

**AMENDMENT IN THE NATURE OF A SUBSTITUTE  
TO H.R. 4329**

**OFFERED BY MR. VARGAS OF CALIFORNIA**

**In the matter relating to the ESG Disclosure Simplification  
Act of 2019**

Strike all after the enacting clause and insert the following:

**1 SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “ESG Disclosure Sim-  
3 plification Act of 2019”.

**4 SEC. 2. ESG DISCLOSURES.**

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

8 “(k) ESG DISCLOSURES.—

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

15 “(A) a clear description of the views of the  
16 issuer about the link between ESG metrics and

1 the long-term business strategy of the issuer;  
2 and

3 “(B) a description of any process the  
4 issuer uses to determine the impact of ESG  
5 metrics on the long-term business strategy of  
6 the issuer.

7 “(2) ESG METRICS DEFINED.—In this sub-  
8 section, the term ‘ESG metrics’ has the meaning  
9 given the term in part 210 of title 17, Code of Fed-  
10 eral Regulations as amended pursuant to subsection  
11 (b) of the ESG Disclosure Simplification Act of  
12 2019.”.

13 (b) RULEMAKING.—

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

19 (A) require each issuer, in any filing of the  
20 issuer described in such part that requires au-  
21 dited financial statements, to disclose environ-  
22 mental, social, and governance metrics (in this  
23 Act referred to as ESG metrics); and

24 (B) define ESG metrics.

1           (2) SUSTAINABLE FINANCE ADVISORY COM-  
2           MITTEE.—The Sustainable Finance Advisory Com-  
3           mittee established pursuant to section 4(k) of the  
4           Securities and Exchange Act of 1934 shall, not later  
5           than 180 days after the date of the first meeting of  
6           such Committee, submit to the Commission rec-  
7           ommendations about what ESG metrics the Com-  
8           mission should require issuers to disclose.

9           (3) MATERIALITY.—It is the sense of Congress  
10          that ESG metrics, as such term is defined by the  
11          Commission pursuant to paragraph (2), are de facto  
12          material for the purposes of disclosures under the  
13          Securities Exchange Act of 1934 and the Securities  
14          Act of 1933.

15          (4) INCORPORATION OF INTERNATIONAL  
16          STANDARDS.—When amending part 210 of title 17,  
17          Code of Federal Regulations (or any successor there-  
18          to) pursuant to paragraph (1), the Commission may,  
19          as the Commission determines appropriate, incor-  
20          porate any internationally recognized, independent,  
21          multi-stakeholder environmental, social, and govern-  
22          ance disclosure standards.

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

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

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

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

11           “(k) SUSTAINABLE FINANCE ADVISORY COM-  
12   MITTEE.—

13           “(1) ESTABLISHMENT.—The Securities and Ex-  
14           change Commission (in this subsection referred to as  
15           the ‘Commission’) shall establish a permanent advi-  
16           sory committee to be called the ‘Sustainable Finance  
17           Advisory Committee’ (in this subsection referred to  
18           as the ‘Committee’).

19           “(2) DUTIES OF COMMITTEE.—The Committee  
20           shall—

21           “(A) submit a report to the Securities and  
22           Exchange Commission not later than 18  
23           months after the date of the first meeting of  
24           the Committee that—

1 “(i) identifies the challenges and op-  
2 portunities for investors associated with  
3 sustainable finance; and

4 “(ii) recommends policy changes to fa-  
5 cilitate the flow of capital towards sustain-  
6 able investments, in particular environ-  
7 mentally sustainable investments;

8 “(B) when solicited, advise the Commission  
9 on sustainable finance; and

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

12 “(3) MEMBERSHIP.—

13 “(A) MEMBERS.—

14 “(i) IN GENERAL.—The Committee  
15 shall consist of no more than 20 members  
16 who shall each serve for one four-year  
17 term.

18 “(ii) REPRESENTATION.—Each mem-  
19 ber shall represent individuals and entities  
20 with an interest in sustainable finance,  
21 such as—

22 “(I) experts on sustainable fi-  
23 nance;

24 “(II) operators of financial infra-  
25 structure;

1                   “(III) entities that provide anal-  
2                   ysis, data, or methodologies that fa-  
3                   cilitate sustainable finance;

4                   “(IV) insurance companies, pen-  
5                   sion funds, asset managers, depository  
6                   institutions, or credit unions; or

7                   “(V) other financial institutions  
8                   that intermediate investments in sus-  
9                   tainable finance or manage risks re-  
10                  lated to sustainable development.

11                 “(iii) REPRESENTATION OF INTER-  
12                 ESTS.—A member may not represent a  
13                 single individual or entity and shall rep-  
14                 resent types of individuals and entities  
15                 with similar interests in sustainable fi-  
16                 nance.

17                 “(B) SELECTION.—

18                 “(i) IN GENERAL.—The Commission  
19                 shall—

20                 “(I) publish criteria for selection  
21                 of members on the website of the  
22                 Commission and in the Federal Reg-  
23                 ister; and

24                 “(II) solicit applications for  
25                 membership on the website of the

1 Commission and in the Federal Reg-  
2 ister.

3 “(ii) EQUAL SHARE.—From the indi-  
4 viduals who submit applications for mem-  
5 bership, each Commissioner of the Com-  
6 mission shall select an equal number of the  
7 members of the Committee.

8 “(C) PAY.—Members may not receive pay  
9 by reason of their service on the Committee but  
10 may receive travel or transportation expenses in  
11 accordance with applicable provisions under  
12 subchapter I of chapter 57 of title 5, United  
13 States Code.

14 “(D) MEMBER TRANSPARENCY.—The  
15 name of each member and the types of individ-  
16 uals and entities that such member represents  
17 shall be published on the website of the Com-  
18 mission.

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

24 “(F) AUTHORIZATION OF APPROPRIA-  
25 TION.—There are authorized to be appropriated

1           such sums as are necessary to finance costs as-  
2           sociated with staff dedicated to ESG issues in  
3           the Office of the Investor Advocate of the Com-  
4           mission.

5           “(4) SUSTAINABLE FINANCE.—For the pur-  
6           poses of this subsection, the term ‘sustainable fi-  
7           nance’ means the provision of finance with respect  
8           to investments taking into account environmental,  
9           social, and governance considerations.

10          “(5) SEC RESPONSE.—The Commission shall,  
11          not later than 6 months after the date on which the  
12          Committee submits a report to the Commission pur-  
13          suant to paragraph (2)(A), publish a response to  
14          such report.”.

