THE COMMONWEALTH PROJECT · FEDERAL · DISCUSSION DRAFT

Responsible Ownership and Corporate Accountability Act

The architecture, rebuilt

The Corporate Pay Accountability Act makes the runaway costly. This Act rebuilds the architecture so that it cannot resume.

VERSION 4 · NOVEMBER 5, 2026 · SUPERSEDES VERSION 3 (NOVEMBER 2025)

WHAT THE BILL DOES

The postwar equilibrium was not held in place by owners in the room; by 1963 most large corporations were already management-controlled. It was held by an architecture: boards that retained and reinvested, pay that tracked the enterprise rather than the share price, owners who voted their own stock, and a wage written into the firm's planning. Each title rebuilds one piece of it for the index-fund era.

Titles III, IV, VI, and VII bind listed companies as conditions of listing, as the Sarbanes-Oxley Act did for audit committees and the Dodd-Frank Act for compensation committees. Title V binds asset managers, funds, custodians, and plan fiduciaries directly. The Act amends no State corporate code.

WHAT THIS VERSION CHANGES

- Employee representative directors: one-third of the board, required above 75:1 on the CPAA ladder and voluntary below it, elected by secret ballot under an independent administrator, with seats on the compensation and nominating committees.
- Tenure-weighted voting with no opt-out, on executive pay, compensation plans, and buybacks only; no bonus for insiders, funds, custodians, or multiple-vote classes. Version 3's rule measuring tenure at the fund is gone.
- Uninstructed shares voted in proportion to the company's instructed shares outside the insider group, never at the manager's discretion; a manager's house policy is not an instruction.
- A statutory stewardship duty, a custodian transmission duty, and a conforming amendment to ERISA.
- Half of executive pay deferred five years and first in line for any CPAA recovery; a quarter of variable pay on real median pay and productive investment.
- Bright-line bars on repurchases before board certification, and the Version 3 excise tax dropped; authority grounded in listing standards; penalties assessed in court.

Status. Discussion draft. Not introduced in Congress. Not for citation as enacted or introduced law. Figures in brackets are proposals left to the sponsor.

Companion bills. Corporate Pay Accountability Act, Version 2 (the lead instrument: the pay ladder); Utah Commonwealth Corporation Act, Version 3 (the voluntary state prototype).

Cite as. The Commonwealth Project, Responsible Ownership and Corporate Accountability Act, Discussion Draft, Version 4 (November 5, 2026). **Comments.** hello@commonwealthcorporation.org

DISCUSSION DRAFT · VERSION 4 · NOVEMBER 5, 2026

119th Congress
2d Session

H. R. ____

To restore to the owners of companies listed on the national securities exchanges the voice that ownership carries, by rebuilding the architecture of board representation, voting, asset-manager stewardship, executive pay, and capital allocation, and for other purposes.

In the House of Representatives

M__. _____ introduced the following bill; which was referred to the Committee on Financial Services and, in addition, the Committee on Education and Workforce

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A BILL

To restore to the owners of companies listed on the national securities exchanges the voice that ownership carries, by rebuilding the architecture of board representation, voting, asset-manager stewardship, executive pay, and capital allocation, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) Short title.—This Act may be cited as the "Responsible Ownership and Corporate Accountability Act".

(b) Table of contents.—The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—FINDINGS AND PURPOSES

Sec. 101. Findings.
Sec. 102. Purposes.

TITLE II—AUTHORITY, SCOPE, AND DEFINITIONS

Sec. 201. Authority and scope.
Sec. 202. Definitions.
Sec. 203. Relationship to the corporate pay accountability act.

TITLE III—BOARD REPRESENTATION

Sec. 301. Employee representative directors.
Sec. 302. Elections.
Sec. 303. Status, duties, and committees.

TITLE IV—TENURE-WEIGHTED VOTING

Sec. 401. Covered votes.
Sec. 402. Votes per share.
Sec. 403. Shares that earn no tenure.
Sec. 404. Measuring tenure.
Sec. 405. Holding-period records.
Sec. 406. No opt-out.

TITLE V—ASSET MANAGERS AND PASS-THROUGH VOTING

Sec. 501. Stewardship duty.
Sec. 502. Pass-through voting.
Sec. 503. Uninstructed shares.
Sec. 504. Instructions.
Sec. 505. Custodians and plan administrators.
Sec. 506. Conforming amendment to erisa.
Sec. 507. Enforcement against intermediaries.
Sec. 508. Study of concentrated voting power.

