AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 4329
OFFERED BY MR. VARGAS OF CALIFORNIA

In the matter relating to the ESG Disclosure Simplification Act of 2019

Strike all after the enacting clause and insert the following:

1 SECTION 1. SHORT TITLE.

This Act may be cited as the “ESG Disclosure Simplification Act of 2019”.

2 SEC. 2. 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 subsection, the term ‘ESG metrics’ has the meaning given the term in part 210 of title 17, Code of Federal Regulations as amended pursuant to subsection (b) of the ESG Disclosure Simplification Act of 2019.”.

(b) RULEMAKING.—

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

(A) require each issuer, in any filing of the issuer described in such part that requires audited financial statements, to disclose environmental, social, and governance metrics (in this Act referred to as ESG metrics); and

(B) define ESG metrics.
(2) Sustainable Finance Advisory Committee.—The Sustainable Finance Advisory Committee 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) Materiality.—It is the sense of Congress that ESG metrics, as such term is defined by the Commission pursuant to paragraph (2), 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 thereto) 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 purposes of such phased approach.

SEC. 3. 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 following:

“(k) SUSTAINABLE FINANCE ADVISORY COMMITTEE.—

“(1) ESTABLISHMENT.—The Securities and Exchange Commission (in this subsection referred to as 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 Securities and Exchange Commission not later than 18 months after the date of the first meeting of the Committee that—
“(i) identifies the challenges and opportunities for investors associated with sustainable finance; and

“(ii) recommends policy changes to facilitate the flow of capital towards sustainable investments, in particular environmentally 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 Commission 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 individuals and entities that such member represents shall be published on the website of the Commission.

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

“(F) AUTHORIZATION OF APPROPRIATION.—There are authorized to be appropriated
such sums as are necessary to finance costs associated with staff dedicated to ESG issues in the Office of the Investor Advocate of the Commission.

“(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.”