JUNE 7, 2021

RULES COMMITTEE PRINT 117–5

TEXT OF H.R. 1187, CORPORATE GOVERNANCE
IMPROVEMENT AND INVESTOR PROTECTION ACT

[Showing the text of H.R. 1187, H.R. 1087, H.R. 1188, H.R.
2570, and H.R. 3007, as ordered reported by the Committee
on Financial Services, with modifications.]

SECTION 1. SHORT TITLE.

This Act may be cited as the “Corporate Governance
Improvement and Investor Protection Act”.

TITLE I—ESG DISCLOSURE SIMPLIFICATION

SEC. 101. SHORT TITLE.

This title may be cited as the “ESG Disclosure Sim-
plification Act of 2021”.

SEC. 102. FINDINGS.

Congress finds the following:

(1) The Securities and Exchange Commission
has broad authority to require the disclosure of in-
formation if such information is in the interest of,
or is material to investors.

(2) The Commission does not require companies
to disclose information related to environmental, so-
cial, and governance (“ESG”) matters, and does not
require companies to adhere to standards for disclosing such information.

(3) Investors have reported that voluntary disclosures of ESG metrics are inadequate.

(4) A rule requiring reporting and standardization of ESG disclosures is in the interest of investors.

(5) ESG matters are material to investors, and the Commission must establish standards for disclosure of such matters.

SEC. 103. ESG DISCLOSURES.

(a) In General.—Section 14 of the Securities Exchange Act of 1934 (15 U.S.C. 78n) is amended by adding at the end the following:

“(k) ESG DISCLOSURES.—

“(1) In General.—Each issuer the securities of which are registered under section 12 or that is required to file annual reports under section 15(d) shall disclose in any proxy or consent solicitation material for an annual meeting of the shareholders—

“(A) a clear description of the views of the issuer about the link between ESG metrics and the long-term business strategy of the issuer; and
“(B) a description of any process the
issuer uses to determine the impact of ESG
metrics on the long-term business strategy of
the issuer.

“(2) ESG METRICS DEFINED.—In this sub-
section, the term ‘ESG metrics’ has the meaning
given the term in part 210 of title 17, Code of Fed-
eral Regulations as amended pursuant to section
3(b) of the ESG Disclosure Simplification Act of
2021.”.

(b) RULEMAKING.—

(1) IN GENERAL.—The Securities and Ex-
change Commission (in this Act referred to as the
“Commission”) shall amend part 210 of title 17,
Code of Federal Regulations (or any successor there-
to) to—

(A) require each issuer, in any filing of the
issuer described in such part that requires au-
dited financial statements, to disclose environ-
mental, social, and governance metrics (in this
title referred to as ESG metrics); and

(B) define ESG metrics.

(2) SUSTAINABLE FINANCE ADVISORY COM-
mittee.—The Sustainable Finance Advisory Com-
mittee established pursuant to section 4(k) of the
Securities and Exchange Act of 1934 shall, not later than 180 days after the date of the first meeting of such Committee, submit to the Commission recommendations about what ESG metrics the Commission should require issuers to disclose.

(3) MATURITY.—It is the sense of Congress that ESG metrics, as such term is defined by the Commission pursuant to paragraph (1), are de facto material for the purposes of disclosures under the Securities Exchange Act of 1934 and the Securities Act of 1933.

(4) INCORPORATION OF INTERNATIONAL STANDARDS.—When amending part 210 of title 17, Code of Federal Regulations (or any successor thereof) pursuant to paragraph (1), the Commission may, as the Commission determines appropriate, incorporate any internationally recognized, independent, multi-stakeholder environmental, social, and governance disclosure standards.

(5) LOCATION OF DISCLOSURE.—Any disclosure required by paragraph (1) may be included in a notes section of the filing.

(6) DELAY FOR SMALL ISSUERS.—The Commission may use a phased approach when applying any amendments made pursuant to paragraph (1) to
small issuers and may determine the criteria by
which an issuer qualifies as a small issuer for pur-
poses of such phased approach.

SEC. 104. SUSTAINABLE FINANCE ADVISORY COMMITTEE.

Section 4 of the Securities Exchange Act of 1934 (15
U.S.C. 78d) is amended by adding at the end the fol-
lowing:

“(k) SUSTAINABLE FINANCE ADVISORY COM-
MITTEE.—

“(1) ESTABLISHMENT.—The Commission shall
establish a permanent advisory committee to be
called the ‘Sustainable Finance Advisory Committee’
(in this subsection referred to as the ‘Committee’).

