

JUNE 7, 2021

**RULES COMMITTEE PRINT 117-5**  
**TEXT OF H.R. 1187, CORPORATE GOVERNANCE**  
**IMPROVEMENT AND INVESTOR PROTECTION ACT**

[Showing the text of H.R. 1187, H.R. 1087, H.R. 1188, H.R. 2570, and H.R. 3007, as ordered reported by the Committee on Financial Services, with modifications.]

1 **SECTION 1. SHORT TITLE.**

2       This Act may be cited as the “Corporate Governance  
3 Improvement and Investor Protection Act”.

4                   **TITLE I—ESG DISCLOSURE**  
5                   **SIMPLIFICATION**

6 **SEC. 101. SHORT TITLE.**

7       This title may be cited as the “ESG Disclosure Sim-  
8 plification Act of 2021”.

9 **SEC. 102. FINDINGS.**

10       Congress finds the following:

11               (1) The Securities and Exchange Commission  
12       has broad authority to require the disclosure of in-  
13       formation if such information is in the interest of,  
14       or is material to investors.

15               (2) The Commission does not require companies  
16       to disclose information related to environmental, so-  
17       cial, and governance (“ESG”) matters, and does not

1 require companies to adhere to standards for dis-  
2 closing such information.

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

5 (4) A rule requiring reporting and standardiza-  
6 tion of ESG disclosures is in the interest of inves-  
7 tors.

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

11 **SEC. 103. ESG DISCLOSURES.**

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

15 “(k) ESG DISCLOSURES.—

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

22 “(A) a clear description of the views of the  
23 issuer about the link between ESG metrics and  
24 the long-term business strategy of the issuer;  
25 and

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

5           “(2) ESG METRICS DEFINED.—In this sub-  
6 section, the term ‘ESG metrics’ has the meaning  
7 given the term in part 210 of title 17, Code of Fed-  
8 eral Regulations as amended pursuant to section  
9 3(b) of the ESG Disclosure Simplification Act of  
10 2021.”.

11       (b) RULEMAKING.—

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

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

22           (B) define ESG metrics.

23           (2) SUSTAINABLE FINANCE ADVISORY COM-  
24 MITTEE.—The Sustainable Finance Advisory Com-  
25 mittee established pursuant to section 4(k) of the

1 Securities and Exchange Act of 1934 shall, not later  
2 than 180 days after the date of the first meeting of  
3 such Committee, submit to the Commission rec-  
4 ommendations about what ESG metrics the Com-  
5 mission should require issuers to disclose.

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

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

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

23 (6) DELAY FOR SMALL ISSUERS.—The Commis-  
24 sion may use a phased approach when applying any  
25 amendments made pursuant to paragraph (1) to

1 small issuers and may determine the criteria by  
2 which an issuer qualifies as a small issuer for pur-  
3 poses of such phased approach.

4 **SEC. 104. SUSTAINABLE FINANCE ADVISORY COMMITTEE.**

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

8 “(k) SUSTAINABLE FINANCE ADVISORY COM-  
9 MITTEE.—

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

14 “(2) DUTIES OF COMMITTEE.—The Committee  
15 shall—

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

19 “(i) identifies the challenges and op-  
20 portunities for investors associated with  
21 sustainable finance; and

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

1           “(B) when solicited, advise the Commission  
2           on sustainable finance; and

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

5           “(3) MEMBERSHIP.—

6           “(A) MEMBERS.—

7           “(i) IN GENERAL.—The Committee  
8           shall consist of no more than 20 members  
9           who shall each serve for one four-year  
10          term.

11          “(ii) REPRESENTATION.—Each mem-  
12          ber shall represent individuals and entities  
13          with an interest in sustainable finance,  
14          such as—

15               “(I) experts on sustainable fi-  
16               nance;

17               “(II) operators of financial infra-  
18               structure;

19               “(III) entities that provide anal-  
20               ysis, data, or methodologies that fa-  
21               cilitate sustainable finance;

22               “(IV) insurance companies, pen-  
23               sion funds, asset managers, depository  
24               institutions, or credit unions; or

1                   “(V) other financial institutions  
2                   that intermediate investments in sus-  
3                   tainable finance or manage risks re-  
4                   lated to sustainable development.

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

11                  “(B) SELECTION.—

12                  “(i) IN GENERAL.—The Commission  
13                  shall—

14                  “(I) publish criteria for selection  
15                  of members on the website of the  
16                  Commission and in the Federal Reg-  
17                  ister; and

18                  “(II) solicit applications for  
19                  membership on the website of the  
20                  Commission and in the Federal Reg-  
21                  ister.

22                  “(ii) EQUAL SHARE.—From the indi-  
23                  viduals who submit applications for mem-  
24                  bership, each Commissioner of the Com-

1 mission shall select an equal number of the  
2 members of the Committee.

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

9 “(D) MEMBER TRANSPARENCY.—The  
10 name of each member and the types of individ-  
11 uals and entities that such member represents  
12 shall be published on the website of the Com-  
13 mission.

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

19 “(F) AUTHORIZATION OF APPROPRIA-  
20 TION.—There are authorized to be appropriated  
21 such sums as are necessary to finance costs as-  
22 sociated with staff dedicated to ESG issues in  
23 the Office of the Investor Advocate of the Com-  
24 mission.



