

**AMENDMENT IN THE NATURE OF A SUBSTITUTE  
TO H.R. 1187  
OFFERED BY MR. VARGAS OF CALIFORNIA**

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 2021”.

**4 SEC. 2. FINDINGS.**

5       Congress finds the following:

6           (1) The Securities and Exchange Commission  
7       has broad authority to require the disclosure of in-  
8       formation if such information is in the interest of,  
9       or is material to investors.

10          (2) The Commission does not require companies  
11       to disclose information related to environmental, so-  
12       cial, and governance (“ESG”) matters, and does not  
13       require companies to adhere to standards for dis-  
14       closing such information.

15          (3) Investors have reported that voluntary dis-  
16       closures of ESG metrics are inadequate.

1           (4) A rule requiring reporting and standardiza-  
2           tion of ESG disclosures is in the interest of inves-  
3           tors.

4           (5) ESG matters are material to investors, and  
5           the Commission must establish standards for disclo-  
6           sure of such matters.

7   **SEC. 3. ESG DISCLOSURES.**

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

11          “(k) ESG DISCLOSURES.—

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

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

22                         “(B) a description of any process the  
23                         issuer uses to determine the impact of ESG  
24                         metrics on the long-term business strategy of  
25                         the issuer.

1           “(2) ESG METRICS DEFINED.—In this sub-  
2           section, the term ‘ESG metrics’ has the meaning  
3           given the term in part 210 of title 17, Code of Fed-  
4           eral Regulations as amended pursuant to subsection  
5           (b) of the ESG Disclosure Simplification Act of  
6           2021.”.

7           (b) RULEMAKING.—

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

13                   (A) require each issuer, in any filing of the  
14                   issuer described in such part that requires au-  
15                   dited financial statements, to disclose environ-  
16                   mental, social, and governance metrics (in this  
17                   Act referred to as ESG metrics); and

18                   (B) define ESG metrics.

19          (2) SUSTAINABLE FINANCE ADVISORY COM-  
20          MITTEE.—The Sustainable Finance Advisory Com-  
21          mittee established pursuant to section 4(k) of the  
22          Securities and Exchange Act of 1934 shall, not later  
23          than 180 days after the date of the first meeting of  
24          such Committee, submit to the Commission rec-

1       ommendations about what ESG metrics the Com-  
2       mission should require issuers to disclose.

3           (3) MATERIALITY.—It is the sense of Congress  
4       that ESG metrics, as such term is defined by the  
5       Commission pursuant to paragraph (1), are de facto  
6       material for the purposes of disclosures under the  
7       Securities Exchange Act of 1934 and the Securities  
8       Act of 1933.

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

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

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

1 **SEC. 4. SUSTAINABLE FINANCE ADVISORY COMMITTEE.**

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

5 “(k) SUSTAINABLE FINANCE ADVISORY COM-  
6 MITTEE.—

7 “(1) ESTABLISHMENT.—The Commission shall  
8 establish a permanent advisory committee to be  
9 called the ‘Sustainable Finance Advisory Committee’  
10 (in this subsection referred to as the ‘Committee’).

11 “(2) DUTIES OF COMMITTEE.—The Committee  
12 shall—

13 “(A) submit a report to the Commission  
14 not later than 18 months after the date of the  
15 first meeting of the Committee that—

16 “(i) identifies the challenges and op-  
17 portunities for investors associated with  
18 sustainable finance; and

19 “(ii) recommends policy changes to fa-  
20 cilitate the flow of capital towards sustain-  
21 able investments, in particular environ-  
22 mentally sustainable investments;

23 “(B) when solicited, advise the Commission  
24 on sustainable finance; and

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

1           “(3) MEMBERSHIP.—

2           “(A) MEMBERS.—

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

7           “(ii) REPRESENTATION.—Each mem-  
8 ber shall represent individuals and entities  
9 with an interest in sustainable finance,  
10 such as—

11           “(I) experts on sustainable fi-  
12 nance;

13           “(II) operators of financial infra-  
14 structure;

15           “(III) entities that provide anal-  
16 ysis, data, or methodologies that fa-  
17 cilitate sustainable finance;

18           “(IV) insurance companies, pen-  
19 sion funds, asset managers, depository  
20 institutions, or credit unions; or

21           “(V) other financial institutions  
22 that intermediate investments in sus-  
23 tainable finance or manage risks re-  
24 lated to sustainable development.

1           “(iii) REPRESENTATION OF INTER-  
2           ESTS.—A member may not represent a  
3           single individual or entity and shall rep-  
4           resent types of individuals and entities  
5           with similar interests in sustainable fi-  
6           nance.

7           “(B) SELECTION.—

8           “(i) IN GENERAL.—The Commission  
9           shall—

10                   “(I) publish criteria for selection  
11                   of members on the website of the  
12                   Commission and in the Federal Reg-  
13                   ister; and

14                   “(II) solicit applications for  
15                   membership on the website of the  
16                   Commission and in the Federal Reg-  
17                   ister.

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

23           “(C) PAY.—Members may not receive pay  
24           by reason of their service on the Committee but  
25           may receive travel or transportation expenses in

1           accordance with applicable provisions under  
2           subchapter I of chapter 57 of title 5, United  
3           States Code.

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

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

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

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



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