TITLE VI—EXECUTIVE COMPENSATION

Sec. 601. Deferral.
Sec. 602. Performance measures.

TITLE VII—REPURCHASES

Sec. 701. Major repurchase.
Sec. 702. Bright lines.
Sec. 703. Board certification.
Sec. 704. No sales by executives during repurchases.
Sec. 705. Safe harbor.

TITLE VIII—EVALUATION, SUNSET, AND ENFORCEMENT

Sec. 801. Evaluation.
Sec. 802. Sunset.
Sec. 803. Enforcement.
Sec. 804. Effective dates.
Sec. 805. Severability.

TITLE I—FINDINGS AND PURPOSES

SEC. 101. FINDINGS.

Congress finds the following:

(1) Ownership carries the right to choose who governs and the obligation of those chosen to answer. The shareholders of a corporation elect its board, and the board answers to them for what they own.

(2) The large American corporation was management-controlled long before the index fund. In 1963, 84.5 percent of the 200 largest nonfinancial corporations had no owner holding a controlling stake.

(3) The ratio of chief executive pay to the pay of the typical worker nonetheless stayed near 20 to 1 into the 1970s. What held it was an architecture, not an owner in the room: boards that retained and reinvested earnings, pay in salary rather than stock, a wage indexed to productivity in the 1948 General Motors contract and copied across industry, and owners who voted their own stock.

(4) That architecture has been taken apart. Most shares of listed companies are now held through funds and retirement plans. The three largest index-fund managers hold about a fifth of the shares of the companies in the S&P 500 and cast about a quarter of the votes at their meetings. The managers vote those shares; the savers who own them almost never do.

(5) A saver who is never asked for an instruction has no vote. A pass-through that returns the uninstructed shares to the manager changes little; one that leaves them unvoted gives control to whoever votes, and insiders always vote.

(6) The holders who keep shares longest are the insiders and the index funds. A bonus for tenure measured at the fund would multiply the managers' votes; a bonus open to insiders would entrench them. When France made double voting the default for listed companies in 2014, widely held companies voted their way back out, and it remained where a founding family had chosen it at listing or the state held a blocking stake.

(7) The damage a short horizon does falls on executive pay and on buybacks. The market for corporate control is the one external check on a captured board. Tenure weighting belongs on the first and nowhere near the second.

(8) Employee representation on boards has been tested. After Germany ended mandatory board representation for newly incorporated firms in 1994, the firms that kept worker directors invested more and used more capital-intensive methods, and paid wages about the same as firms without them. Worker directors change what a board sees and what it certifies; they do not by themselves set wages.

(9) From 2003 through 2012 the companies of the S&P 500 spent 54 percent of their earnings repurchasing their own shares and 37 percent on dividends. A repurchase is a judgment that the company has no better use for its capital, and it should not be made while the company's pension plan is underfunded, its workers' real pay is falling, or its investment is shrinking, or with borrowed money.

(10) Congress has conditioned listing on the composition of a company's board before, in section 301 of the Sarbanes-Oxley Act of 2002 and section 952 of the Dodd-Frank Wall Street Reform and Consumer Protection Act. When the Securities and Exchange Commission adopted a voting-rights listing standard without such a statute, the Court of Appeals for the District of Columbia Circuit set it aside, in 1990; in 2024 the Court of Appeals for the Fifth Circuit, sitting en banc, set aside a board-composition listing rule

on the same ground. Both courts objected to an agency reaching past what Congress wrote. This Act is Congress writing it.

(11) In 2024 the Supreme Court ended judicial deference to agency readings of ambiguous statutes and held that civil penalties of the kind the securities laws impose for fraud must be assessed by a jury in court. This Act therefore states its own definitions and defaults and assigns its penalties to the courts.

SEC. 102. PURPOSES.

The purposes of this Act are—

(1) to restore to the beneficial owners of listed companies the votes their shares carry;

(2) to give the workforce whose livelihood is bound to a company's long-term health a voice on its board;

(3) to weight the votes on executive pay and repurchases toward owners who hold for the long term, without disturbing the votes that decide control;

(4) to tie executive pay to the long-term health of the enterprise and the pay of its workforce;

(5) to set bright lines on repurchases; and

(6) to do so by statute, under authority Congress has used before, with every definition and default stated in the text.