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

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

## 11           **TITLE II—SHAREHOLDER** 12           **POLITICAL TRANSPARENCY**

### 13          **SEC. 201. SHORT TITLE.**

14          This title may be cited as the “Shareholder Political  
15          Transparency Act of 2021”.

### 16          **SEC. 202. FINDINGS.**

17          Congress finds that—

18                 (1) corporations make significant political con-  
19                 tributions and expenditures that directly or indi-  
20                 rectly influence the election of candidates and sup-  
21                 port or oppose political causes;

22                 (2) decisions to use corporate funds for political  
23                 contributions and expenditures are usually made by  
24                 corporate boards and executives, rather than share-  
25                 holders;

1           (3) corporations, acting through boards and ex-  
2           ecutives, are obligated to conduct business for the  
3           best interests of their owners, the shareholders;

4           (4) historically, shareholders have not had a  
5           way to know, or to influence, the political activities  
6           of corporations they own;

7           (5) shareholders and the public have a right to  
8           know how corporate managers are spending com-  
9           pany funds to make political contributions and ex-  
10          penditures benefitting candidates, political parties,  
11          and political causes; and

12          (6) corporations should be accountable to share-  
13          holders in making political contributions or expendi-  
14          tures affecting Federal governance and public policy.

15 **SEC. 203. REPORTING REQUIREMENTS.**

16          Section 13 of the Securities Exchange Act of 1934  
17          (15 U.S.C. 78m) is amended by adding at the end the  
18          following:

19          “(s) REPORTING REQUIREMENTS RELATING TO CER-  
20          TAIN POLITICAL EXPENDITURES.—

21                  “(1) DEFINITIONS.—In this subsection:

22                          “(A) EXPENDITURE FOR POLITICAL AC-  
23                          TIVITIES.—The term ‘expenditure for political  
24                          activities’—

25                                  “(i) means—

1           “(I) an independent expenditure  
2           (as defined in section 301(17) of the  
3           Federal Election Campaign Act of  
4           1971 (52 U.S.C. 30101(17)));

5           “(II) an electioneering commu-  
6           nication (as defined in section  
7           304(f)(3) of that Act (52 U.S.C.  
8           30104(f)(3))) and any other public  
9           communication (as defined in section  
10          301(22) of that Act (52 U.S.C.  
11          30101(22))) that would be an elec-  
12          tioneering communication if it were a  
13          broadcast, cable, or satellite commu-  
14          nication; or

15          “(III) dues or other payments to  
16          trade associations or organizations de-  
17          scribed in section 501(c) of the Inter-  
18          nal Revenue Code of 1986 and exempt  
19          from tax under section 501(a) of that  
20          Code that are, or could reasonably be  
21          anticipated to be, used or transferred  
22          to another association or organization  
23          for the purposes described in sub-  
24          clause (I) or (II); and

25          “(ii) does not include—

1                   “(I) direct lobbying efforts  
2 through registered lobbyists employed  
3 or hired by the issuer;

4                   “(II) communications by an  
5 issuer to its shareholders and execu-  
6 tive or administrative personnel and  
7 their families; or

8                   “(III) the establishment and ad-  
9 ministration of contributions to a sep-  
10 arate segregated fund to be utilized  
11 for political purposes by a corpora-  
12 tion.

13                   “(B) ISSUER.—The term ‘issuer’ does not  
14 include an investment company registered  
15 under section 8 of the Investment Company Act  
16 of 1940 (15 U.S.C. 80a–8).

17                   “(2) QUARTERLY REPORTS.—

18                   “(A) REPORTS REQUIRED.—Not later than  
19 180 days after the date of enactment of this  
20 subsection, the Commission shall amend the re-  
21 porting rules under this section to require each  
22 issuer with a class of equity securities reg-  
23 istered under section 12 of this title to submit  
24 to the Commission and the shareholders of the  
25 issuer a quarterly report containing—

1           “(i) a description of any expenditure  
2           for political activities made during the pre-  
3           ceding quarter;

4           “(ii) the date of each expenditure for  
5           political activities;

6           “(iii) the amount of each expenditure  
7           for political activities;

8           “(iv) if the expenditure for political  
9           activities was made in support of or in op-  
10          position to a candidate, the name of the  
11          candidate and the office sought by, and the  
12          political party affiliation of, the candidate;  
13          and

14          “(v) the name or identity of trade as-  
15          sociations or organizations described in  
16          section 501(c) of the Internal Revenue  
17          Code of 1986 and exempt from tax under  
18          section 501(a) of such Code which receive  
19          dues or other payments as described in  
20          paragraph (1)(A)(i)(III).

21          “(B) PUBLIC AVAILABILITY.—The Com-  
22          mission shall ensure that the quarterly reports  
23          required under this paragraph are publicly  
24          available through the Internet website of the  
25          Commission and through the EDGAR system in

1 a manner that is searchable, sortable, and  
2 downloadable, consistent with the requirements  
3 under section 24.

4 “(3) ANNUAL REPORTS.—Not later than 180  
5 days after the date of enactment of this subsection,  
6 the Commission shall, by rule, require each issuer to  
7 include in the annual report of the issuer to share-  
8 holders—

9 “(A) a summary of each expenditure for  
10 political activities made during the preceding  
11 year in excess of \$10,000, and each expenditure  
12 for political activities for a particular election if  
13 the total amount of such expenditures for that  
14 election is in excess of \$10,000;

15 “(B) a description of the specific nature of  
16 any expenditure for political activities the issuer  
17 intends to make for the forthcoming fiscal year,  
18 to the extent the specific nature is known to the  
19 issuer; and

20 “(C) the total amount of expenditures for  
21 political activities intended to be made by the  
22 issuer for the forthcoming fiscal year.”.