“(2) DUTIES OF COMMITTEE.—The Committee
shall—

“(A) submit a report to the Commission
not later than 18 months after the date of the
first meeting of the Committee that—

“(i) identifies the challenges and op-
portunities for investors associated with
sustainable finance; and

“(ii) recommends policy changes to fa-
cilitate the flow of capital towards sustain-
able investments, in particular environ-
mentally sustainable investments;
“(B) when solicited, advise the Commission on sustainable finance; and

“(C) communicate with individuals and entities with an interest in sustainable finance.

“(3) MEMBERSHIP.—

“(A) Members.—

“(i) In general.—The Committee shall consist of no more than 20 members who shall each serve for one four-year term.

“(ii) Representation.—Each member shall represent individuals and entities with an interest in sustainable finance, such as—

“(I) experts on sustainable finance;

“(II) operators of financial infrastructure;

“(III) entities that provide analysis, data, or methodologies that facilitate sustainable finance;

“(IV) insurance companies, pension funds, asset managers, depository institutions, or credit unions; or
“(V) other financial institutions that intermediate investments in sustainable finance or manage risks related to sustainable development.

“(iii) REPRESENTATION OF INTERESTS.—A member may not represent a single individual or entity and shall represent types of individuals and entities with similar interests in sustainable finance.

“(B) SELECTION.—

“(i) IN GENERAL.—The Commission shall—

“(I) publish criteria for selection of members on the website of the Commission and in the Federal Register; and

“(II) solicit applications for membership on the website of the Commission and in the Federal Register.

“(ii) EQUAL SHARE.—From the individuals who submit applications for membership, each Commissioner of the Com-
mission shall select an equal number of the
members of the Committee.

“(C) PAY.—Members may not receive pay
by reason of their service on the Committee but
may receive travel or transportation expenses in
accordance with applicable provisions under
subchapter I of chapter 57 of title 5, United
States Code.

“(D) MEMBER TRANSPARENCY.—The
name of each member and the types of individ-
uals and entities that such member represents
shall be published on the website of the Com-
mission.

“(E) STAFF.—The Committee shall be
supported by staff from the Office of the Inves-
tor Advocate of the Commission that are dedi-
cated to environmental, social and governance
(in this subsection referred to as ‘ESG’) issues.

“(F) AUTHORIZATION OF APPROPRIA-
tion.—There are authorized to be appropriated
such sums as are necessary to finance costs as-
associated with staff dedicated to ESG issues in
the Office of the Investor Advocate of the Com-
mission.
“(4) SUSTAINABLE FINANCE.—For the purposes of this subsection, the term ‘sustainable finance’ means the provision of finance with respect to investments taking into account environmental, social, and governance considerations.

“(5) SEC RESPONSE.—The Commission shall, not later than 6 months after the date on which the Committee submits a report to the Commission pursuant to paragraph (2)(A), publish a response to such report.”

TITLE II—SHAREHOLDER POLITICAL TRANSPARENCY

SEC. 201. SHORT TITLE. This title may be cited as the “Shareholder Political Transparency Act of 2021”.

SEC. 202. FINDINGS. Congress finds that—

(1) corporations make significant political contributions and expenditures that directly or indirectly influence the election of candidates and support or oppose political causes;

(2) decisions to use corporate funds for political contributions and expenditures are usually made by corporate boards and executives, rather than shareholders;
(3) corporations, acting through boards and executives, are obligated to conduct business for the best interests of their owners, the shareholders; (4) historically, shareholders have not had a way to know, or to influence, the political activities of corporations they own; (5) shareholders and the public have a right to know how corporate managers are spending company funds to make political contributions and expenditures benefitting candidates, political parties, and political causes; and (6) corporations should be accountable to shareholders in making political contributions or expenditures affecting Federal governance and public policy.

SEC. 203. REPORTING REQUIREMENTS.

