Disclosure and Reporting Impact of US Regulatory Changes

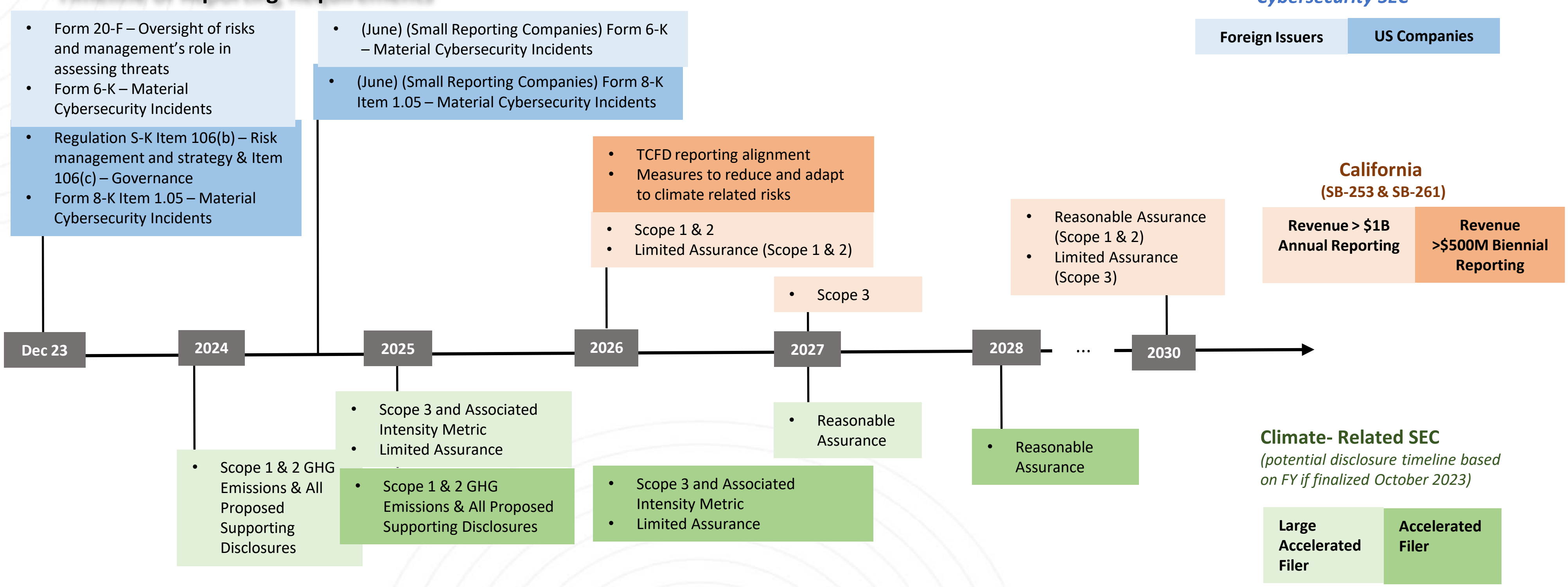
As investors and reporting agencies increasingly push for standardized ESG related disclosures, companies need to stay abreast with the constantly evolving ESG reporting universe. It can be challenging to keep track of disclosure requirements, reporting timelines and best practices for aligning with the many different frameworks and standards available. Companies need to understand how new reporting expectations (U.S. & international) will affect their ESG roadmap and begin to prepare for the changing disclosure opportunities in their annual ESG/Sustainability Reports.

In the U.S., companies should be aware of the evolving reporting requirements that will begin to take effect as soon as FY 2024.

1. **Cybersecurity Disclosure (SEC)** - The SEC has finalized new Cybersecurity disclosure requirements designed to better inform investors about risk management, strategy, and governance related to ESG topics.
2. **Climate Disclosure (California State Senate and Assembly)** - CA State Governing bodies recently passed both the Corporate Data Accountability Act (SB-253) and Greenhouse Gases: Climate-Related Financial Risk (SB-261) which, Governor Gavin Newsom is expected to sign into law this year.
3. **Climate Disclosure (SEC)** - The SEC is in the process of finalizing Climate Related requirements with a target deadline of announcing the finalized rule sometime in October

(Reminder: Earlier this year the EU has established comprehensive ESG regulations, such as the NFRD, EU Taxonomy, SFDR, and the forthcoming CSRD. Read more here: ZMH Spotlight: EU Regulations Key Takeaways)

Timeline of Reporting Requirements



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Cybersecurity - *Approved September 5, 2023*

The SEC adopted final rules designed to better inform investors about companies' risk management, strategy, and governance and timely notification of material cybersecurity incidents, in order to enable better evaluation of a company's exposure to and mitigation of cybersecurity risks and incidents.