23 **SEC. 204. REPORTS.**

24 (a) SECURITIES AND EXCHANGE COMMISSION.—The  
25 Securities and Exchange Commission shall—

1 (1) conduct an annual assessment of the com-  
2 pliance of issuers with section 13(s) of the Securities  
3 Exchange Act of 1934, as added by section 203; and

4 (2) submit to Congress an annual report con-  
5 taining the results of the assessment under para-  
6 graph (1).

7 (b) GOVERNMENT ACCOUNTABILITY OFFICE.—The  
8 Comptroller General of the United States shall periodically  
9 evaluate and report to Congress on the effectiveness of the  
10 oversight by the Securities and Exchange Commission of  
11 the reporting and disclosure requirements under section  
12 13(s) of the Securities Exchange Act of 1934, as added  
13 by section 203.

## 14 TITLE III—GREATER 15 ACCOUNTABILITY IN PAY

### 16 SEC. 301. SHORT TITLE.

17 This title may be cited as the “Greater Accountability  
18 in Pay Act of 2021”.

### 19 SEC. 302. PAY RAISE DISCLOSURES.

20 Section 13 of the Securities Exchange Act of 1934  
21 (15 U.S.C. 78m), as amended by section 203, is further  
22 amended by adding at the end the following:

23 “(t) PAY RAISE DISCLOSURES.—An issuer required  
24 to file an annual report under this section or section 15(d),

1 that is not an emerging growth company, shall include in  
2 such report—

3 “(1) the percentage increase in the median of  
4 the annual total compensation of all executive offi-  
5 cers (as such term is defined in section 240.3b-7 of  
6 title 17, Code of Federal Regulations) of the issuer  
7 over the last completed fiscal year;

8 “(2) the percentage increase in the median of  
9 the annual total compensation of all employees of  
10 the issuer, excluding executive officers, over the last  
11 completed fiscal year;

12 “(3) the ratio of the percentage described in  
13 paragraph (1) to the percentage described in para-  
14 graph (2);

15 “(4) a comparison of the percentage described  
16 in paragraph (1) to the percentage change over the  
17 same period in the Consumer Price Index for All  
18 Urban Consumers published by the Bureau of Labor  
19 Statistics of the Department of Labor; and

20 “(5) a comparison of the percentage described  
21 in paragraph (2) to the percentage change over the  
22 same period in the Consumer Price Index for All  
23 Urban Consumers published by the Bureau of Labor  
24 Statistics of the Department of Labor.”.



1           **TITLE IV—CLIMATE RISK**  
2                           **DISCLOSURE**

3   **SEC. 401. SHORT TITLE.**

4           This title may be cited as the “Climate Risk Dislo-  
5   sure Act of 2021”.

6   **SEC. 402. SENSE OF CONGRESS.**

7           It is the sense of Congress that—

8                   (1) climate change poses a significant and in-  
9                   creasing threat to the growth and stability of the  
10                  economy of the United States;

11                  (2) many sectors of the economy of the United  
12                  States and many American businesses are exposed  
13                  to climate-related risk, which may include exposure  
14                  to—

15                           (A) the physical impacts of climate change,  
16                           including the rise of the average global tem-  
17                           perature, accelerating sea-level rise,  
18                           desertification, ocean acidification, intensifica-  
19                           tion of storms, increase in heavy precipitation,  
20                           more frequent and intense temperature ex-  
21                           tremes, more severe droughts, and longer wild-  
22                           fire seasons;

23                           (B) the economic disruptions and security  
24                           threats that result from the physical impacts  
25                           described in subparagraph (A) including con-

1           flicts over scarce resources, conditions condu-  
2           cive to violent extremism, the spread of infec-  
3           tious diseases, and forced migration;

4           (C) the transition impacts that result as  
5           the global economy transitions to a clean and  
6           renewable energy, low-emissions economy, in-  
7           cluding financial impacts as climate change fos-  
8           sil fuel assets becoming stranded and it be-  
9           comes uneconomic for companies to develop fos-  
10          sil fuel assets as policymakers act to limit the  
11          worst impacts of climate change by keeping the  
12          rise in average global temperature to 1.5 de-  
13          grees Celsius above pre-industrial levels; and

14          (D) actions by Federal, State, Tribal, ter-  
15          ritorial, and local governments to limit the  
16          worst effects of climate change by enacting poli-  
17          cies that keep the global average surface tem-  
18          perature rise to 1.5 degrees Celsius above pre-  
19          industrial levels;

20          (3) assessing the potential impact of climate-re-  
21          lated risks on national and international financial  
22          systems is an urgent concern;

23          (4) companies have a duty to disclose financial  
24          risks that climate change presents to their investors,  
25          lenders, and insurers;

1           (5) the Securities and Exchange Commission  
2           has a duty to promote a risk-informed securities  
3           market that is worthy of the trust of the public as  
4           families invest for their futures;

5           (6) investors, lenders, and insurers are increas-  
6           ingly demanding climate risk information that is  
7           consistent, comparable, reliable, and clear;

8           (7) including standardized, material climate  
9           change risk and opportunity disclosure that is useful  
10          for decision makers in annual reports to the Com-  
11          mission will increase transparency with respect to  
12          risk accumulation and exposure in financial markets;

13          (8) requiring companies to disclose climate-re-  
14          lated risk exposure and risk management strategies  
15          will encourage a smoother transition to a clean and  
16          renewable energy, low-emissions economy and guide  
17          capital allocation to mitigate, and adapt to, the ef-  
18          fects of climate change and limit damages associated  
19          with climate-related events and disasters; and

20          (9) a critical component in fighting climate  
21          change is a transparent accounting of the risks that  
22          climate change presents and the implications of con-  
23          tinued inaction with respect to climate change.

