



H.R. 1187, the “Corporate Governance Improvement and Investor Protection Act”

Topline: H.R. 1187 is another attempt by Democrats to hijack our securities laws to push a left-wing social agenda. This bill will increase costs for public companies, discourage private companies from going public, and encourage public companies to go private. This will result in fewer investment opportunities for everyday American investors saving for retirement, a college education, or just looking to build a better life.

Harms Job Creators

- H.R. 1187 will increase compliance costs for public companies and divert company resources that could have been used to create jobs.
 - The only jobs H.R. 1187 will create and protect are jobs for regulatory lawyers and accountants that companies hire in order to comply with these substantial disclosures.
 - Companies that decide to go public increase their workforces by 45 percent relative to private companies, yet H.R. 1187 will deter companies from going public.

Hurts Everyday Investors

- H.R. 1187’s increased compliance costs combined with a company’s fear of being named and shamed through disclosure will mean fewer investment choices for everyday investors.
- Everyday investors will not find the vast amount of information required to be disclosed under H.R. 1187 useful for making investment decisions. In fact, H.R. 1187’s disclosures could mislead investors.
 - Environmental, climate change, and accounting and tax-related information can be highly technical. Additionally, the disclosures under H.R. 1187 will only tell a partial story of a company’s dealings and operations as it relates to the information required to be disclosed.

Increases the Costs for Companies to Go and Remain Public, Especially for Smaller Companies

- H.R. 1187’s onerous and expensive costs are disproportionately borne by smaller public companies because they have fewer resources to spend on the fixed costs of compliance, such as specialized attorneys and accountants.
 - Small public companies are only exempted from one section of H.R. 1187, and even that section leaves the exemption criteria to the SEC’s discretion. By not exempting smaller public companies, H.R. 1187 tips the scales in favor of large incumbent corporations.

Inserts the SEC into Areas Far Outside its Expertise

- H.R. 1187 greatly expands the SEC’s jurisdiction by requiring the SEC to promulgate disclosures on environmental, climate change, political spending, and tax reporting issues.
 - The SEC does not have expertise in environmental, climate change, campaign finance, and tax law issues. The SEC is not the appropriate entity for determining reporting metrics, industry standards, and formatting on these matters, nor is the SEC the appropriate entity to review and enforce these disclosures.
 - Efforts to encourage environmental, climate-related, tax reporting, and campaign finance disclosures for public companies are best left to experts within those industries and individual company shareholders.
 - The SEC knows how to regulate public company financial disclosures based on the more than 80-year old materiality standard: if information presents a material investment risk to the company, the company must disclose it.

Bottomline: H.R. 1187 will layer on costly and confusing disclosure requirements, which will only hurt the everyday investors Democrats claim to want to help.