

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 ESG
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
25 “Commission”) shall amend part 210 of title 17,

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-
 10 sion may use a phased approach when applying any
 11 amendments made pursuant to paragraph (1) to
 12 small issuers and may determine the criteria by
 13 which an issuer qualifies as a small issuer for pur-
 14 poses of such phased approach.

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

16 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-
 22 change Commission (in this subsection referred to as
 23 the ‘Commission’) shall establish a permanent advi-
 24 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.

“(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.—

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.

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

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

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

19 “(5) SEC RESPONSE.—The Commission shall,
20 not later than 6 months after the date on which the
21 Committee submits a report to the Commission pur-
22 suant to paragraph (2)(A), publish a response to
23 such report.”.

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