1 **SEC. 403. DISCLOSURES RELATING TO CLIMATE CHANGE.**

2 Section 13 of the Securities Exchange Act of 1934  
3 (15 U.S.C. 78m), as amended by section 302, is further  
4 amended by adding at the end the following:

5 “(u) DISCLOSURES RELATING TO CLIMATE  
6 CHANGE.—

7 “(1) DEFINITIONS.—In this subsection:

8 “(A) 1.5 DEGREE SCENARIO.—The term  
9 ‘1.5 degree scenario’ means a scenario that  
10 aligns with greenhouse gas emissions pathways  
11 that aim to limit global warming to 1.5 degrees  
12 Celsius above pre-industrial levels.

13 “(B) APPROPRIATE CLIMATE PRIN-  
14 CIPALS.—The term ‘appropriate climate prin-  
15 cipals’ means—

16 “(i) the Administrator of the Environ-  
17 mental Protection Agency;

18 “(ii) the Administrator of the Na-  
19 tional Oceanic and Atmospheric Adminis-  
20 tration;

21 “(iii) the Director of the Office of  
22 Management and Budget;

23 “(iv) the Secretary of the Interior;

24 “(v) the Secretary of Energy; and

1                   “(vi) the head of any other Federal  
2                   agency, as determined appropriate by the  
3                   Commission.

4                   “(C) BASELINE SCENARIO.—The term  
5                   ‘baseline scenario’ means a widely-recognized  
6                   analysis scenario in which levels of greenhouse  
7                   gas emissions, as of the date on which the anal-  
8                   ysis is performed, continue to grow, resulting in  
9                   an increase in the global average temperature  
10                  of 1.5 degrees Celsius or more above pre-indus-  
11                  trial levels.

12                  “(D) CARBON DIOXIDE EQUIVALENT.—  
13                  The term ‘carbon dioxide equivalent’ means the  
14                  number of metric tons of carbon dioxide emis-  
15                  sions with the same global warming potential as  
16                  one metric ton of another greenhouse gas, as  
17                  determined under table A–1 of subpart A of  
18                  part 98 of title 40, Code of Federal Regula-  
19                  tions, as in effect on the date of enactment of  
20                  this subsection.

21                  “(E) CLIMATE CHANGE.—The term ‘cli-  
22                  mate change’ means a change of climate that  
23                  is—

1           “(i) attributed directly or indirectly to  
2           human activity that alters the composition  
3           of the global atmosphere; and

4           “(ii) in addition to natural climate  
5           variability observed over comparable time  
6           periods.

7           “(F) COMMERCIAL DEVELOPMENT OF FOS-  
8           SIL FUELS.—The term ‘commercial develop-  
9           ment of fossil fuels’ includes—

10           “(i) exploration, extraction, proc-  
11           essing, exporting, transporting, refining,  
12           and any other significant action with re-  
13           spect to oil, natural gas, coal, or any by-  
14           product thereof or any other solid or liquid  
15           hydrocarbons that are commercially pro-  
16           duced; and

17           “(ii) acquiring a license for any activ-  
18           ity described in clause (i).

19           “(G) COVERED ISSUER.—The term ‘cov-  
20           ered issuer’ means an issuer that is required to  
21           file an annual report under subsection (a) or  
22           section 15(d).

23           “(H) DIRECT AND INDIRECT GREENHOUSE  
24           GAS EMISSIONS.—The term ‘direct and indirect

1 greenhouse gas emissions’ includes, with respect  
2 to a covered issuer—

3 “(i) all direct greenhouse gas emis-  
4 sions released by the covered issuer;

5 “(ii) all indirect greenhouse gas emis-  
6 sions with respect to electricity, heat, or  
7 steam purchased by the covered issuer;

8 “(iii) significant indirect emissions,  
9 other than the emissions described in  
10 clause (ii), emitted in the value chain of  
11 the covered issuer; and

12 “(iv) all indirect greenhouse gas emis-  
13 sions that are attributable to assets owned  
14 or managed, including assets that are par-  
15 tially owned or managed, by the covered  
16 issuer.

17 “(I) FOSSIL FUEL RESERVES.—The term  
18 ‘fossil fuel reserves’ has the meaning given the  
19 term ‘reserves’ under the final rule of the Com-  
20 mission titled ‘Modernization of Oil and Gas  
21 Reporting’ (74 Fed. Reg. 2158; published Jan-  
22 uary 14, 2009).

23 “(J) GREENHOUSE GAS.—The term  
24 ‘greenhouse gas’—

1                   “(i) means carbon dioxide,  
2 hydrofluorocarbons, methane, nitrous  
3 oxide, perfluorocarbons, sulfur  
4 hexafluoride, nitrogen trifluoride, and  
5 chlorofluorocarbons;

6                   “(ii) includes any other  
7 anthropogenically-emitted gas that the Ad-  
8 ministrator of the Environmental Protec-  
9 tion Agency determines, after notice and  
10 comment, to contribute to climate change;  
11 and

12                   “(iii) includes any other  
13 anthropogenically-emitted gas that the  
14 Intergovernmental Panel on Climate  
15 Change determines to contribute to climate  
16 change.

17                   “(K) GREENHOUSE GAS EMISSIONS.—The  
18 term ‘greenhouse gas emissions’ means the  
19 emissions of greenhouse gas, expressed in terms  
20 of metric tons of carbon dioxide equivalent.

