

KEY VOTE ALERT



June 15, 2021

TO THE MEMBERS OF THE U.S. HOUSE OF REPRESENTATIVES:

The U.S. Chamber of Commerce strongly opposes H.R. 1187, the “Corporate Governance Improvement and Investor Protection Act.” While some of the underlying goals of H.R. 1187 are laudable, the bill would likely result in significant costs for Main Street investors and it would fail to achieve its stated objectives. **The Chamber will consider including votes on this legislation in our “How They Voted” scorecard.**

Over the last several years, the Chamber has worked closely with stakeholders to promote a corporate disclosure framework for environmental, social, and governance (ESG) factors. This framework acknowledges the inherently complex nature of these issues and allows companies to disclose industry specific information. We believe this approach would help ensure investors receive material, decision-useful information while eliminating the cost of burdensome and impractical mandates.

By contrast, H.R. 1187 would result in an unworkable, one-size-fits-all disclosure regime for public companies on ESG issues including climate change, executive compensation, and pay practices. This misguided approach would impose enormous compliance costs on public companies. It would be especially harmful to small issuers and emerging growth companies (EGCs) without the same compliance resources as large companies. H.R. 1187 would create yet another barrier to going public in the United States, thus removing opportunities for retail investors to build wealth and contribute to the economy.

Pursuant to the Supreme Court’s landmark decision on materiality in 1976 (*TSC Industries, Inc. v. Northway, Inc.*), companies today are already required to disclose material information related to climate change and ESG. H.R. 1187 could veer away from this traditional standard for disclosure that has served as a centerpiece of America’s well-functioning capital markets for decades. In that decision, the Court rejected the idea that a fact is material if it “might” be important to an investor,¹ and explained that in formulating a materiality standard, it sought to avoid a scenario in which investors would be overwhelmed “in an avalanche of trivial information—a result that is hardly conducive to informed decision making.” This legislation is incompatible with Justice Marshall’s opinion on materiality – a standard that is recognized by SEC Chair Gary Gensler.²

¹ 426 U.S. 438, 448-49 (1976).

² Senate Banking Committee [Nomination Hearing](#), March 2, 2021. In response to Senator Toomey’s [Questions for the Record](#), SEC Chair Gary Gensler acknowledged the Supreme Court’s definition of materiality and stated: “If confirmed, materiality will guide my decisions as SEC Chair related to disclosure requirements under the federal securities laws.” Pg. 9



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In addition, the Chamber has supported previous versions of legislation introduced by Representative Gregory Meeks on disclosure of corporate board diversity,³ which have garnered bipartisan support. The Chamber believes this legislation should be considered separately. It is regrettable that Representative Meek's thoughtful legislation has been included in this flawed H.R. 1187.

The Chamber opposes H.R. 1187, the "Corporate Governance Improvement and Investor Protection Act," and urges you to vote against this legislation.

Sincerely,

A handwritten signature in black ink, appearing to read "Jack Howard", written in a cursive style.

Jack Howard

³ U.S. Chamber of Commerce, "[Coalition Letter on H.R. 1277, 'Improving Corporate Governance Through Diversity Act'](#)," April 20, 2021.

