

117TH CONGRESS 1ST SESSION H.R. 1187

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

February 18, 2021

Mr. Vargas (for himself and Mr. García of Illinois) introduced the following bill; which was referred to the Committee on Financial Services

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 2021".
- 6 SEC. 2. ESG DISCLOSURES.
- 7 (a) In General.—Section 14 of the Securities Ex-
- 8 change Act of 1934 (15 U.S.C. 78n) is amended by adding
- 9 at the end the following:

1	"(k) ESG DISCLOSURES.—
2	"(1) In general.—Each issuer the securities
3	of which are registered under section 12 or that is
4	required to file annual reports under section 15(d)
5	shall disclose in any proxy or consent solicitation
6	material for an annual meeting of the share
7	holders—
8	"(A) a clear description of the views of the
9	issuer about the link between ESG metrics and
10	the long-term business strategy of the issuer
11	and
12	"(B) a description of any process the
13	issuer uses to determine the impact of ESC
14	metrics on the long-term business strategy of
15	the issuer.
16	"(2) ESG METRICS DEFINED.—In this sub-
17	section, the term 'ESG metrics' has the meaning
18	given the term in part 210 of title 17, Code of Fed
19	eral Regulations as amended pursuant to subsection
20	(b) of the ESG Disclosure Simplification Act of
21	2021.".
22	(b) Rulemaking.—
23	(1) In General.—The Securities and Ex-
24	change Commission (in this Act referred to as the

"Commission") shall amend part 210 of title 17,

25

1	Code of Federal Regulations (or any successor there-
2	to) to—
3	(A) require each issuer, in any filing of the
4	issuer described in such part that requires au-
5	dited financial statements, to disclose environ-
6	mental, social, and governance metrics (in this
7	Act referred to as ESG metrics); and
8	(B) define ESG metrics.
9	(2) Sustainable finance advisory com-
10	MITTEE.—The Sustainable Finance Advisory Com-
11	mittee established pursuant to section 4(k) of the
12	Securities and Exchange Act of 1934 shall, not later
13	than 180 days after the date of the first meeting of
14	such Committee, submit to the Commission rec-
15	ommendations about what ESG metrics the Com-
16	mission should require issuers to disclose.
17	(3) Materiality.—It is the sense of Congress
18	that ESG metrics, as such term is defined by the
19	Commission pursuant to paragraph (2), are de facto
20	material for the purposes of disclosures under the
21	Securities Exchange Act of 1934 and the Securities
22	Act of 1933.
23	(4) Incorporation of international
24	STANDARDS.—When amending part 210 of title 17,
25	Code of Federal Regulations (or any successor there-

- 1 to) pursuant to paragraph (1), the Commission may,
- 2 as the Commission determines appropriate, incor-
- 3 porate any internationally recognized, independent,
- 4 multi-stakeholder environmental, social, and govern-
- 5 ance disclosure standards.
- 6 (5) LOCATION OF DISCLOSURE.—Any disclosure
- 7 required by paragraph (1) may be included in a
- 8 notes section of the filing.
- 9 (6) Delay for small issuers.—The Commis-
- sion 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.
- 15 SEC. 3. SUSTAINABLE FINANCE ADVISORY COMMITTEE.
- Section 4 of the Securities Exchange Act of 1934 (15
- 17 U.S.C. 78d) is amended by adding at the end the fol-
- 18 lowing:
- 19 "(k) Sustainable Finance Advisory Com-
- 20 MITTEE.—
- 21 "(1) Establishment.—The Securities and Ex-
- change Commission (in this subsection referred to as
- 23 the 'Commission') shall establish a permanent advi-
- sory committee to be called the 'Sustainable Finance

1	Advisory Committee' (in this subsection referred to
2	as the 'Committee').
3	"(2) Duties of committee.—The Committee
4	shall—
5	"(A) submit a report to the Securities and
6	Exchange Commission not later than 18
7	months after the date of the first meeting of
8	the Committee that—
9	"(i) identifies the challenges and op-
10	portunities for investors associated with
11	sustainable finance; and
12	"(ii) recommends policy changes to fa-
13	cilitate the flow of capital towards sustain-
14	able investments, in particular environ-
15	mentally sustainable investments;
16	"(B) when solicited, advise the Commission
17	on sustainable finance; and
18	"(C) communicate with individuals and en-
19	tities with an interest in sustainable finance.
20	"(3) Membership.—
21	"(A) Members.—
22	"(i) In General.—The Committee
23	shall consist of no more than 20 members
24	who shall each serve for one four-year
25	term.

1	"(ii) Representation.—Each mem-
2	ber shall represent individuals and entities
3	with an interest in sustainable finance,
4	such as—
5	"(I) experts on sustainable fi-
6	nance;
7	"(II) operators of financial infra-
8	structure;
9	"(III) entities that provide anal-
10	ysis, data, or methodologies that fa-
11	cilitate sustainable finance;
12	"(IV) insurance companies, pen-
13	sion funds, asset managers, depository
14	institutions, or credit unions; or
15	"(V) other financial institutions
16	that intermediate investments in sus-
17	tainable finance or manage risks re-
18	lated to sustainable development.
19	"(iii) Representation of inter-
20	ESTS.—A member may not represent a
21	single individual or entity and shall rep-
22	resent types of individuals and entities
23	with similar interests in sustainable fi-
24	nance.
25	"(B) Selection.—

1	"(i) In General.—The Commission
2	shall—
3	"(I) publish criteria for selection
4	of members on the website of the
5	Commission and in the Federal Reg-
6	ister; and
7	"(II) solicit applications for
8	membership on the website of the
9	Commission and in the Federal Reg-
10	ister.
11	"(ii) Equal share.—From the indi-
12	viduals who submit applications for mem-
13	bership, each Commissioner of the Com-
14	mission shall select an equal number of the
15	members of the Committee.
16	"(C) Pay.—Members may not receive pay
17	by reason of their service on the Committee but
18	may receive travel or transportation expenses in
19	accordance with applicable provisions under
20	subchapter I of chapter 57 of title 5, United
21	States Code.
22	"(D) MEMBER TRANSPARENCY.—The
23	name of each member and the types of individ-
24	uals and entities that such member represents

1	shall be	published	on	the	website	of	the	Com-
2	mission.							

- "(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 APPROPRIA-TION.—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.".