21                   “(L) PHYSICAL RISKS.—The term ‘phys-  
22 ical risks’ means financial risks to long-lived  
23 fixed assets, locations, operations, or value  
24 chains that result from exposure to physical cli-  
25 mate-related effects, including—



1 “(i) increased average global tempera-  
2 tures and increased frequency of tempera-  
3 ture extremes;

4 “(ii) increased severity and frequency  
5 of extreme weather events;

6 “(iii) increased flooding;

7 “(iv) sea level rise;

8 “(v) ocean acidification;

9 “(vi) increased frequency of wildfires;

10 “(vii) decreased arability of farmland;

11 “(viii) decreased availability of fresh  
12 water; and

13 “(ix) any other financial risks to long-  
14 lived fixed assets, locations, operations, or  
15 value chains determined appropriate by the  
16 Commission, in consultation with appro-  
17 priate climate principals.

18 “(M) SOCIAL COST OF CARBON.—The term  
19 ‘social cost of carbon’ means the social cost of  
20 carbon, as described in the technical support  
21 document entitled ‘Technical Support Docu-  
22 ment: Technical Update of the Social Cost of  
23 Carbon for Regulatory Impact Analysis Under  
24 Executive Order 12866’, published by the Inter-  
25 agency Working Group on Social Cost of Green-

1 house Gases, United States Government, in Au-  
2 gust 2016 or any successor or substantially re-  
3 lated estimate of the monetized damages associ-  
4 ated with an incremental increase in carbon di-  
5 oxide emissions in a given year.

6 “(N) TRANSITION RISKS.—The term ‘tran-  
7 sition risks’ means financial risks that are at-  
8 tributable to climate change mitigation and ad-  
9 aptation, including efforts to reduce greenhouse  
10 gas emissions and strengthen resilience to the  
11 impacts of climate change, including—

12 “(i) costs relating to—

13 “(I) international treaties and  
14 agreements;

15 “(II) Federal, State, and local  
16 policy;

17 “(III) new technologies;

18 “(IV) changing markets;

19 “(V) reputational impacts rel-  
20 evant to changing consumer behavior;  
21 and

22 “(VI) litigation; and

23 “(ii) assets that may lose value or be-  
24 come stranded due to any of the costs de-

1           scribed in subclauses (I) through (VI) of  
2           clause (i).

3           “(O) VALUE CHAIN.—The term ‘value  
4           chain’—

5                   “(i) means the total lifecycle of a  
6                   product or service, both before and after  
7                   production of the product or service, as ap-  
8                   plicable; and

9                   “(ii) may include the sourcing of ma-  
10                  terials, production, transportation, and dis-  
11                  posal with respect to the product or service  
12                  described in clause (i).

13          “(2) FINDINGS.—Congress finds that—

14                  “(A) short-, medium-, and long-term finan-  
15                  cial and economic risks and opportunities relat-  
16                  ing to climate change, and the national and  
17                  global reduction of greenhouse gas emissions,  
18                  constitute information that issuers—

19                          “(i) may reasonably expect to affect  
20                          shareholder decision making; and

21                          “(ii) should regularly identify, evalu-  
22                          ate, and disclose; and

23                  “(B) the disclosure of information de-  
24                  scribed in subparagraph (A) should—

25                          “(i) identify, and evaluate—

1                   “(I) material physical and transi-  
2                   tion risks posed by climate change;  
3                   and

4                   “(II) the potential financial im-  
5                   pact of such risks;

6                   “(ii) detail any implications such risks  
7                   have on corporate strategy;

8                   “(iii) detail any board-level oversight  
9                   of material climate related risks and op-  
10                  portunities;

11                  “(iv) allow for intra- and cross-indus-  
12                  try comparison, to the extent practicable,  
13                  of climate-related risk exposure through  
14                  the inclusion of standardized industry-spe-  
15                  cific and sector-specific disclosure metrics,  
16                  as identified by the Commission, in con-  
17                  sultation with the appropriate climate prin-  
18                  cipals;

19                  “(v) allow for tracking of performance  
20                  over time with respect to mitigating cli-  
21                  mate risk exposure; and

22                  “(vi) incorporate a price on green-  
23                  house gas emissions in financial analyses  
24                  that reflects, at minimum, the social cost  
25                  of carbon that is attributable to issuers.

1           “(3) DISCLOSURE.—Each covered issuer, in any  
2           annual report filed by the covered issuer under sub-  
3           section (a) or section 15(d), shall, in accordance  
4           with any rules issued by the Commission pursuant  
5           to this subsection, include in each such report infor-  
6           mation regarding—

7                   “(A) the identification of, the evaluation of  
8                   potential financial impacts of, and any risk-  
9                   management strategies relating to—

10                           “(i) physical risks posed to the cov-  
11                           ered issuer by climate change; and

12                           “(ii) transition risks posed to the cov-  
13                           ered issuer by climate change;

14                   “(B) a description of any established cor-  
15                   porate governance processes and structures to  
16                   identify, assess, and manage climate-related  
17                   risks;

18                   “(C) a description of specific actions that  
19                   the covered issuer is taking to mitigate identi-  
20                   fied risks;

21                   “(D) a description of the resilience of any  
22                   strategy the covered issuer has for addressing  
23                   climate risks when differing climate scenarios  
24                   are taken into consideration; and

1           “(E) a description of how climate risk is  
2           incorporated into the overall risk management  
3           strategy of the covered issuer.