TITLE II—AUTHORITY, SCOPE, AND DEFINITIONS

SEC. 201. AUTHORITY AND SCOPE.

(a) Conditions of listing.—Titles III, IV, VI, and VII apply to each covered company as conditions of the listing of its equity securities on a national securities exchange. No national securities exchange may list, or continue to list, any equity security of a covered company that is not in compliance with those titles after notice and an opportunity to cure of not more than 180 days.

(b) Intermediaries.—Title V applies directly to covered asset managers and to every investment company, bank, broker, dealer, custodian, trustee, and fiduciary of an employee benefit plan that holds or votes shares of a covered company, under the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Securities Exchange Act of 1934, and the Employee Retirement Income Security Act of 1974.

(c) State law.—This Act amends the corporate law of no State. A covered company complies with titles III, IV, VI, and VII as a condition of listing, notwithstanding any inconsistent provision of its articles of incorporation or bylaws.

(d) Administration.—The Securities and Exchange Commission administers this Act and prescribes the forms on which its reports are made. The Commission may not waive, alter, or redefine any threshold, definition, or default stated in this Act, or exempt any person from it.

SEC. 202. DEFINITIONS.

In this Act:

(1) Affiliate.—The term "affiliate" of a person means any person that directly or indirectly controls, is controlled by, or is under common control with that person.

(2) Beneficial owner.—The term "beneficial owner" means the person who holds the economic interest in a share, determined by looking through every fund, plan, trust, account, and other intermediary through which the share is held. Where a share is held through a pooled vehicle, each person holding an interest in the vehicle is the beneficial owner of the number of shares, including fractions, that corresponds to that interest.

(3) Commission.—The term "Commission" means the Securities and Exchange Commission.

(4) Covered asset manager.—The term "covered asset manager" means an investment adviser that, together with its affiliates, holds or has the power to vote equity securities of covered companies with an aggregate market value of more than [2] percent of the aggregate market value of all outstanding equity securities of covered companies, on the last business day of any calendar quarter, and continues to be one for the four calendar quarters that follow.

(5) Covered company.—The term "covered company" means an issuer that has a class of equity securities listed on a national securities exchange and is a covered corporation within the meaning of section 201(6) of the Corporate Pay Accountability Act.

(6) Covered vote.—The term "covered vote" has the meaning given in section 401.

(7) Instructed share; uninstructed share.—A share is "instructed" on a matter if its beneficial owner has instructed its vote on that matter as section 504 provides, and is otherwise "uninstructed".

(8) Insider.—The term "insider" means each officer and director of a covered company; each person who beneficially owns more than 10 percent of any class of its equity securities, counting as one person any group described in section 13(d)(3) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(d)(3)); and each affiliate of any of them.

(9) Intermediary.—The term "intermediary" means a person that holds a share, or the power to vote a share, for the benefit of another, including an investment adviser, an investment company, a collective investment trust, a bank, a broker, a dealer, a custodian, a trustee, and a fiduciary of an employee benefit plan.

(10) Major repurchase.—The term "major repurchase" has the meaning given in section 701.

(11) Productive investment.—The term "productive investment" means the sum of capital expenditures and research and development expense, as reported in a company's audited financial statements, and the term "rate of productive investment" means that sum divided by revenue.

(12) Terms from the Corporate Pay Accountability Act.—The terms "chief executive ratio", "covered executive", "covered hour", "covered workforce", "measured median", "median covered compensation", "real", "rung", "structural rung", and "total realized compensation" have the meanings given them in the Corporate Pay Accountability Act.

SEC. 203. RELATIONSHIP TO THE CORPORATE PAY ACCOUNTABILITY ACT.

(a) One measure.—A covered company's covered workforce, compensation, ratios, and rung are determined, reported, and certified under titles II and III of the Corporate Pay Accountability Act, and this Act relies on those determinations.

(b) Floor.—The obligations of this Act are minimums. Nothing in this Act relieves a covered company of any obligation under the Corporate Pay Accountability Act, and where both Acts apply to the same matter, the more stringent requirement controls.

> DRAFTING NOTE. This Act and the Corporate Pay Accountability Act are drafted as companions. If this Act moves without the other, title II and sections 301, 302, and 304 of that Act are to be carried into this title in full, so that the ratio this Act relies on is measured and certified on the same definitions.