Section 13 of the Securities Exchange Act of 1934 (15 U.S.C. 78m) is amended by adding at the end the following:

“(s) REPORTING REQUIREMENTS RELATING TO CERTAIN POLITICAL EXPENDITURES.—

“(1) DEFINITIONS.—In this subsection:

“(A) EXPENDITURE FOR POLITICAL ACTIVITIES.—The term ‘expenditure for political activities’—

“(i) means—
“(I) an independent expenditure (as defined in section 301(17) of the Federal Election Campaign Act of 1971 (52 U.S.C. 30101(17)));

“(II) an electioneering communication (as defined in section 304(f)(3) of that Act (52 U.S.C. 30104(f)(3))) and any other public communication (as defined in section 301(22) of that Act (52 U.S.C. 30101(22))) that would be an electioneering communication if it were a broadcast, cable, or satellite communication; or

“(III) dues or other payments to trade associations or organizations described in section 501(c) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of that Code that are, or could reasonably be anticipated to be, used or transferred to another association or organization for the purposes described in subclause (I) or (II); and

“(ii) does not include—
“(I) direct lobbying efforts through registered lobbyists employed or hired by the issuer;

“(II) communications by an issuer to its shareholders and executive or administrative personnel and their families; or

“(III) the establishment and administration of contributions to a separate segregated fund to be utilized for political purposes by a corporation.

“(B) ISSUER.—The term ‘issuer’ does not include an investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a–8).

“(2) QUARTERLY REPORTS.—

“(A) REPORTS REQUIRED.—Not later than 180 days after the date of enactment of this subsection, the Commission shall amend the reporting rules under this section to require each issuer with a class of equity securities registered under section 12 of this title to submit to the Commission and the shareholders of the issuer a quarterly report containing—
“(i) a description of any expenditure for political activities made during the preceding quarter;

“(ii) the date of each expenditure for political activities;

“(iii) the amount of each expenditure for political activities;

“(iv) if the expenditure for political activities was made in support of or in opposition to a candidate, the name of the candidate and the office sought by, and the political party affiliation of, the candidate; and

“(v) the name or identity of trade associations or organizations described in section 501(c) of the Internal Revenue Code of 1986 and exempt from tax under section 501(a) of such Code which receive dues or other payments as described in paragraph (1)(A)(i)(III).

“(B) PUBLIC AVAILABILITY.—The Commission shall ensure that the quarterly reports required under this paragraph are publicly available through the Internet website of the Commission and through the EDGAR system in
a manner that is searchable, sortable, and
downloadable, consistent with the requirements
under section 24.

“(3) ANNUAL REPORTS.—Not later than 180
days after the date of enactment of this subsection,
the Commission shall, by rule, require each issuer to
include in the annual report of the issuer to share-
holders—

“(A) a summary of each expenditure for
political activities made during the preceding
year in excess of $10,000, and each expenditure
for political activities for a particular election if
the total amount of such expenditures for that
election is in excess of $10,000;

“(B) a description of the specific nature of
any expenditure for political activities the issuer
intends to make for the forthcoming fiscal year,
to the extent the specific nature is known to the
issuer; and

“(C) the total amount of expenditures for
political activities intended to be made by the
issuer for the forthcoming fiscal year.”.

SEC. 204. REPORTS.

(a) SECURITIES AND EXCHANGE COMMISSION.—The

Securities and Exchange Commission shall—
(1) conduct an annual assessment of the compliance of issuers with section 13(s) of the Securities Exchange Act of 1934, as added by section 203; and

(2) submit to Congress an annual report containing the results of the assessment under paragraph (1).

(b) GOVERNMENT ACCOUNTABILITY OFFICE.—The Comptroller General of the United States shall periodically evaluate and report to Congress on the effectiveness of the oversight by the Securities and Exchange Commission of the reporting and disclosure requirements under section 13(s) of the Securities Exchange Act of 1934, as added by section 203.

TITLE III—GREATER ACCOUNTABILITY IN PAY

SEC. 301. SHORT TITLE.

This title may be cited as the “Greater Accountability in Pay Act of 2021”.

SEC. 302. PAY RAISE DISCLOSURES.

Section 13 of the Securities Exchange Act of 1934 (15 U.S.C. 78m), as amended by section 203, is further amended by adding at the end the following:

“(t) PAY RAISE DISCLOSURES.—An issuer required to file an annual report under this section or section 15(d),
that is not an emerging growth company, shall include in such report—

“(1) the percentage increase in the median of the annual total compensation of all executive officers (as such term is defined in section 240.3b–7 of title 17, Code of Federal Regulations) of the issuer over the last completed fiscal year;

“(2) the percentage increase in the median of the annual total compensation of all employees of the issuer, excluding executive officers, over the last completed fiscal year;

“(3) the ratio of the percentage described in paragraph (1) to the percentage described in paragraph (2);

“(4) a comparison of the percentage described in paragraph (1) to the percentage change over the same period in the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor; and

“(5) a comparison of the percentage described in paragraph (2) to the percentage change over the same period in the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor.”.
TITLE IV—CLIMATE RISK
DISCLOSURE

SEC. 401. SHORT TITLE.
This title may be cited as the “Climate Risk Disclosure Act of 2021”.

