

[DISCUSSION DRAFT]

116TH CONGRESS  
1ST SESSION

**H. R.** \_\_\_\_\_

To amend the Securities Exchange Act of 1934 to require issuers to disclose human rights risks and impacts, and for other purposes.

\_\_\_\_\_  
IN THE HOUSE OF REPRESENTATIVES

M. \_\_\_\_\_ introduced the following bill; which was referred to the Committee on \_\_\_\_\_

\_\_\_\_\_  
**A BILL**

To amend the Securities Exchange Act of 1934 to require issuers to disclose human rights risks and impacts, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Corporate Human  
5 Rights Risk Assessment, Prevention, and Mitigation Act  
6 of 2019”.

7 **SEC. 2. FINDINGS AND SENSE OF CONGRESS.**

8 (a) FINDINGS.—The Congress finds the following:

1           (1) In 2011, the United Nations Human Rights  
2           Council unanimously adopted the United Nations  
3           Guiding Principles on Business and Human Rights  
4           which recognized human rights risk assessment  
5           processes as a critical step in upholding the cor-  
6           porate responsibility to respect human rights.

7           (2) In December 2016, the Department of  
8           State published the first U.S. National Action Plan  
9           on Responsible Business Conduct which underscored  
10          the importance of human rights risk assessments  
11          and encouraged businesses to conduct human rights  
12          risk assessments in the form of “human rights due  
13          diligence”.

14          (3) Over the last 15 years, more than 20 coun-  
15          tries independently enacted legislation requiring pub-  
16          lic companies to report on environmental, social, and  
17          governance (ESG) issues, and all 28 European  
18          Union member states have enacted comprehensive  
19          ESG disclosure requirements.

20          (4) The number of companies voluntarily dis-  
21          closing ESG information has increased greatly in the  
22          past decade, signaling growing investor demand for  
23          this type of information.

24          (5) While a large number of publically traded  
25          companies in the United States voluntarily disclose

1 human rights policies, practices, and impacts, such  
2 voluntary disclosures do not provide investors with  
3 reliable, complete, or comparable information, and  
4 therefore have limited efficacy.

5 (6) An increasing percentage of investors con-  
6 sider human rights risks as a part of their invest-  
7 ment decision-making process.

8 (7) The human rights policies, practices, and  
9 impacts of publically traded companies in the United  
10 States are material to investors and the broader  
11 public interest in the short-term and long-term and  
12 should be disclosed to investors and the general pub-  
13 lic annually to help inform investment decision-mak-  
14 ing and support the public interest in ensuring pub-  
15 lically traded companies in the United States do not  
16 cause or contribute to adverse human rights impacts  
17 in the United States or in other countries.

18 (b) SENSE OF CONGRESS.—It is the sense of Con-  
19 gress that—

20 (1) human rights violations, including forced  
21 labor, modern slavery, human trafficking, the worst  
22 forms of child labor, rape, torture, forced displace-  
23 ment, and disenfranchisement of self-determination  
24 are among the most egregious forms of abuse that  
25 humans commit against each other;

1           (2) publically traded companies in the United  
2 States face substantial financial, legal, and  
3 reputational risks, including risks to productivity,  
4 operational efficiency, and workforce recruitment  
5 and retention when involved in or implicated in  
6 human rights abuses, all of which could affect inves-  
7 tors;

8           (3) currently, the information publicly available  
9 to investors about any negative human rights im-  
10 pacts of publically traded companies in the United  
11 States is gravely inadequate;

12           (4) legislation is necessary to provide com-  
13 parable and consistent information to investors  
14 about the human rights policies, practices, and im-  
15 pacts of publically traded companies in the United  
16 States; and

17           (5) publicly available disclosures about the  
18 human rights policies, practices, and impacts of pub-  
19 lically traded companies in the United States could  
20 allow investors and consumers to avoid inadvertently  
21 promoting or sanctioning human rights violations by  
22 purchasing raw materials, products, or shares from  
23 certain publically traded companies.

1 **SEC. 3. HUMAN RIGHTS DISCLOSURES.**

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

5 “(s) HUMAN RIGHTS DISCLOSURES.—

6 “(1) ANNUAL ANALYSIS.—

7 “(A) IN GENERAL.—Each issuer required  
8 to file an annual report under this section shall  
9 conduct an annual analysis to—

10 “(i) identify the existence of any  
11 human rights risks in the operations and  
12 the value chain of the issuer, that are  
13 known or should be known, and rank any  
14 risks identified based on their severity; and

15 “(ii) identify the existence of any  
16 human rights impacts in the operations  
17 and the value chain of the issuer, that are  
18 known or should be known, and rank any  
19 impacts identified based on their severity.

20 “(B) RANKING.—

21 “(i) RISKS.—When ranking human  
22 rights risks under subparagraph (A)(i), the  
23 issuer shall consider the gravity and ex-  
24 pected extent of any potential harm to  
25 human rights, and any anticipated chal-  
26 lenges in remedying any potential harm.