TITLE III—BOARD REPRESENTATION

SEC. 301. EMPLOYEE REPRESENTATIVE DIRECTORS.

(a) Required above 75 to 1.—A covered company on the structural rung shall, beginning with its first annual meeting held more than 180 days after the end of the fiscal year in which it reached that rung, have a board of directors of which not fewer than one-third of the members are employee representative directors elected under section 302. This requirement is the same as section 306(a)(1) of the Corporate Pay Accountability Act, and compliance with either satisfies both.

(b) Voluntary adoption below 75 to 1.—Any other covered company may adopt the requirement in subsection (a) by resolution of its board or by vote of its shareholders. A company that adopts it may rescind it only by vote of its shareholders, effective at the end of the terms of the employee representative directors then serving.

(c) Computation.—One-third is computed on the total number of directors and rounded up to the next whole number.

SEC. 302. ELECTIONS.

(a) Administrator.—Each election of employee representative directors is conducted by secret ballot, at the company's expense, by an administrator that has had no business relationship with the company or any insider in the preceding three years and that certifies its independence to the Commission.

(b) Electorate and candidates.—Every individual in the company's covered workforce located in the United States who performed at least 500 covered hours in the 12 months before the record date, other than a covered executive, may vote and may stand for election.

(c) No sponsored candidates.—No candidate may be nominated, funded, endorsed, or campaigned for by the company, by any insider, or by any outside organization. Every candidate reaches the electorate through a single channel operated by the administrator on equal terms, and the company furnishes the administrator the information needed to reach the electorate, for that purpose only.

(d) Terms; removal; vacancies.—An employee representative director serves the same term as other directors and may be removed only by a majority of the electorate voting in a recall election conducted under this section, or for cause on the same terms as any other director. A vacancy is filled by special election under this section.

(e) Retaliation.—No person may discharge, discipline, threaten, or otherwise discriminate against an individual for voting, standing, campaigning, or serving under this title.

SEC. 303. STATUS, DUTIES, AND COMMITTEES.

(a) Directors.—An employee representative director is a director of the company, owes it the same fiduciary duties as every other director, receives the same information at the same time, and may not be instructed by any person how to vote.

(b) Committees.—At least one employee representative director serves on the compensation committee and at least one on the nominating committee, because a board's decisions on pay and succession are made there. Section 10C(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78j-3(a)) does not disqualify an employee representative director from service on the compensation committee.

(c) Not a labor organization.—An employee representative director is not a labor organization or the representative of one, and the election and service of employee representative directors under this title is not an unfair labor practice under section 8(a)(2) of the National Labor Relations Act (29 U.S.C. 158(a)(2)). Nothing in this title affects any right under that Act.

TITLE IV—TENURE-WEIGHTED VOTING

SEC. 401. COVERED VOTES.

(a) Votes weighted.—This title applies to each vote of the shareholders of a covered company—

(1) to ratify or approve the compensation of an executive officer, including a vote under section 303 of the Corporate Pay Accountability Act or section 14A of the Securities Exchange Act of 1934 (15 U.S.C. 78n-1);

(2) to approve or amend a compensation plan; and

(3) to authorize or approve a major repurchase.

(b) Votes not weighted.—This title does not apply to the election or removal of directors; to any merger, consolidation, share exchange, sale of substantially all assets, tender or exchange offer, or other transaction affecting control; or to any other vote. On those votes each share carries the votes its terms provide, and a holder who arrives to replace a failed board carries the same vote as the holders who kept it.

SEC. 402. VOTES PER SHARE.

On a covered vote, a share carries—

(1) one vote, if its beneficial owner has held it for less than three years;

(2) two votes, if its beneficial owner has held it for three years or more and less than five years; and

(3) three votes, if its beneficial owner has held it for five years or more.

SEC. 403. SHARES THAT EARN NO TENURE.

A share carries one vote on a covered vote, whatever its holding period, if—

(1) it is beneficially owned by an insider;

(2) it is voted by an intermediary other than as instructed by its beneficial owner, because an intermediary earns no tenure of its own; or

(3) it is of a class that carries more than one vote per share under the company's articles of incorporation. This Act does not otherwise alter the voting rights of such a class.

SEC. 404. MEASURING TENURE.