SEC. 402. SENSE OF CONGRESS.
It is the sense of Congress that—

(1) climate change poses a significant and increasing threat to the growth and stability of the economy of the United States;

(2) many sectors of the economy of the United States and many American businesses are exposed to climate-related risk, which may include exposure to—

(A) the physical impacts of climate change, including the rise of the average global temperature, accelerating sea-level rise, desertification, ocean acidification, intensification of storms, increase in heavy precipitation, more frequent and intense temperature extremes, more severe droughts, and longer wild-fire seasons;

(B) the economic disruptions and security threats that result from the physical impacts described in subparagraph (A) including con-
flicts over scarce resources, conditions conducive to violent extremism, the spread of infectious diseases, and forced migration;

(C) the transition impacts that result as the global economy transitions to a clean and renewable energy, low-emissions economy, including financial impacts as climate change fossil fuel assets becoming stranded and it becomes uneconomic for companies to develop fossil fuel assets as policymakers act to limit the worst impacts of climate change by keeping the rise in average global temperature to 1.5 degrees Celsius above pre-industrial levels; and

(D) actions by Federal, State, Tribal, territorial, and local governments to limit the worst effects of climate change by enacting policies that keep the global average surface temperature rise to 1.5 degrees Celsius above pre-industrial levels;

(3) assessing the potential impact of climate-related risks on national and international financial systems is an urgent concern;

(4) companies have a duty to disclose financial risks that climate change presents to their investors, lenders, and insurers;
(5) the Securities and Exchange Commission has a duty to promote a risk-informed securities market that is worthy of the trust of the public as families invest for their futures;

(6) investors, lenders, and insurers are increasingly demanding climate risk information that is consistent, comparable, reliable, and clear;

(7) including standardized, material climate change risk and opportunity disclosure that is useful for decision makers in annual reports to the Commission will increase transparency with respect to risk accumulation and exposure in financial markets;

(8) requiring companies to disclose climate-related risk exposure and risk management strategies will encourage a smoother transition to a clean and renewable energy, low-emissions economy and guide capital allocation to mitigate, and adapt to, the effects of climate change and limit damages associated with climate-related events and disasters; and

(9) a critical component in fighting climate change is a transparent accounting of the risks that climate change presents and the implications of continued inaction with respect to climate change.
SEC. 403. DISCLOSURES RELATING TO CLIMATE CHANGE.

Section 13 of the Securities Exchange Act of 1934 (15 U.S.C. 78m), as amended by section 302, is further amended by adding at the end the following:

“(u) DISCLOSURES RELATING TO CLIMATE CHANGE.—

“(1) DEFINITIONS.—In this subsection:

“(A) 1.5 DEGREE SCENARIO.—The term ‘1.5 degree scenario’ means a scenario that aligns with greenhouse gas emissions pathways that aim to limit global warming to 1.5 degrees Celsius above pre-industrial levels.

“(B) APPROPRIATE CLIMATE PRINCIPALS.—The term ‘appropriate climate principals’ means—

“(i) the Administrator of the Environmental Protection Agency;

“(ii) the Administrator of the National Oceanic and Atmospheric Administration;

“(iii) the Director of the Office of Management and Budget;

“(iv) the Secretary of the Interior;

“(v) the Secretary of Energy; and
“(vi) the head of any other Federal agency, as determined appropriate by the Commission.

“(C) Baseline scenario.—The term ‘baseline scenario’ means a widely-recognized analysis scenario in which levels of greenhouse gas emissions, as of the date on which the analysis is performed, continue to grow, resulting in an increase in the global average temperature of 1.5 degrees Celsius or more above pre-industrial levels.

“(D) Carbon dioxide equivalent.—The term ‘carbon dioxide equivalent’ means the number of metric tons of carbon dioxide emissions with the same global warming potential as one metric ton of another greenhouse gas, as determined under table A–1 of subpart A of part 98 of title 40, Code of Federal Regulations, as in effect on the date of enactment of this subsection.

“(E) Climate change.—The term ‘climate change’ means a change of climate that is—
“(i) attributed directly or indirectly to human activity that alters the composition of the global atmosphere; and

“(ii) in addition to natural climate variability observed over comparable time periods.

“(F) COMMERCIAL DEVELOPMENT OF FOSSIL FUELS.—The term ‘commercial development of fossil fuels’ includes—

“(i) exploration, extraction, processing, exporting, transporting, refining, and any other significant action with respect to oil, natural gas, coal, or any by-product thereof or any other solid or liquid hydrocarbons that are commercially produced; and

“(ii) acquiring a license for any activity described in clause (i).

