date, the department or the state board, as appropriate, may take an enforcement action pursuant to this article.

119521. Except as provided in Section 119520, the department or state board, as appropriate, shall provide a notice of the noncompliance to a fashion seller that fails to comply with this act and the noncompliant fashion seller shall have three months from the date it receives the notice to meet the requirements of this act.

119522. (a) A fashion seller who violates this act shall be subject to a civil penalty ~~of up to 2 percent of its annual revenues~~ for violations enforced by the state board *or the department* pursuant to its authority. Civil penalties collected pursuant to this section shall be deposited in the Fashion Environmental Remediation Fund.

(b) A violation of this chapter or Section 38534 shall be punishable by a civil penalty not to exceed ten thousand dollars (\$10,000) for the first violation, and not to exceed fifty thousand dollars (\$50,000) for each subsequent violation. Penalties may be assessed for each violation, or, for continuing violations, for each day the violation continues.

~~(b)~~

(c) In addition to subdivision (a), the department or the state board, as appropriate, may seek any appropriate equitable remedies for a violation of this act under their respective jurisdiction.

119523. The department and the state board shall use a risk-based approach in enforcing this act and publish enforcement guidelines before the enforcement of this act.

119524. Any person may report a violation of this act to the department or the state board, as appropriate.

Article 4. Fashion Environmental Remediation Fund

119530. (a) The Fashion Environmental Remediation Fund is hereby established in the General Fund.

(b) Moneys in the fund shall be available upon appropriation by the Legislature to the department or the state board for purposes of implementing this act and for purposes of implementing one or more environmental benefit projects or environmental remediation ~~projects that directly and verifiably benefit communities directly impacted, to the extent feasible, at the location where the injury has occurred.~~ *projects.*

(c) In addition to civil penalties specified in Section 119522, any other moneys appropriated by the Legislature for purposes of this act or for the implementation of environmental benefit projects shall be deposited in the fund.

Article 5. Miscellaneous

119535. The provisions of this chapter and of this act are severable. If any provision of this chapter or act or its application is held invalid, that invalidity shall not affect other provisions or applications that can be given effect without the invalid provision or application.