(a) The beneficial owner's tenure.—Tenure belongs to the beneficial owner and is measured from the date the beneficial owner acquired the share, or the interest through which the share is held.

(b) Shares held through a fund.—For a share held through a fund or other pooled vehicle, tenure is the shorter of—

(1) the period for which the beneficial owner has continuously held an interest in the vehicle; and

(2) the period for which the vehicle has continuously held shares of the covered company.

(c) Transfers that are not sales.—A beneficial owner's tenure is not interrupted by—

(1) a transfer of the share or interest between custodians or accounts of the same beneficial owner;

(2) a direct rollover or trustee-to-trustee transfer between retirement plans or accounts, including a reinvestment within 60 days in an interest in a vehicle that holds shares of the covered company;

(3) a transfer at death or by inheritance; or

(4) a transfer between spouses or incident to divorce.

In each case the transferee takes the transferor's tenure, since nothing was sold.

(d) Proof.—Tenure is established by the records kept under section 405. A beneficial owner whose date of acquisition is not of record may establish it by an account statement.

(e) Transition.—A holding period that began before the effective date of this title counts if it is established under subsection (d).

SEC. 405. HOLDING-PERIOD RECORDS.

(a) Duty to keep and transmit.—Each broker, dealer, bank, custodian, transfer agent, plan recordkeeper, and pooled vehicle that holds shares of a covered company, or interests in a vehicle that holds them, for a beneficial owner shall keep a record of the beneficial owner's holding period, transmit it with the share or interest on any transfer described in section 404(c), and transmit it to the company's tabulator for each covered vote.

(b) Cost.—The reasonable cost of keeping and transmitting the records is recovered through the fees a covered company reimburses for the distribution of proxy materials under the rules of the national securities exchanges.

SEC. 406. NO OPT-OUT.

This title applies notwithstanding any provision of the articles of incorporation, the bylaws, or any agreement. No covered company may adopt or maintain a provision that alters the votes a share carries on a covered vote.

TITLE V—ASSET MANAGERS AND PASS-THROUGH VOTING

SEC. 501. STEWARDSHIP DUTY.

(a) Duty.—A covered asset manager that votes a share of a covered company, or engages with the company's management or board on any matter that is or may be put to a vote, shall act solely in the financial interest of the beneficial owners of the shares it holds or votes.

(b) Business with portfolio companies.—Each covered asset manager shall disclose annually, for each covered company whose shares it holds or votes, every business relationship between the manager or any affiliate and the company, any of its employee benefit plans, or any of its insiders, with the fees received from each.

(c) Publication.—The disclosures under subsection (b) are filed with the Commission with the manager's annual voting record and published by the Commission in a searchable, machine-readable form.

SEC. 502. PASS-THROUGH VOTING.

(a) Right to direct the vote.—The beneficial owner of a share of a covered company held through a covered asset manager, or through any fund or account it manages, may direct the vote of that share on every matter at every meeting of the company's shareholders.

(b) Means.—Each covered asset manager shall provide, at no charge to the beneficial owner, a means of giving an instruction for each meeting and of giving a standing direction under section 504.

(c) Vote as instructed.—Each covered asset manager shall vote every instructed share as instructed.

SEC. 503. UNINSTRUCTED SHARES.

(a) Mirror rule.—An uninstructed share of a covered company held through a covered asset manager, or through any fund or account it manages, is voted on each matter in the same proportions, for, against, withheld, and abstaining, as the instructed shares of the company were voted on that matter, and never at the discretion of the manager. In an election of directors, the uninstructed shares are voted for each candidate in proportion to the instructed shares voted for that candidate.

(b) Company-wide base, insiders excluded.—The proportions are those of all instructed shares of the company, wherever held, other than shares beneficially owned by insiders. The company's instructed shares set the proportion, not the fund's, so that no fund's vote is decided by the few of its holders who return an instruction, and no insider's vote is multiplied onto the uninstructed shares.

(c) No instructed shares.—If no share of the company other than a share beneficially owned by an insider is instructed on a matter, the uninstructed shares are not voted on it.

(d) Quorum.—A share voted under this section is present for purposes of a quorum.

SEC. 504. INSTRUCTIONS.

(a) What counts.—A share is instructed only by—

(1) a direction its beneficial owner gives for the vote; or

(2) a standing direction its beneficial owner gives, by affirmative selection, to vote according to a published voting policy of a provider that is not an affiliate of the covered asset manager and receives no compensation from the manager or its affiliates.