“(G) COVERED ISSUER.—The term ‘covered issuer’ means an issuer that is required to file an annual report under subsection (a) or section 15(d).

“(H) DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS.—The term ‘direct and indirect
greenhouse gas emissions’ includes, with respect to a covered issuer—

“(i) all direct greenhouse gas emissions released by the covered issuer;

“(ii) all indirect greenhouse gas emissions with respect to electricity, heat, or steam purchased by the covered issuer;

“(iii) significant indirect emissions, other than the emissions described in clause (ii), emitted in the value chain of the covered issuer; and

“(iv) all indirect greenhouse gas emissions that are attributable to assets owned or managed, including assets that are partially owned or managed, by the covered issuer.

“(I) FOSSIL FUEL RESERVES.—The term ‘fossil fuel reserves’ has the meaning given the term ‘reserves’ under the final rule of the Commission titled ‘Modernization of Oil and Gas Reporting’ (74 Fed. Reg. 2158; published January 14, 2009).

“(J) GREENHOUSE GAS.—The term ‘greenhouse gas’—
“(i) means carbon dioxide, hydrofluorocarbons, methane, nitrous oxide, perfluorocarbons, sulfur hexafluoride, nitrogen trifluoride, and chlorofluorocarbons;

“(ii) includes any other anthropogenically-emitted gas that the Administrator of the Environmental Protection Agency determines, after notice and comment, to contribute to climate change; and

“(iii) includes any other anthropogenically-emitted gas that the Intergovernmental Panel on Climate Change determines to contribute to climate change.

“(K) GREENHOUSE GAS EMISSIONS.—The term ‘greenhouse gas emissions’ means the emissions of greenhouse gas, expressed in terms of metric tons of carbon dioxide equivalent.

“(L) PHYSICAL RISKS.—The term ‘physical risks’ means financial risks to long-lived fixed assets, locations, operations, or value chains that result from exposure to physical climate-related effects, including—
“(i) increased average global temperatures and increased frequency of temperature extremes;

“(ii) increased severity and frequency of extreme weather events;

“(iii) increased flooding;

“(iv) sea level rise;

“(v) ocean acidification;

“(vi) increased frequency of wildfires;

“(vii) decreased arability of farmland;

“(viii) decreased availability of fresh water; and

“(ix) any other financial risks to long-lived fixed assets, locations, operations, or value chains determined appropriate by the Commission, in consultation with appropriate climate principals.

house Gases, United States Government, in Au-
gust 2016 or any successor or substantially re-
related estimate of the monetized damages associ-
ated with an incremental increase in carbon di-
oxide emissions in a given year.

“(N) TRANSITION RISKS.—The term ‘tran-
sition risks’ means financial risks that are at-
tributable to climate change mitigation and ad-
aptation, including efforts to reduce greenhouse
gas emissions and strengthen resilience to the
impacts of climate change, including—

“(i) costs relating to—

“(I) international treaties and
agreements;

“(II) Federal, State, and local
policy;

“(III) new technologies;

“(IV) changing markets;

“(V) reputational impacts rel-
evant to changing consumer behavior;

and

“(VI) litigation; and

“(ii) assets that may lose value or be-
come stranded due to any of the costs de-
scribed in subclauses (I) through (VI) of clause (i).

“(O) VALUE CHAIN.—The term ‘value chain’—

“(i) means the total lifecycle of a product or service, both before and after production of the product or service, as applicable; and

“(ii) may include the sourcing of materials, production, transportation, and disposal with respect to the product or service described in clause (i).

“(2) FINDINGS.—Congress finds that—

“(A) short-, medium-, and long-term financial and economic risks and opportunities relating to climate change, and the national and global reduction of greenhouse gas emissions, constitute information that issuers—

“(i) may reasonably expect to affect shareholder decision making; and

“(ii) should regularly identify, evaluate, and disclose; and

“(B) the disclosure of information described in subparagraph (A) should—

“(i) identify, and evaluate—
“(I) material physical and transition risks posed by climate change; and

“(II) the potential financial impact of such risks;

“(ii) detail any implications such risks have on corporate strategy;

“(iii) detail any board-level oversight of material climate related risks and opportunities;

“(iv) allow for intra- and cross-industry comparison, to the extent practicable, of climate-related risk exposure through the inclusion of standardized industry-specific and sector-specific disclosure metrics, as identified by the Commission, in consultation with the appropriate climate principals;