Reporting Expectations:

	Item	Disclosure Requirements
U.S. Companies	Regulation S-K Item 106(b) – Risk management and strategy	• Registrants must describe their processes, if any, for the assessment, identification, and management of material risks from cybersecurity threats, and describe whether any risks from cybersecurity threats have materially affected or are reasonably likely to materially affect their business strategy, results of operations, or financial condition.
	Regulation S-K Item 106(c) – Governance	• Describe the board's oversight of risks from cybersecurity threats. • Describe management's role in assessing and managing material risks from cybersecurity threats.

	Form 8-K Item 1.05 – Material Cybersecurity Incidents	• Registrants must disclose any cybersecurity incident they experience that is determined to be material, and describe the material aspects of its:
		    • Nature, scope, and timing; and
		    • Impact or reasonably likely impact.
		• An Item 1.05 Form 8-K must be filed within four business days of determining an incident was material. A registrant may delay filing as described below, if the United States Attorney General ("Attorney General") determines immediate disclosure would pose a substantial risk to national security or public safety.
		• Registrants must amend a prior Item 1.05 Form 8-K to disclose any information called for in Item 1.05(a) that was not determined or was unavailable at the time of the initial Form 8-K filing.

Foreign Issuers	Form 20-F	• Describe the board's oversight of risks from cybersecurity threats. • Describe management's role in assessing and managing material risks from cybersecurity threats.
	Form 6-K	• FPIs must furnish on Form 6-K information on material cybersecurity incidents that they disclose or otherwise publicize in a foreign jurisdiction, to any stock exchange, or to security holders.

Source: Final Rule: Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure

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Climate-Related Disclosure

State of California – Expected to be signed into law in 2023

Disclosure expectations are similar to what is required in frameworks, such as the Task Force on Climate-Related Financial Disclosures (TCFD) and the Greenhouse Gas Protocol. The California laws would apply to all large companies (not just publicly traded companies) that conduct business in California with revenues greater than $500million and/or $1billion.

	Reporting Frequency	Disclosure Requirements includes:
Companies with revenues greater than $1 billion	Annual	• Emissions reporting from all scopes (Score 1, 2 & 3) in accordance with the Greenhouse Gas Protocol standards • Third party assurance of emissions data
Companies with revenues greater than $500 million	Biennial	• Reporting alignment to the TCFD framework • Measures to reduce and adapt to climate related risks

Source: Bill Text - SB-261 Greenhouse gases: climate-related financial risk. (ca.gov)
Bill Text - SB-253 Climate Corporate Data Accountability Act. (ca.gov)

SEC - Final Decision expected October 2023

For the last two year the SEC has been working to finalize proposed rule amendments that would require registrant to include climate-related information in registration statements and periodic reports. Similar to the recently pasted California laws, the SEC proposal aligns with TCFD and Greenhouse Gas Protocol's reporting expectations however, unlike the California laws the SEC's proposal could mandate reporting potentially as early as 2025 (FY 2024).

Pending Disclosure Topics Includes:
• Climate-related risks and impacts on company's business, strategy, and outlook • Governance/Oversight of climate-related risks and relevant risk management processes • Greenhouse gas ("GHG") emissions • Climate-related financial statement metrics and related disclosures • Climate-related targets and goals, and transition plan

Source: SEC.gov | SEC Proposes Rules to Enhance and Standardize Climate-Related Disclosures for Investors

What ZMH Can Do for You

To properly manage ESG related risks, companies need to have a firm understanding of reporting requirements and their disclosure opportunities. ZMH Advisors helps guides companies on their ESG journey and establish long-term programs for overseeing the various facets within the ESG space.

We pride ourselves on being a one-stop shop for all things ESG. Our dynamic team of experts enables us to be agile in our approach to a company's current and evolving ESG needs.

Develop a strategic roadmap for a thoughtful, long-term ESG program

Materiality Assessment	Establish a starting point by conducting a formal and comprehensive ESG Materiality Assessment that captures what matters most to your stakeholders.
Reporting & Disclosure	Stay up to date on evolving reporting requirements and best practices and create purposeful and effective disclosures that resonate directly with ESG rating organizations and captures investor priorities.
Carbon Emissions (GHG) Footprint	Conduct a GHG inventory and calculate your scope 1, 2 & 3 emissions. Identify current gaps and develop internal processes for data collection and tracking.
Investor Engagement	Utilize our proprietary Investor Engagement Dashboard to gain strategic insights on investor-specific voting history, stewardship mandates, engagement priorities and much more.

Whether it is helping advise an already established ESG program or starting from ground zero, our team is here to help!

ESG Roadshows

CONTACT US TO LEARN MORE ABOUT OUR SERIVES

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Data-Driven ESG Strategy