

[DISCUSSION DRAFT]

116TH CONGRESS
1ST SESSION

H. R. _____

To provide for disclosure of additional material information about public companies and establish a Sustainable Finance Advisory Committee, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. VARGAS introduced the following bill; which was referred to the Committee on _____

A BILL

To provide for disclosure of additional material information about public companies and establish a Sustainable Finance Advisory Committee, 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 “ESG Disclosure Sim-
5 plification Act of 2019”.

1 **SEC. 2. ESG DISCLOSURES.**

2 (a) IN GENERAL.—Section 14 of the Securities Ex-
3 change Act of 1934 (15 U.S.C. 78n) is amended by adding
4 at the end the following:

5 “(k) ESG DISCLOSURES.—

6 “(1) IN GENERAL.—Each issuer the securities
7 of which are registered under section 12 or that is
8 required to file annual reports under section 15(d)
9 shall disclose in any proxy or consent solicitation
10 material for an annual meeting of the share-
11 holders—

12 “(A) a clear description of the views of the
13 issuer about the link between ESG metrics and
14 the long-term business strategy of the issuer;
15 and

16 “(B) a description of any process the
17 issuer uses to determine the impact of ESG
18 metrics on the long-term business strategy of
19 the issuer.

20 “(2) ESG METRICS DEFINED.—In this sub-
21 section, the term ‘ESG metrics’ has the meaning
22 given the term in part 210 of title 17, Code of Fed-
23 eral Regulations as amended pursuant to subsection
24 (b) of the ESG Disclosure Simplification Act of
25 2019.”.

26 (b) RULEMAKING.—

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

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

11 (B) define ESG metrics.

12 (2) SUSTAINABLE FINANCE ADVISORY COM-
13 MITTEE.—The Sustainable Finance Advisory Com-
14 mittee established pursuant to section 4(k) of the
15 Securities and Exchange Act shall, not later than
16 180 days after the date of the first meeting of such
17 Committee, submit to the Commission recommenda-
18 tions about what ESG metrics the Commission
19 should require issuers to disclose.

20 (3) MATERIALITY.—It is the sense of Congress
21 that ESG metrics, as such term is defined by the
22 Commission pursuant to paragraph (2), are de facto
23 material for the purposes of disclosures under the
24 Securities Exchange Act of 1934 and the Securities
25 Act of 1933.

1 (4) INCORPORATION OF INTERNATIONAL
2 STANDARDS.—When amending part 210 of title 17,
3 Code of Federal Regulations (or any successor there-
4 to) pursuant to paragraph (1), the Commission may,
5 as the Commission determines appropriate, incor-
6 porate any internationally recognized, independent,
7 multi-stakeholder environmental, social, and govern-
8 ance disclosure standards.

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

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

18 **SEC. 3. SUSTAINABLE FINANCE ADVISORY COMMITTEE.**

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

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

24 “(1) ESTABLISHMENT.—The Securities and Ex-
25 change Commission (in this subsection referred to as

1 the ‘Commission’) shall establish a permanent advi-
2 sory committee to be called the ‘Sustainable Finance
3 Advisory Committee’ (in this subsection referred to
4 as the ‘Committee’).

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

7 “(A) submit a report to the Securities and
8 Exchange Commission not later than 18
9 months after the date of the first meeting of
10 the Committee that—

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

14 “(ii) recommends policy changes to fa-
15 cilitate the flow of capital towards sustain-
16 able investments, in particular environ-
17 mentally sustainable investments;

18 “(B) when solicited, advise the Commission
19 on sustainable finance; and

20 “(C) communicate with individuals and en-
21 tities with an interest in sustainable finance.

22 “(3) MEMBERSHIP.—

23 “(A) MEMBERS.—

24 “(i) IN GENERAL.—The Committee
25 shall consist of no more than 20 members

1 who shall each serve for one four-year
2 term.

3 “(ii) REPRESENTATION.—Each mem-
4 ber shall represent individuals and entities
5 with an interest in sustainable finance,
6 such as—

7 “(I) experts on sustainable fi-
8 nance;

9 “(II) operators of financial infra-
10 structure;

11 “(III) entities that provide anal-
12 ysis, data, or methodologies that fa-
13 cilitate sustainable finance;

14 “(IV) insurance companies, pen-
15 sion funds, asset managers, depository
16 institutions, or credit unions; or

17 “(V) other financial institutions
18 that intermediate investments in sus-
19 tainable finance or manage risks re-
20 lated to sustainable development.

21 “(iii) REPRESENTATION OF INTER-
22 ESTS.—A member may not represent a
23 single individual or entity and shall rep-
24 resent types of individuals and entities

1 with similar interests in sustainable fi-
2 nance.

3 “(B) SELECTION.—

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

6 “(I) publish criteria for selection
7 of members on the website of the
8 Commission and in the Federal Reg-
9 ister; and

10 “(II) solicit applications for
11 membership on the website of the
12 Commission and in the Federal Reg-
13 ister.

14 “(ii) EQUAL SHARE.—From the indi-
15 viduals who submit applications for mem-
16 bership, each Commissioner of the Com-
17 mission shall select an equal number of the
18 members of the Committee.

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

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

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

11 “(F) AUTHORIZATION OF APPROPRIA-
12 TION.—There are authorized to be appropriated
13 such sums as are necessary to finance costs as-
14 sociated with staff dedicated to ESG issues in
15 the Office of the Investor Advocate of the Com-
16 mission.

17 “(4) SUSTAINABLE FINANCE.—For the pur-
18 poses of this subsection, the term ‘sustainable fi-
19 nance’ means the provision of finance with respect
20 to investments taking into account environmental,
21 social, and governance considerations.

22 “(5) SEC RESPONSE.—The Commission shall,
23 not later than 6 months after the date on which the
24 Committee submits a report to the Commission pur-

1 suant to paragraph (2)(A), publish a response to
2 such report.”.