4           “(4) RULE OF CONSTRUCTION.—Nothing in  
5           paragraph (3) may be construed as precluding a cov-  
6           ered issuer from including, in an annual report sub-  
7           mitted under subsection (a) or section 15(d), any in-  
8           formation not explicitly referenced in such para-  
9           graph.

10          “(5) RULEMAKING.—The Commission, in con-  
11          sultation with the appropriate climate principals,  
12          shall, not later than 2 years after the date of the en-  
13          actment of this subsection, issue rules with respect  
14          to the information that a covered issuer is required  
15          to disclose pursuant to this subsection and such  
16          rules shall—

17                 “(A) establish climate-related risk disclo-  
18                 sure rules, which shall—

19                         “(i) be, to the extent practicable, spe-  
20                         cialized for industries within specific sec-  
21                         tors of the economy, which shall include—

22                                 “(I) the sectors of finance, insur-  
23                                 ance, transportation, electric power,  
24                                 mining, and non-renewable energy;  
25                                 and

1                   “(II) any other sector determined  
2                   appropriate by the Commission, in  
3                   consultation with the appropriate cli-  
4                   mate principals;

5                   “(ii) include reporting standards for  
6                   estimating and disclosing direct and indi-  
7                   rect greenhouse gas emissions by a covered  
8                   issuer, and any affiliates of the covered  
9                   issuer, which shall—

10                   “(I) disaggregate, to the extent  
11                   practicable, total emissions of each  
12                   specified greenhouse gas by the cov-  
13                   ered issuer; and

14                   “(II) include greenhouse gas  
15                   emissions by the covered issuer during  
16                   the period covered by the disclosure;

17                   “(iii) include reporting standards for  
18                   disclosing, with respect to a covered  
19                   issuer—

20                   “(I) the total amount of fossil  
21                   fuel-related assets owned or managed  
22                   by the covered issuer; and

23                   “(II) the percentage of fossil  
24                   fuel-related assets as a percentage of

1 total assets owned or managed by the  
2 covered issuer;

3 “(iv) specify requirements for, and the  
4 disclosure of, input parameters, assump-  
5 tions, and analytical choices to be used in  
6 climate scenario analyses required under  
7 subparagraph (B)(i), including—

8 “(I) present value discount rates;  
9 and

10 “(II) time frames to consider, in-  
11 cluding 5, 10, and 20 year time  
12 frames; and

13 “(v) include reporting standards and  
14 guidance with respect to the information  
15 required under subparagraph (B)(iii);

16 “(B) require that a covered issuer, with re-  
17 spect to a disclosure required under this sub-  
18 section—

19 “(i) incorporate into such disclosure—

20 “(I) quantitative analysis to sup-  
21 port any qualitative statement made  
22 by the covered issuer;

23 “(II) the rules established under  
24 subparagraph (A);



1                   “(III) industry-specific metrics  
2                   that comply with the requirements  
3                   under subparagraph (A)(i);

4                   “(IV) specific risk management  
5                   actions that the covered issuer is tak-  
6                   ing to address identified risks;

7                   “(V) a discussion of the short-,  
8                   medium-, and long-term resilience of  
9                   any risk management strategy, and  
10                  the evolution of applicable risk  
11                  metrics, of the covered issuer under  
12                  each scenario described in clause (ii);  
13                  and

14                  “(VI) the total cost attributable  
15                  to the direct and indirect greenhouse  
16                  gas emissions of the covered issuer,  
17                  using, at minimum, the social cost of  
18                  carbon;

19                  “(ii) consider, when preparing any  
20                  qualitative or quantitative risk analysis  
21                  statement contained in the disclosure—

22                         “(I) a baseline scenario that in-  
23                         cludes physical impacts of climate  
24                         change;

25                         “(II) a 1.5 degrees scenario; and

1                   “(III) any additional climate  
2                   analysis scenario considered appro-  
3                   priate by the Commission, in consulta-  
4                   tion with the appropriate climate prin-  
5                   cipals;

6                   “(iii) if the covered issuer engages in  
7                   the commercial development of fossil fuels,  
8                   include in the disclosure—

9                   “(I) an estimate of the total and  
10                  a disaggregated amount of direct and  
11                  indirect greenhouse gas emissions of  
12                  the covered issuer that are attrib-  
13                  utable to—

14                               “(aa) combustion;

15                               “(bb) flared hydrocarbons;

16                               “(cc) process emissions;

17                               “(dd) directly vented emis-  
18                               sions;

19                               “(ee) fugitive emissions or  
20                               leaks; and

21                               “(ff) land use changes;

22                   “(II) a description of—

23                               “(aa) the sensitivity of fossil  
24                               fuel reserve levels to future price

1 projection scenarios that incor-  
2 porate the social cost of carbon;  
3 “(bb) the percentage of the  
4 reserves of the covered issuer  
5 that will be developed under the  
6 scenarios established in clause  
7 (ii), as well as a forecast for the  
8 development prospects of each re-  
9 serve under the scenarios estab-  
10 lished in clause (ii);  
11 “(cc) the potential amount  
12 of direct and indirect greenhouse  
13 gas emissions that are embedded  
14 in proved and probable reserves,  
15 with each such calculation pre-  
16 sented as a total and in sub-  
17 divided categories by the type of  
18 reserve;  
19 “(dd) the methodology of  
20 the covered issuer for detecting  
21 and mitigating fugitive methane  
22 emissions, which shall include the  
23 frequency with which applicable  
24 assets of the covered issuer are  
25 observed for methane leaks, the

