

# Union Calendar No. 290

116<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 4329

**[Report No. 116–365]**

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

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## IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 13, 2019

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

JANUARY 7, 2020

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italic*]

[For text of introduced bill, see copy of bill as introduced on September 13, 2019]

# **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”.*

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:*

10 *“(k) ESG DISCLOSURES.—*

11 *“(1) IN GENERAL.—Each issuer the securities of*  
12 *which are registered under section 12 or that is re-*  
13 *quired to file annual reports under section 15(d) shall*  
14 *disclose in any proxy or consent solicitation material*  
15 *for an annual meeting of the shareholders—*

16 *“(A) a clear description of the views of the*  
17 *issuer about the link between ESG metrics and*  
18 *the long-term business strategy of the issuer; and*

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

22 *“(2) ESG METRICS DEFINED.—In this sub-*  
23 *section, the term ‘ESG metrics’ has the meaning*  
24 *given the term in part 210 of title 17, Code of Federal*

1 *Regulations as amended pursuant to subsection (b) of*  
2 *the ESG Disclosure Simplification Act of 2019.”*

3 *(b) RULEMAKING.—*

4 *(1) IN GENERAL.—The Securities and Exchange*  
5 *Commission (in this Act referred to as the “Commis-*  
6 *sion”) shall amend part 210 of title 17, Code of Fed-*  
7 *eral Regulations (or any successor thereto) to—*

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

13 *(B) define ESG metrics.*

14 *(2) SUSTAINABLE FINANCE ADVISORY COM-*  
15 *MITTEE.—The Sustainable Finance Advisory Com-*  
16 *mittee established pursuant to section 4(k) of the Se-*  
17 *curities and Exchange Act of 1934 shall, not later*  
18 *than 180 days after the date of the first meeting of*  
19 *such Committee, submit to the Commission rec-*  
20 *ommendations about what ESG metrics the Commis-*  
21 *sion should require issuers to disclose.*

22 *(3) MATERIALITY.—It is the sense of Congress*  
23 *that ESG metrics, as such term is defined by the*  
24 *Commission pursuant to paragraph (2), are de facto*  
25 *material for the purposes of disclosures under the Se-*

1        *curities Exchange Act of 1934 and the Securities Act*  
2        *of 1933.*

3                (4) *INCORPORATION OF INTERNATIONAL STAND-*  
4        *ARDS.—When amending part 210 of title 17, Code of*  
5        *Federal Regulations (or any successor thereto) pursu-*  
6        *ant to paragraph (1), the Commission may, as the*  
7        *Commission determines appropriate, incorporate any*  
8        *internationally recognized, independent, multi-stake-*  
9        *holder environmental, social, and governance disclo-*  
10        *sure standards.*

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

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

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

21        *Section 4 of the Securities Exchange Act of 1934 (15*  
22        *U.S.C. 78d) is amended by adding at the end the following:*

23        *“(k) SUSTAINABLE FINANCE ADVISORY COMMITTEE.—*

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 as  
4       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 months  
9       after the date of the first meeting of the Com-  
10      mittee that—

11              “(i) identifies the challenges and op-  
12             portunities for investors associated with sus-  
13             tainable 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.*—

1           “(i) *IN GENERAL.*—*The Committee*  
2           *shall consist of no more than 20 members*  
3           *who shall each serve for one four-year term.*

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

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

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

12                   “(III) *entities that provide anal-*  
13                   *ysis, data, or methodologies that facili-*  
14                   *tate sustainable finance;*

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

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

22           “(iii) *REPRESENTATION OF INTER-*  
23           *ESTS.*—*A member may not represent a sin-*  
24           *gle individual or entity and shall represent*

1                   *types of individuals and entities with simi-*  
2                   *lar interests in sustainable finance.*

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 Com-*  
8                   *mission and in the Federal Register;*  
9                   *and*

10   “(II) *solicit applications for mem-*  
11                   *bership on the website of the Commis-*  
12                   *sion and in the Federal Register.*

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

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

24   “(D) *MEMBER TRANSPARENCY.*—*The name*  
25                   *of each member and the types of individuals and*



1            *entities that such member represents shall be*  
2            *published on the website of the Commission.*

3            *“(E) STAFF.—The Committee shall be sup-*  
4            *ported by staff from the Office of the Investor*  
5            *Advocate of the Commission that are dedicated to*  
6            *environmental, social and governance (in this*  
7            *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 asso-*  
11           *ciated with staff dedicated to ESG issues in the*  
12           *Office of the Investor Advocate of the Commis-*  
13           *sion.*

14           *“(4) SUSTAINABLE FINANCE.—For the purposes*  
15           *of this subsection, the term ‘sustainable finance’*  
16           *means the provision of finance with respect to invest-*  
17           *ments taking into account environmental, social, and*  
18           *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 such*  
23           *report.”.*

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