1                   “(ii) IMPACTS.—When raking human  
2                   rights impacts under subparagraph (A)(ii),  
3                   the issuer shall consider the gravity of the  
4                   human rights impacts, the extent of harm,  
5                   and any challenges in remedying such  
6                   harm.

7                   “(2) DISCLOSURES.—Each issuer required to  
8                   file an annual report under this section shall include  
9                   in such annual report, under a heading labeled  
10                  ‘Human Rights Risk and Impact Report’—

11                  “(A) a brief description of the business  
12                  structure of the supply chain of the issuer, in-  
13                  cluding subsidiaries and business relationships,  
14                  to the extent not otherwise disclosed in such re-  
15                  port;

16                  “(B) a description of any process through  
17                  which the issuer educates executives, employees,  
18                  contractors, sub-contractors, and other actors  
19                  in its value chain about any human rights poli-  
20                  cies that the issuer has;

21                  “(C) a description of the analysis con-  
22                  ducted pursuant to paragraph (1);

23                  “(D) the results of the analysis conducted  
24                  pursuant to paragraph (1), including—

1 “(i) the ranked list of any human  
2 rights risks identified; and

3 “(ii) the ranked list of any human  
4 rights impacts identified;

5 “(E) a description of any action, including  
6 the establishment of any monitoring process,  
7 the issuer has taken to avoid or mitigate—

8 “(i) any human rights risks identified  
9 in the current analysis;

10 “(ii) any human rights risks identified  
11 in any analysis described in the most re-  
12 cent annual report;

13 “(iii) any human rights impacts iden-  
14 tified in the current analysis;

15 “(iv) any human rights impacts iden-  
16 tified in the analysis described in the most  
17 recent annual report;

18 “(F) for any action taken, the assessment  
19 of the issuer of the efficacy of the action and  
20 a description of any outcomes of such action;

21 “(G) if no action was taken, a reasoned ex-  
22 planation of why no action was taken;

23 “(H) a description of any process the  
24 issuer has in place to avoid and mitigate any

1 human rights impacts that it has caused or may  
2 cause; and

3 “(I) if no such process is in place, a rea-  
4 soned explanation of why no such process is in  
5 place.

6 “(3) DEFINITIONS.—For the purposes of this  
7 subsection:

8 “(A) HUMAN RIGHTS IMPACT.—The term  
9 ‘human rights risk’ means an adverse impact  
10 that an action of the issuer has had on the en-  
11 joyment of human rights, including those rights  
12 encompassed in—

13 “(i) the Universal Declaration of  
14 Human Rights;

15 “(ii) the International Covenant on  
16 Civil and Political Rights;

17 “(iii) the International Covenant on  
18 Economic, Social, and Cultural Rights; and

19 “(iv) the 8 core conventions of the  
20 International Labor Organization.

21 “(B) HUMAN RIGHTS RISK.—The term  
22 ‘human rights risk’ means a potential adverse  
23 impact that an action of the issuer may have on  
24 the enjoyment of human rights, including those  
25 rights encompassed in—



1 “(i) the Universal Declaration of  
2 Human Rights;

3 “(ii) the International Covenant on  
4 Civil and Political Rights;

5 “(iii) the International Covenant on  
6 Economic, Social, and Cultural Rights; and

7 “(iv) the 8 core conventions of the  
8 International Labor Organization.

9 “(C) VALUE CHAIN.—The term ‘value  
10 chain’ means, for an issuer—

11 “(i) any recruiters of workforce labor,  
12 and suppliers of products, component  
13 parts, and raw materials used by the issuer  
14 in manufacturing any products of the  
15 issuer, even if the relationship with such  
16 recruiter or supplier is indirect; and

17 “(ii) entities that receive products or  
18 services from the issuer, other than for  
19 personal use.”.

20 (b) GAO REPORT.—Not later than 5 years after the  
21 date of the enactment of this Act, the Comptroller General  
22 of the United States shall submit to the Committee on  
23 Financial Services of the House of Representatives and  
24 the Committee on Banking, Housing, and Urban Affairs  
25 of the Senate, a report that—

1           (1) assesses the effectiveness of section 13(s) of  
2           the Securities Exchange Act of 1934 in the pro-  
3           viding complete and comparable human rights risk  
4           and impact information to investors;

5           (2) describes any challenges the Commission  
6           encountered in carrying out section 13(s) of the Se-  
7           curities Exchange Act of 1934; and

8           (3) analyzes the humans rights impacts re-  
9           ported pursuant to section 13(s) of the Securities  
10          Exchange Act of 1934, identifies the most egregious  
11          human rights impacts, and assesses potential crimi-  
12          nal liability or the issuers whose actions caused such  
13          human rights impacts.