1 processes and technology that the  
2 covered issuer uses to detect  
3 methane leaks, the percentage of  
4 assets of the covered issuer that  
5 the covered issuer inspects under  
6 that methodology, and quan-  
7 titative and time-bound reduction  
8 goals of the issuer with respect to  
9 methane leaks;

10 “(ee) the amount of water  
11 that the covered issuer withdraws  
12 from freshwater sources for use  
13 and consumption in operations of  
14 the covered issuer; and

15 “(ff) the percentage of the  
16 water described in item (ee) that  
17 comes from regions of water  
18 stress or that face wastewater  
19 management challenges; and

20 “(III) any other information that  
21 the Commission determines is—

22 “(aa) necessary;

23 “(bb) appropriate to safe-  
24 guard the public interest; or

1                   “(cc) directed at ensuring  
2                   that investors are informed in ac-  
3                   cordance with the findings de-  
4                   scribed in paragraph (2);

5                   “(C) with respect to a disclosure required  
6                   under section 13(s) of the Securities Exchange  
7                   Act of 1934, require that a covered issuer in-  
8                   clude in such disclosure any other information,  
9                   or use any climate-related or greenhouse gas  
10                  emissions metric, that the Commission, in con-  
11                  sultation with the appropriate climate prin-  
12                  cipals, determines is—

13                   “(i) necessary;

14                   “(ii) appropriate to safeguard the  
15                   public interest; or

16                   “(iii) directed at ensuring that inves-  
17                   tors are informed in accordance with the  
18                   findings described in paragraph (2); and

19                   “(D) with respect to a disclosure required  
20                   under section 13(s) of the Securities Exchange  
21                   Act of 1934, establish how and where the re-  
22                   quired disclosures shall be addressed in the cov-  
23                   ered issuer’s annual financial filing.

24                   “(6) **FORMATTING.**—The Commission shall re-  
25                   quire issuers to disclose information in an interactive

1 data format and shall develop standards for such  
2 format, which shall include electronic tags for infor-  
3 mation that the Commission determines is—

4 “(A) necessary;

5 “(B) appropriate to safeguard the public  
6 interest; or

7 “(C) directed at ensuring that investors  
8 are informed in accordance with the findings  
9 described in paragraph (2).

10 “(7) PERIODIC UPDATE OF RULES.—The Com-  
11 mission shall periodically update the rules issued  
12 under this subsection.

13 “(8) COMPILATION OF INFORMATION DIS-  
14 CLOSED.—The Commission shall, to the maximum  
15 extent practicable make a compilation of the infor-  
16 mation disclosed by issuers under this subsection  
17 publicly available on the website of the Commission  
18 and update such compilation at least once each year.

19 “(9) REPORTS.—

20 “(A) REPORT TO CONGRESS.—The Com-  
21 mission shall—

22 “(i) conduct an annual assessment re-  
23 garding the compliance of covered issuers  
24 with the requirements of this subsection;

1                   “(ii) submit to the appropriate con-  
2                   gressional committees a report that con-  
3                   tains the results of each assessment con-  
4                   ducted under clause (i); and

5                   “(iii) make each report submitted  
6                   under clause (ii) accessible to the public.

7                   “(B) GAO REPORT.—The Comptroller  
8                   General of the United States shall periodically  
9                   evaluate, and report to the appropriate congres-  
10                  sional committees on, the effectiveness of the  
11                  Commission in carrying out and enforcing this  
12                  subsection.”.

13 **SEC. 404. BACKSTOP.**

14                  If, 2 years after the date of the enactment of this  
15                  Act, the Securities and Exchange Commission has not  
16                  issued the rules required under section 13(u) of the Secu-  
17                  rities Exchange Act of 1934, and until such rules are  
18                  issued, a covered issuer (as defined in such section 13(u))  
19                  shall be deemed in compliance with such section 13(u) if  
20                  disclosures set forth in the annual report of such issuer  
21                  satisfy the recommendations of the Task Force on Cli-  
22                  mate-related Financial Disclosures of the Financial Sta-  
23                  bility Board as reported in June, 2017, or any successor  
24                  report, and as supplemented or adjusted by such rules,  
25                  guidance, or other comments from the Commission.

1 **SEC. 405. AUTHORIZATION OF APPROPRIATIONS.**

2 There are authorized to be appropriated to the Secu-  
3 rities and Exchange Commission such sums as may be  
4 necessary to carry out this title and the amendments made  
5 by this title.

6 **TITLE V—DISCLOSURE OF TAX**  
7 **HAVENS AND OFFSHORING**

8 **SEC. 501. SHORT TITLE.**

9 This title may be cited as the “Disclosure of Tax Ha-  
10 vens and Offshoring Act”.

11 **SEC. 502. COUNTRY-BY-COUNTRY REPORTING.**

12 (a) COUNTRY-BY-COUNTRY REPORTING.—Section 13  
13 of the Securities Exchange Act of 1934 (15 U.S.C. 78m),  
14 as amended by section 403, is further amended by adding  
15 at the end the following new subsection:

16 “(v) DISCLOSURE OF FINANCIAL PERFORMANCE ON  
17 A COUNTRY-BY-COUNTRY BASIS.—

18 “(1) DEFINITIONS.—In this subsection—

19 “(A) the term ‘constituent entity’ means,  
20 with respect to a covered issuer, any separate  
21 business entity of the covered issuer;

22 “(B) the term ‘covered issuer’ means an  
23 issuer who—

24 “(i) is a member of a multinational  
25 enterprise group; and



1           “(ii) the multinational enterprise  
2           group of which the issuer is a member has  
3           annual revenue for the preceding calendar  
4           year of not less than an amount deter-  
5           mined by the Commission to conform to  
6           United States or international standards  
7           for country-by-country reporting; and

8           “(C) the term ‘tax jurisdiction’—

9           “(i) means a country or a jurisdiction  
10          that is not a country but that has fiscal  
11          autonomy; and

12          “(ii) includes a territory or possession  
13          of the United States that has fiscal auton-  
14          omy.