(b) What does not count.—The selection of a voting policy of the covered asset manager or any of its affiliates from a menu, the operation of a default, and the absence of an objection are not instructions.

(c) Standing directions.—A standing direction remains in effect until revoked, and the beneficial owner may revoke it at any time.

(d) Reporting.—Each fund or account managed by a covered asset manager shall report annually to the Commission, with its voting record, the percentage of its shares in covered companies that were instructed, the percentage instructed by standing direction under subsection (a)(2), and the providers of the policies selected.

SEC. 505. CUSTODIANS AND PLAN ADMINISTRATORS.

Each custodian, broker, bank, plan administrator, and recordkeeper shall transmit proxy materials, voting instruction forms, and instructions under this title promptly and at no charge to the beneficial owner. The covered company reimburses the reasonable cost at the rates that apply to the distribution of proxy materials under the rules of the national securities exchanges.

SEC. 506. CONFORMING AMENDMENT TO ERISA.

Section 404 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1104) is amended by adding at the end the following:

"(g) A fiduciary that votes a share of a covered company, as defined in section 202 of the Responsible Ownership and Corporate Accountability Act, as instructed by the participant or beneficiary to whose account the share is attributable, or, absent an instruction, in accordance with section 503 of that Act, satisfies the requirements of this section with respect to that vote."

> DRAFTING NOTE. Designated subsection (g) to follow the subsection (f) that section 406 of the Corporate Pay Accountability Act adds to the same section of ERISA.

SEC. 507. ENFORCEMENT AGAINST INTERMEDIARIES.

A violation of this title by an investment adviser, investment company, broker, dealer, or fiduciary of an employee benefit plan is also a violation of the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Securities Exchange Act of 1934, or the Employee Retirement Income Security Act of 1974, as the case may be, and is enforceable under that Act.

SEC. 508. STUDY OF CONCENTRATED VOTING POWER.

(a) STUDY.—The Comptroller General of the United States shall study the risks that the concentration of voting power in covered asset managers poses to competition, to financial stability, and to the accountability of boards; the effect of this title; and structural options, including the separation of index-fund management from other lines of business and limits on the share of any company's votes that one manager may cast.

(b) REPORTS.—The Comptroller General shall report to Congress on the study not later than two years after the date of enactment of this Act, and with final findings and any recommendations for legislation not later than three years after that date.

TITLE VI—EXECUTIVE COMPENSATION

SEC. 601. DEFERRAL.

(a) HALF DEFERRED FIVE YEARS.—Not less than one-half of the total compensation awarded to each covered executive of a covered company for a fiscal year, other than a director who is not an employee, shall be deferred, so that it is neither paid nor vested earlier than five years after the end of that fiscal year. Salary paid currently counts toward the half that is not deferred.

(b) FIRST SOURCE OF RECOVERY.—Deferred compensation is the first source from which any recovery under the Corporate Pay Accountability Act is made, and it is forfeited to the extent of that recovery.

(c) NO HEDGING OR ACCELERATION.—Deferred compensation may not be hedged, pledged, assigned, or accelerated, including on a change in control, except on the death or disability of the executive.

SEC. 602. PERFORMANCE MEASURES.

(a) WORKFORCE AND INVESTMENT.—Every plan or arrangement under which a covered executive's variable compensation depends on performance shall include measures of

workforce development and of productive investment, and shall not depend on share price alone.

(b) Minimum weight.—Not less than one-quarter of each covered executive's variable compensation for a fiscal year, measured at target, shall depend on—

(1) the growth of the company's real median covered compensation; and

(2) its rate of productive investment,

each measured as section 305(d) of the Corporate Pay Accountability Act measures it, so that the requirement cannot be met at a weight of one percent.

(c) Disclosure.—The company shall disclose in its proxy statement each measure, its weight, and the result.

TITLE VII—REPURCHASES

SEC. 701. MAJOR REPURCHASE.

(a) Definition.—A major repurchase is any purchase by a covered company or its affiliates of the company's equity securities, by any means, including an open-market purchase, a tender offer, an accelerated share repurchase, and a derivative transaction, that, together with all other such purchases in the same fiscal year, exceeds 2 percent of the company's shares outstanding at the beginning of the fiscal year.