“(v) allow for tracking of performance over time with respect to mitigating climate risk exposure; and

“(vi) incorporate a price on greenhouse gas emissions in financial analyses that reflects, at minimum, the social cost of carbon that is attributable to issuers.
“(3) Disclosure.—Each covered issuer, in any annual report filed by the covered issuer under subsection (a) or section 15(d), shall, in accordance with any rules issued by the Commission pursuant to this subsection, include in each such report information regarding—

“(A) the identification of, the evaluation of potential financial impacts of, and any risk-management strategies relating to—

“(i) physical risks posed to the covered issuer by climate change; and

“(ii) transition risks posed to the covered issuer by climate change;

“(B) a description of any established corporate governance processes and structures to identify, assess, and manage climate-related risks;

“(C) a description of specific actions that the covered issuer is taking to mitigate identified risks;

“(D) a description of the resilience of any strategy the covered issuer has for addressing climate risks when differing climate scenarios are taken into consideration; and
“(E) a description of how climate risk is incorporated into the overall risk management strategy of the covered issuer.

“(4) RULE OF CONSTRUCTION.—Nothing in paragraph (3) may be construed as precluding a covered issuer from including, in an annual report submitted under subsection (a) or section 15(d), any information not explicitly referenced in such paragraph.

“(5) RULEMAKING.—The Commission, in consultation with the appropriate climate principals, shall, not later than 2 years after the date of the enactment of this subsection, issue rules with respect to the information that a covered issuer is required to disclose pursuant to this subsection and such rules shall—

“(A) establish climate-related risk disclosure rules, which shall—

“(i) be, to the extent practicable, specialized for industries within specific sectors of the economy, which shall include—

“(I) the sectors of finance, insurance, transportation, electric power, mining, and non-renewable energy;
“(II) any other sector determined appropriate by the Commission, in consultation with the appropriate climate principals;

“(ii) include reporting standards for estimating and disclosing direct and indirect greenhouse gas emissions by a covered issuer, and any affiliates of the covered issuer, which shall—

“(I) disaggregate, to the extent practicable, total emissions of each specified greenhouse gas by the covered issuer; and

“(II) include greenhouse gas emissions by the covered issuer during the period covered by the disclosure;

“(iii) include reporting standards for disclosing, with respect to a covered issuer—

“(I) the total amount of fossil fuel-related assets owned or managed by the covered issuer; and

“(II) the percentage of fossil fuel-related assets as a percentage of
total assets owned or managed by the covered issuer;

“(iv) specify requirements for, and the disclosure of, input parameters, assumptions, and analytical choices to be used in climate scenario analyses required under subparagraph (B)(i), including—

“(I) present value discount rates;

and

“(II) time frames to consider, including 5, 10, and 20 year time frames; and

“(v) include reporting standards and guidance with respect to the information required under subparagraph (B)(iii);

“(B) require that a covered issuer, with respect to a disclosure required under this subsection—

“(i) incorporate into such disclosure—

“(I) quantitative analysis to support any qualitative statement made by the covered issuer;

“(II) the rules established under subparagraph (A);
“(III) industry-specific metrics that comply with the requirements under subparagraph (A)(i);

“(IV) specific risk management actions that the covered issuer is taking to address identified risks;

“(V) a discussion of the short-, medium-, and long-term resilience of any risk management strategy, and the evolution of applicable risk metrics, of the covered issuer under each scenario described in clause (ii); and

“(VI) the total cost attributable to the direct and indirect greenhouse gas emissions of the covered issuer, using, at minimum, the social cost of carbon;

“(ii) consider, when preparing any qualitative or quantitative risk analysis statement contained in the disclosure—

“(I) a baseline scenario that includes physical impacts of climate change;

“(II) a 1.5 degrees scenario; and
“(III) any additional climate analysis scenario considered appropriate by the Commission, in consultation with the appropriate climate principals;

“(iii) if the covered issuer engages in the commercial development of fossil fuels, include in the disclosure—

“(I) an estimate of the total and a disaggregated amount of direct and indirect greenhouse gas emissions of the covered issuer that are attributable to—

“(aa) combustion;

“(bb) flared hydrocarbons;

“(cc) process emissions;

“(dd) directly vented emissions;

“(ee) fugitive emissions or leaks; and

“(ff) land use changes;

“(II) a description of—

“(aa) the sensitivity of fossil fuel reserve levels to future price
projection scenarios that incorporate the social cost of carbon;

