[DISCUSSION DRAFT]

116TH CONGRESS
1ST SESSION
H. R. _____

To amend the Securities Exchange Act of 1934 to require issuers to disclose human rights risks and impacts, and for other purposes.

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IN THE HOUSE OF REPRESENTATIVES

M. __________ introduced the following bill; which was referred to the Committee on ____________________________

______________________________

A BILL

To amend the Securities Exchange Act of 1934 to require issuers to disclose human rights risks and impacts, and for other purposes.

1 Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,

3 SECTION 1. SHORT TITLE.

4 This Act may be cited as the “Corporate Human
5 Rights Risk Assessment, Prevention, and Mitigation Act
6 of 2019”.

7 SEC. 2. FINDINGS AND SENSE OF CONGRESS.

8 (a) FINDINGS.—The Congress finds the following:

(2) In December 2016, the Department of State published the first U.S. National Action Plan on Responsible Business Conduct which underscored the importance of human rights risk assessments and encouraged businesses to conduct human rights risk assessments in the form of “human rights due diligence”.

(3) Over the last 15 years, more than 20 countries independently enacted legislation requiring public companies to report on environmental, social, and governance (ESG) issues, and all 28 European Union member states have enacted comprehensive ESG disclosure requirements.

(4) The number of companies voluntarily disclosing ESG information has increased greatly in the past decade, signaling growing investor demand for this type of information.

(5) While a large number of publically traded companies in the United States voluntarily disclose
human rights policies, practices, and impacts, such voluntary disclosures do not provide investors with reliable, complete, or comparable information, and therefore have limited efficacy.

(6) An increasing percentage of investors consider human rights risks as a part of their investment decision-making process.

(7) The human rights policies, practices, and impacts of publically traded companies in the United States are material to investors and the broader public interest in the short-term and long-term and should be disclosed to investors and the general public annually to help inform investment decision-making and support the public interest in ensuring publically traded companies in the United States do not cause or contribute to adverse human rights impacts in the United States or in other countries.

(b) SENSE OF CONGRESS.—It is the sense of Congress that—

(1) human rights violations, including forced labor, modern slavery, human trafficking, the worst forms of child labor, rape, torture, forced displacement, and disenfranchisement of self-determination are among the most egregious forms of abuse that humans commit against each other;
(2) publically traded companies in the United States face substantial financial, legal, and reputational risks, including risks to productivity, operational efficiency, and workforce recruitment and retention when involved in or implicated in human rights abuses, all of which could affect investors;

(3) currently, the information publicly available to investors about any negative human rights impacts of publically traded companies in the United States is gravely inadequate;

(4) legislation is necessary to provide comparable and consistent information to investors about the human rights policies, practices, and impacts of publically traded companies in the United States; and

(5) publicly available disclosures about the human rights policies, practices, and impacts of publically traded companies in the United States could allow investors and consumers to avoid inadvertently promoting or sanctioning human rights violations by purchasing raw materials, products, or shares from certain publically traded companies.
SEC. 3. HUMAN RIGHTS DISCLOSURES.

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

“(s) HUMAN RIGHTS DISCLOSURES.—

“(1) Annual Analysis.—

“(A) In general.—Each issuer required to file an annual report under this section shall conduct an annual analysis to—

“(i) identify the existence of any human rights risks in the operations and the value chain of the issuer, that are known or should be known, and rank any risks identified based on their severity; and

“(ii) identify the existence of any human rights impacts in the operations and the value chain of the issuer, that are known or should be known, and rank any impacts identified based on their severity.

“(B) Ranking.—

“(i) Risks.—When ranking human rights risks under subparagraph (A)(i), the issuer shall consider the gravity and expected extent of any potential harm to human rights, and any anticipated challenges in remedying any potential harm.
“(ii) IMPACTS.—When raking human rights impacts under subparagraph (A)(ii), the issuer shall consider the gravity of the human rights impacts, the extent of harm, and any challenges in remedying such harm.

“(2) DISCLOSURES.—Each issuer required to file an annual report under this section shall include in such annual report, under a heading labeled ‘Human Rights Risk and Impact Report’—

“(A) a brief description of the business structure of the supply chain of the issuer, including subsidiaries and business relationships, to the extent not otherwise disclosed in such report;

“(B) a description of any process through which the issuer educates executives, employees, contractors, sub-contractors, and other actors in its value chain about any human rights policies that the issuer has;

“(C) a description of the analysis conducted pursuant to paragraph (1);

“(D) the results of the analysis conducted pursuant to paragraph (1), including—
“(i) the ranked list of any human rights risks identified; and
“(ii) the ranked list of any human rights impacts identified;
“(E) a description of any action, including the establishment of any monitoring process, the issuer has taken to avoid or mitigate—
“(i) any human rights risks identified in the current analysis;
“(ii) any human rights risks identified in any analysis described in the most recent annual report;
“(iii) any human rights impacts identified in the current analysis;
“(iv) any human rights impacts identified in the analysis described in the most recent annual report;
“(F) for any action taken, the assessment of the issuer of the efficacy of the action and a description of any outcomes of such action;
“(G) if no action was taken, a reasoned explanation of why no action was taken;
“(H) a description of any process the issuer has in place to avoid and mitigate any
human rights impacts that it has caused or may cause; and

“(I) if no such process is in place, a reasoned explanation of why no such process is in place.

“(3) DEFINITIONS.—For the purposes of this subsection:

“(A) HUMAN RIGHTS IMPACT.—The term ‘human rights risk’ means an adverse impact that an action of the issuer has had on the enjoyment of human rights, including those rights encompassed in—

“(i) the Universal Declaration of Human Rights;

“(ii) the International Covenant on Civil and Political Rights;

“(iii) the International Covenant on Economic, Social, and Cultural Rights; and

“(iv) the 8 core conventions of the International Labor Organization.

“(B) HUMAN RIGHTS RISK.—The term ‘human rights risk’ means a potential adverse impact that an action of the issuer may have on the enjoyment of human rights, including those rights encompassed in—
“(i) the Universal Declaration of Human Rights;
“(ii) the International Covenant on Civil and Political Rights;
“(iii) the International Covenant on Economic, Social, and Cultural Rights; and
“(iv) the 8 core conventions of the International Labor Organization.
“(C) VALUE CHAIN.—The term ‘value chain’ means, for an issuer—
“(i) any recruiters of workforce labor, and suppliers of products, component parts, and raw materials used by the issuer in manufacturing any products of the issuer, even if the relationship with such recruiter or supplier is indirect; and
“(ii) entities that receive products or services from the issuer, other than for personal use.”.
(b) GAO REPORT.—Not later than 5 years after the date of the enactment of this Act, the Comptroller General of the United States shall submit to the Committee on Financial Services of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate, a report that—
(1) assesses the effectiveness of section 13(s) of the Securities Exchange Act of 1934 in the providing complete and comparable human rights risk and impact information to investors;

(2) describes any challenges the Commission encountered in carrying out section 13(s) of the Securities Exchange Act of 1934; and

(3) analyzes the human rights impacts reported pursuant to section 13(s) of the Securities Exchange Act of 1934, identifies the most egregious human rights impacts, and assesses potential criminal liability or the issuers whose actions caused such human rights impacts.