U.S. House Committee on Financial Services
– Chairwoman Maxine Waters –
H.R. 1187, Corporate Governance Improvement and Investor Protection Act, Introduced by Rep. Vargas(CA-51)

Bill Summary: H.R. 1187, the "Corporate Governance Improvement and Investor Protection Act," led by Representative Juan Vargas, would provide investors and markets with critical information related to environmental, social, and governance (ESG) matters including climate risk, corporate political spending, worker wages and CEO compensation, and country-by-country tax reporting.

The Need for Legislation: Many investors ranging from public pension funds and large asset managers to individual retail investors, view ESG information as critical for evaluating companies' financial performance as well as both their short- and long-term viability. However, there are currently no explicit ESG disclosure requirements and as a result, investors and the markets are only able to access information public companies voluntarily disclose which, without standardized, mandatory disclosure metrics, has left investors with inconsistent and insufficient information to make informed investment decisions or to hold the companies they are investing in accountable. Investors and market participants have been demanding more—and better—disclosures of ESG information from the companies they are investing in and it's time for Congress to help protect investors and make ESG requirements explicit.

The Solutions: H.R. 1187 requires the Securities and Exchange Commission to adopt clear, consistent standards for ESG metrics and would require public companies to disclose key information to shareholders regarding political spending, worker pay, climate risk, and tax reporting. Specifically, this package combines the text of the following bills:

- **H.R. 1187, the "ESG Disclosure Simplification Act" (Vargas)**, which requires issuers to disclose certain ESG metrics to shareholders, the connection between those metrics and the issuer's long term business strategy, and the method by which the issuer determines how ESG metrics impact its long term strategy. The bill would also require the U.S. Securities and Exchange Commission (SEC) to adopt rules requiring issuers to disclose ESG metrics in filings that require audited financial statements. Additionally, the bill would establish a Sustainable Financial Advisory Committee (SFAC) to provide the SEC with a report identifying policy changes that could facilitate sustainable investments.
- **H.R. 1087, the "Shareholder Political Transparency Act" (Foster)**, which requires public companies to submit quarterly reports to both the SEC and investors detailing the amount, date, and nature of the company's expenditures for political activities. If the political expenditure was made in support of (or opposition to) a particular candidate, or was made to a trade association, then the company must disclose the candidate and/or trade association. The bill also requires public companies to disclose in their annual reports any political expenditures over $10,000 in the previous year as well as the nature and amount of any political expenditures the company plans to make in the upcoming year.
- **H.R. 1188, the "Greater Accountability in Pay Act" (Velazquez)**, which requires public companies, with the exception of emerging growth companies, to disclose certain employee pay raise information, including pay raises for executive employees and non-executive employees. The bill also requires companies to compare executive and non-executive pay increases to each other and to the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the Department of

Labor. Companies would be required to disclose information related to those comparisons. Disclosures under this bill are annual.

- **H.R. 2570, the "Climate Risk Disclosure Act" (Casten)**, which requires public companies to disclose in their annual reports information relating to the financial and business risks associated with climate change. The bill also requires the SEC to establish, in consultation with other relevant financial agencies, climate-related risk disclosure metrics and guidance, which will be industry-specific, and will require companies to make both quantitative and qualitative disclosures.
- **H.R. 3007, the "Disclosure of Tax Havens and Offshoring Act" (Axne)**, which requires public companies to disclose their total pre-tax profits, and total amounts paid in State, Federal, and foreign taxes. The bill would also require companies to disclose a number of specific tax-related items for each of its subsidiaries, as well as on a consolidated basis, such as total accrued tax expenses, stated capital, and total accumulated earnings.

Stakeholder Support: The following stakeholders support some or all provisions of this package: *Public Citizen; AFL-CIO; SEIU; Americans for Financial Reform; Americans for Tax Fairness; North American Securities Administrators Association (NASAA); FACT Coalition; Oxfam America; Ceres; Sierra Club; US SIF; Forum for Responsible Investment; EarthRights International; Sunrise Movement; 350.org; National Organization of Women; Common Cause; Council of Institutional Investors; United Nations Principles for Responsible Investment; National Association for the Advancement of Colored People (NAACP); National Urban League; U.S. Chamber of Commerce; Latino Corporate Directors Association*. **Additionally, H.R. 1187, along with all of its component pieces, passed the Financial Services Committee with unanimous Democratic support**.

###