“(bb) the percentage of the reserves of the covered issuer that will be developed under the scenarios established in clause (ii), as well as a forecast for the development prospects of each reserve under the scenarios established in clause (ii);

“(cc) the potential amount of direct and indirect greenhouse gas emissions that are embedded in proved and probable reserves, with each such calculation presented as a total and in subdivided categories by the type of reserve;

“(dd) the methodology of the covered issuer for detecting and mitigating fugitive methane emissions, which shall include the frequency with which applicable assets of the covered issuer are observed for methane leaks, the
processes and technology that the covered issuer uses to detect methane leaks, the percentage of assets of the covered issuer that the covered issuer inspects under that methodology, and quantitative and time-bound reduction goals of the issuer with respect to methane leaks;

“(ee) the amount of water that the covered issuer withdraws from freshwater sources for use and consumption in operations of the covered issuer; and

“(ff) the percentage of the water described in item (ee) that comes from regions of water stress or that face wastewater management challenges; and

“(III) any other information that the Commission determines is—

“(aa) necessary;

“(bb) appropriate to safeguard the public interest; or
“(cc) directed at ensuring that investors are informed in accordance with the findings described in paragraph (2);

“(C) with respect to a disclosure required under section 13(s) of the Securities Exchange Act of 1934, require that a covered issuer include in such disclosure any other information, or use any climate-related or greenhouse gas emissions metric, that the Commission, in consultation with the appropriate climate principals, determines is—

“(i) necessary;

“(ii) appropriate to safeguard the public interest; or

“(iii) directed at ensuring that investors are informed in accordance with the findings described in paragraph (2); and

“(D) with respect to a disclosure required under section 13(s) of the Securities Exchange Act of 1934, establish how and where the required disclosures shall be addressed in the covered issuer’s annual financial filing.

“(6) FORMATTING.—The Commission shall require issuers to disclose information in an interactive
data format and shall develop standards for such format, which shall include electronic tags for information that the Commission determines is—

“(A) necessary;

“(B) appropriate to safeguard the public interest; or

“(C) directed at ensuring that investors are informed in accordance with the findings described in paragraph (2).

“(7) PERIODIC UPDATE OF RULES.—The Commission shall periodically update the rules issued under this subsection.

“(8) COMPILATION OF INFORMATION DISCLOSED.—The Commission shall, to the maximum extent practicable make a compilation of the information disclosed by issuers under this subsection publicly available on the website of the Commission and update such compilation at least once each year.

“(9) REPORTS.—

“(A) REPORT TO CONGRESS.—The Commission shall—

“(i) conduct an annual assessment regarding the compliance of covered issuers with the requirements of this subsection;
“(ii) submit to the appropriate congressional committees a report that contains the results of each assessment conducted under clause (i); and

“(iii) make each report submitted under clause (ii) accessible to the public.

“(B) GAO REPORT.—The Comptroller General of the United States shall periodically evaluate, and report to the appropriate congressional committees on, the effectiveness of the Commission in carrying out and enforcing this subsection.”.

SEC. 404. BACKSTOP.

If, 2 years after the date of the enactment of this Act, the Securities and Exchange Commission has not issued the rules required under section 13(u) of the Securities Exchange Act of 1934, and until such rules are issued, a covered issuer (as defined in such section 13(u)) shall be deemed in compliance with such section 13(u) if disclosures set forth in the annual report of such issuer satisfy the recommendations of the Task Force on Climate-related Financial Disclosures of the Financial Stability Board as reported in June, 2017, or any successor report, and as supplemented or adjusted by such rules, guidance, or other comments from the Commission.
SEC. 405. AUTHORIZATION OF APPROPRIATIONS.

There are authorized to be appropriated to the Securities and Exchange Commission such sums as may be necessary to carry out this title and the amendments made by this title.

TITLE V—DISCLOSURE OF TAX HAVENS AND OFFSHORING

SEC. 501. SHORT TITLE.

This title may be cited as the “Disclosure of Tax Havens and Offshoring Act”.

SEC. 502. COUNTRY-BY-COUNTRY REPORTING.