(b) Exclusions.—A purchase is not counted under subsection (a) if it is made for an employee stock ownership plan or another broad-based employee plan and does not exceed the shares the plan distributes in the fiscal year, or if it is required by a contract entered into before the date of enactment of this Act.

SEC. 702. BRIGHT LINES.

(a) Years in which major repurchases are barred.—A covered company may not make a major repurchase in a fiscal year if, in its most recently completed fiscal year—

(1) the plan assets of any defined benefit pension plan it maintains were less than 100 percent of the plan's projected benefit obligation, as reported in its financial statements;

(2) its real median covered compensation fell; or

(3) its real productive investment fell below the average of the five fiscal years before it.

(b) Borrowed money.—A covered company may not make a major repurchase financed by borrowing. A repurchase is financed by borrowing to the extent that the company's total indebtedness at the end of the fiscal quarter in which the repurchase is made exceeds its total indebtedness at the beginning of the fiscal year.

SEC. 703. BOARD CERTIFICATION.

Before a covered company makes a major repurchase that section 702 does not bar, its board shall adopt a resolution certifying that the repurchase will not impair the company's ability to meet its obligations, fund its pension plans, invest in its business, pay its workforce, or withstand adverse conditions, and stating the alternative uses of the capital the board considered. Each director's vote on the resolution is recorded, and the company files the resolution with the Commission within four business days after its adoption.

SEC. 704. NO SALES BY EXECUTIVES DURING REPURCHASES.

No covered executive may sell or otherwise dispose of an equity security of a covered company in a fiscal quarter in which the company purchases its own equity securities, other than by a disposition to the company to satisfy tax withholding on the vesting of an award. Any profit realized in violation of this section is recoverable by the company, or by a shareholder on its behalf, in the manner provided by section 16(b) of the Securities Exchange Act of 1934 (15 U.S.C. 78p(b)).

SEC. 705. SAFE HARBOR.

A covered company that, for its most recently completed fiscal year, occupied the safe harbor of the Corporate Pay Accountability Act, had employee representative directors under title III, and complied with title VI satisfies section 703 by filing with the Commission, before the repurchase, a notice stating that it meets this section. Section 702 applies to it in full.

TITLE VIII—EVALUATION, SUNSET, AND ENFORCEMENT

SEC. 801. EVALUATION.

Not later than five years after the effective date of this Act, and every five years after that, the Commission, in consultation with the Secretary of Labor, shall evaluate the effects of this Act on investment, real median covered compensation, workforce stability, voting participation and the share of votes instructed, the concentration of voting power, the conduct of boards with employee representative directors, repurchases, and total shareholder return. The Commission shall publish each evaluation and submit it to Congress with its recommendations, including whether each title subject to section 802 should be renewed.

SEC. 802. SUNSET.

Titles III, IV, VI, and VII cease to have effect 15 years after the effective date of this Act unless Congress reauthorizes them. Title V does not sunset: the concentration of voting power warrants permanent structural attention.

SEC. 803. ENFORCEMENT.

(a) Civil penalties.—A person that violates this Act is liable for a civil penalty for each violation in the amounts provided by section 21(d)(3) of the Securities Exchange Act of 1934 (15 U.S.C. 78u(d)(3)), which the Commission recovers by civil action in a district court of the United States, in which either party may demand trial by jury.

(b) Retaliation.—An individual aggrieved by a violation of section 302(e) may bring an action in a district court of the United States for reinstatement, two times back pay with interest, and litigation costs, including reasonable attorney's fees.

(c) Injunctive relief.—Any individual in the electorate described in section 302(b), and any beneficial owner of shares of a covered company, may bring an action in a district court of the United States for injunctive relief to enforce title III or IV with respect to that company.

SEC. 804. EFFECTIVE DATES.

(a) Title V.—Title V takes effect two years after the date of enactment of this Act.

(b) Titles III and IV.—Titles III and IV apply to annual meetings held more than two years after the date of enactment of this Act.

(c) Titles VI and VII.—Titles VI and VII apply to fiscal years beginning more than one year after the date of enactment of this Act.

(d) Effective date of the Act.—For purposes of sections 801 and 802, the effective date of this Act is the date on which title V takes effect.

SEC. 805. SEVERABILITY.

If any provision of this Act, or its application to any person or circumstance, is held invalid, the remainder of this Act, and its application to other persons and circumstances, is not affected.