15          “(2) DISCLOSURE.—

16          “(A) IN GENERAL.—Each covered issuer  
17          shall file a report with the Commission that in-  
18          cludes information described in subparagraph  
19          (B), and any other information required by the  
20          Commission, with respect to the reporting pe-  
21          riod described in subparagraph (C).

22          “(B) INFORMATION REQUIRED.—The in-  
23          formation described in this subparagraph is as  
24          follows:

1                   “(i) CONSTITUENT ENTITY INFORMA-  
2                   TION.—Information on the constituent en-  
3                   tity, including the following:

4                               “(I) The complete legal name of  
5                               the constituent entity.

6                               “(II) The tax jurisdiction, if any,  
7                               in which the constituent entity is resi-  
8                               dent for tax purposes.

9                               “(III) The tax jurisdiction in  
10                              which the constituent entity is orga-  
11                              nized or incorporated (if different  
12                              from the tax jurisdiction of residence).

13                              “(IV) The tax identification num-  
14                              ber, if any, used for the constituent  
15                              entity by the tax administration of the  
16                              constituent entity’s tax jurisdiction of  
17                              residence.

18                              “(V) The main business activity  
19                              or activities of the constituent entity.

20                              “(ii) TAX JURISDICTION.—Informa-  
21                              tion on each tax jurisdiction in which one  
22                              or more constituent entities is resident,  
23                              presented as an aggregated or consolidated  
24                              form of the information for the constituent

1 entities resident in each tax jurisdiction,  
2 including the following:

3 “(I) Revenues generated from  
4 transactions with other constituent  
5 entities.

6 “(II) Revenues not generated  
7 from transactions with other con-  
8 stituent entities.

9 “(III) Profit or loss before in-  
10 come tax.

11 “(IV) Total income tax paid on a  
12 cash basis to all tax jurisdictions.

13 “(V) Total accrued tax expense  
14 recorded on taxable profits or losses.

15 “(VI) Stated capital.

16 “(VII) Total accumulated earn-  
17 ings.

18 “(VIII) Total number of employ-  
19 ees on a full-time equivalent basis.

20 “(IX) Net book value of tangible  
21 assets, which, for purposes of this sec-  
22 tion, does not include cash or cash  
23 equivalents, intangibles, or financial  
24 assets.

1           “(iii) SPECIAL RULES.—The informa-  
2           tion listed in clause (ii) shall be provided,  
3           in aggregated or consolidated form, for any  
4           constituent entity or entities that have no  
5           tax jurisdiction of residence. In addition, if  
6           a constituent entity is an owner of a con-  
7           stituent entity that does not have a juris-  
8           diction of tax residence, then the owner’s  
9           share of such entity’s revenues and profits  
10          will be aggregated or consolidated with the  
11          information for the owner’s tax jurisdiction  
12          of residence.

13          “(C) REPORTING PERIOD.—The reporting  
14          period covered by this paragraph is the period  
15          of the covered entity’s applicable financial state-  
16          ment prepared for the 12-month period that  
17          ends with or within the taxable year of the cov-  
18          ered issuer. If the covered issuer does not pre-  
19          pare an annual applicable financial statement,  
20          then the reporting period covered by this para-  
21          graph is the 12-month period that ends on the  
22          last day of the taxable year of the covered  
23          issuer.

24          “(D) FILING DEADLINE.—Each covered  
25          issuer shall submit to the Commission a report

1 required under this section on or before the due  
2 date (including extensions) for filing that cov-  
3 ered issuer's tax return in the tax jurisdiction  
4 in which the covered issuer's multinational en-  
5 terprise group is resident.

6 “(E) REGULATION.—The Commission  
7 shall, in consultation with the Commissioner of  
8 the Internal Revenue Service and Secretary of  
9 the Treasury—

10 “(i) promulgate regulations carrying  
11 out this subsection that conform to United  
12 States or international standards for coun-  
13 try-by-country reporting, including regula-  
14 tions promulgated by the Internal Revenue  
15 Service; and

16 “(ii) require disclosure of the account-  
17 ing methods used in calculating the infor-  
18 mation contained in each report filed pur-  
19 suant to this subsection.”.

20 (b) RULEMAKING.—

21 (1) DEADLINES.—The Securities and Exchange  
22 Commission (in this section referred to as the “Com-  
23 mission”) shall—

24 (A) not later than 1 year after the date of  
25 enactment of this Act, issue a proposed rule to

1 carry out this section and the amendment made  
2 by this section; and

3 (B) not later than 18 months after the  
4 date of enactment of this Act, issue a final rule  
5 to carry out this section and the amendment  
6 made by this section.

7 (2) DATA FORMAT.—The information required  
8 to be provided by this section shall be provided by  
9 the issuer in a report in a machine readable format  
10 prescribed by the Commission, and such report shall  
11 be made available to the public online, in such ma-  
12 chine readable format as the Commission shall pre-  
13 scribe.

14 (3) EFFECTIVE DATE.—Subsection (v) of sec-  
15 tion 13 of the Securities Exchange Act of 1934, as  
16 added by this section, shall become effective 1 year  
17 after the date on which the Commission issues a  
18 final rule under this section.