(a) COUNTRY-BY-COUNTRY REPORTING.—Section 13 of the Securities Exchange Act of 1934 (15 U.S.C. 78m), as amended by section 403, is further amended by adding at the end the following new subsection:

“(v) DISCLOSURE OF FINANCIAL PERFORMANCE ON A COUNTRY-BY-COUNTRY BASIS.—

“(1) DEFINITIONS.—In this subsection—

“(A) the term ‘constituent entity’ means, with respect to a covered issuer, any separate business entity of the covered issuer;

“(B) the term ‘covered issuer’ means an issuer who—

“(i) is a member of a multinational enterprise group; and
“(ii) the multinational enterprise group of which the issuer is a member has annual revenue for the preceding calendar year of not less than an amount determined by the Commission to conform to United States or international standards for country-by-country reporting; and

“(C) the term ‘tax jurisdiction’—

“(i) means a country or a jurisdiction that is not a country but that has fiscal autonomy; and

“(ii) includes a territory or possession of the United States that has fiscal autonomy.

“(2) DISCLOSURE.—

“(A) IN GENERAL.—Each covered issuer shall file a report with the Commission that includes information described in subparagraph (B), and any other information required by the Commission, with respect to the reporting period described in subparagraph (C).

“(B) INFORMATION REQUIRED.—The information described in this subparagraph is as follows:
“(i) Constituent Entity Information.—Information on the constituent entity, including the following:

“(I) The complete legal name of the constituent entity.

“(II) The tax jurisdiction, if any, in which the constituent entity is resident for tax purposes.

“(III) The tax jurisdiction in which the constituent entity is organized or incorporated (if different from the tax jurisdiction of residence).

“(IV) The tax identification number, if any, used for the constituent entity by the tax administration of the constituent entity’s tax jurisdiction of residence.

“(V) The main business activity or activities of the constituent entity.

“(ii) Tax Jurisdiction.—Information on each tax jurisdiction in which one or more constituent entities is resident, presented as an aggregated or consolidated form of the information for the constituent
entities resident in each tax jurisdiction, including the following:

“(I) Revenues generated from transactions with other constituent entities.

“(II) Revenues not generated from transactions with other constituent entities.

“(III) Profit or loss before income tax.

“(IV) Total income tax paid on a cash basis to all tax jurisdictions.

“(V) Total accrued tax expense recorded on taxable profits or losses.

“(VI) Stated capital.

“(VII) Total accumulated earnings.

“(VIII) Total number of employees on a full-time equivalent basis.

“(IX) Net book value of tangible assets, which, for purposes of this section, does not include cash or cash equivalents, intangibles, or financial assets.
“(iii) SPECIAL RULES.—The information listed in clause (ii) shall be provided, in aggregated or consolidated form, for any constituent entity or entities that have no tax jurisdiction of residence. In addition, if a constituent entity is an owner of a constituent entity that does not have a jurisdiction of tax residence, then the owner’s share of such entity’s revenues and profits will be aggregated or consolidated with the information for the owner’s tax jurisdiction of residence.

“(C) REPORTING PERIOD.—The reporting period covered by this paragraph is the period of the covered entity’s applicable financial statement prepared for the 12-month period that ends with or within the taxable year of the covered issuer. If the covered issuer does not prepare an annual applicable financial statement, then the reporting period covered by this paragraph is the 12-month period that ends on the last day of the taxable year of the covered issuer.

“(D) FILING DEADLINE.—Each covered issuer shall submit to the Commission a report
required under this section on or before the due
date (including extensions) for filing that cov-
ered issuer’s tax return in the tax jurisdiction
in which the covered issuer’s multinational en-
terprise group is resident.

“(E) Regulation.—The Commission
shall, in consultation with the Commissioner of
the Internal Revenue Service and Secretary of
the Treasury—

“(i) promulgate regulations carrying
out this subsection that conform to United
States or international standards for coun-
try-by-country reporting, including regula-
tions promulgated by the Internal Revenue
Service; and

“(ii) require disclosure of the account-
ing methods used in calculating the infor-
mation contained in each report filed pur-
suant to this subsection.”.

(b) Rulemaking.—

(1) Deadlines.—The Securities and Exchange
Commission (in this section referred to as the “Com-
mission”) shall—

(A) not later than 1 year after the date of
enactment of this Act, issue a proposed rule to
carry out this section and the amendment made by this section; and

(B) not later than 18 months after the date of enactment of this Act, issue a final rule to carry out this section and the amendment made by this section.

(2) DATA FORMAT.—The information required to be provided by this section shall be provided by the issuer in a report in a machine readable format prescribed by the Commission, and such report shall be made available to the public online, in such machine readable format as the Commission shall prescribe.

(3) EFFECTIVE DATE.—Subsection (v) of section 13 of the Securities Exchange Act of 1934, as added by this section, shall become effective 1 year after the date on which the Commission issues a final rule under this section.