

Please standby, the webcast
will begin shortly.



PwC UK EMEA Quality Center for US Audits

Market and regulatory update

PwC UK EMEA USQC
webcast

December 2023



Welcome



Introduction to today's speakers



Dianna Taylor
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Agenda

1 The inside scoop: Update on SEC rules and trends

2 ESG landscape: US sustainability reporting

3 Capital markets update

4 Q&A

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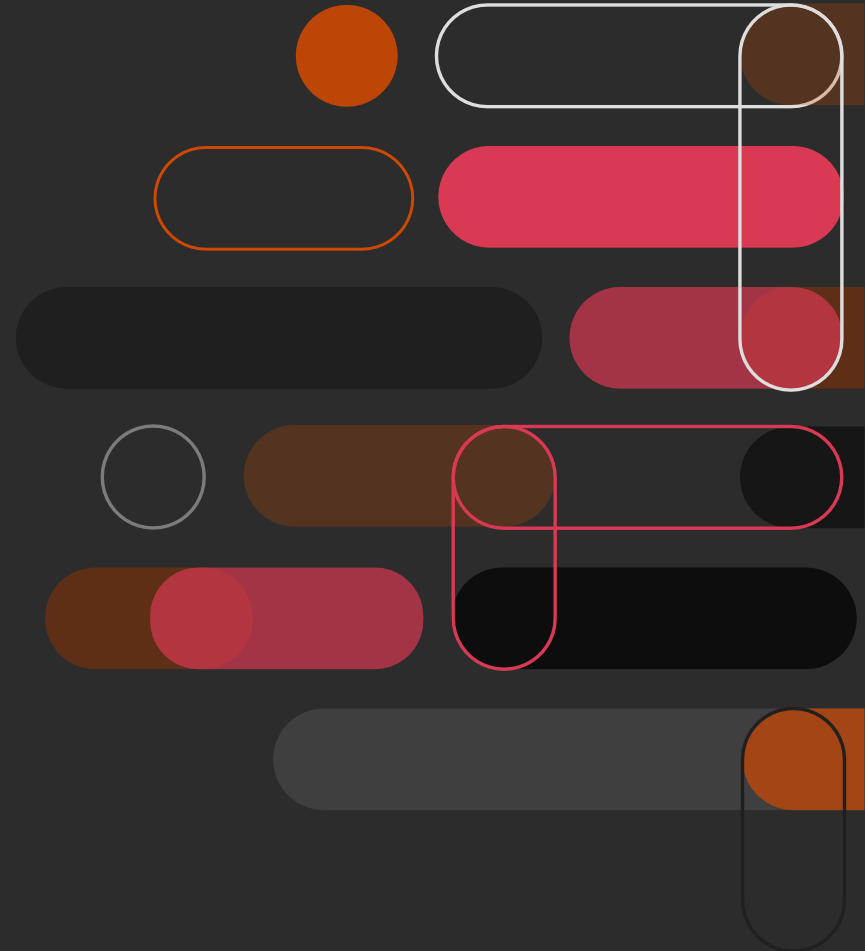
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Securities and Exchange Commission







SEC – Current regulatory landscape



- ESG disclosures*:
 - Corporate Board Diversity
 - Human Capital
-
- None
-
- ESG disclosures*:
 - Climate
 - Sponsor Promote and Compensation Act (SPAC)*
-
- Cybersecurity Risk Governance*
 - Share Repurchase Disclosure
-
- Clawbacks of Executive Compensation
 - Pay versus Performance
 - Rule 10b5-1 and Insider Trading
 - Cryptocurrency and digital assets (regulation)
-

Year-end disclosure reminders

 Rules	 Effective date	 Applicable issuer	 Annual disclosure requirement
Cybersecurity Risk Governance	Form 10-K or 20-F for fiscal years ending on or after December 15, 2023	All issuers (inclusive of EGCs, SRCs, and FPIs)	Disclose on an annual basis material information regarding their cybersecurity risk management, strategy, and governance. <i>*Note that new Form 8-K disclosures of material cybersecurity incidents are effective December 18, 2023 (June 15, 2024 for SRCs)</i>
Rule 10b5-1 and Insider Trading	Forms 10-Q, 10-K, and 20-F and in any proxy or information statements in the first filing that covers the first full fiscal period that begins on or after April 1, 2023	All issuers (inclusive of EGCs, SRCs, and FPIs)	Disclosure regarding the use of Rule 10b5-1 plans and certain other written trading arrangements by a registrant's directors and officers for the trading of its securities. <i>* Note: new annual disclosures of a registrant's insider trading policies and procedures not yet effective.</i>
Clawbacks of Executive Compensation	Form 10-K beginning with the filing that covers any period that begins on or after December 1, 2023	All issuers (inclusive of EGCs, SRCs, and FPIs), with some limited exceptions	Listed issuers are required to file their recovery policy as an exhibit to their annual reports. Annual reports should also include new cover page disclosures and new disclosures of any actions the company has taken pursuant to such recovery policies (Item 402 of Regulation S-K).
Share Repurchase Disclosure	Form 10-Q and Form 10-K, beginning with the filing that covers the first full fiscal quarter (including fourth quarter) that begins on or after October 1, 2023.	All issuers (inclusive of EGCs, SRCs, and FPIs and listed closed-end funds)	Expand existing share repurchase disclosure requirements to require separate disclosure of daily repurchases as well as additional information regarding repurchases.

SEC comment letter trends

Top 10 comment letter themes

	Change ⁽¹⁾		Change ⁽¹⁾		
1	Non-GAAP measures	↑	2	Management's discussion and analysis	↓
3	Business combinations	↑	4	Segment reporting	↑
5	Revenue recognition	↑	6	Inventory and cost of sales	↑
7	Fair value measurement	↑	8	Debt, quasi-debt, warrants and equity	↑
9	Disclosure controls and ICFR	↑	10	Risk Factors - Climate change matters	↓

This analysis was performed based on topical areas assigned by research firm Audit Analytics for comment letters publicly issued in the 12 months ended September 30, 2023 (Current Period) and the 12 months ended September 30, 2022 (Prior Period) in relation to Form 10-K and Form 10-Q filings.

⁽¹⁾ Compares the number of each type of comment letter in the current period to the prior period.

↑ The number of comment letters has increased.

SEC comment letter trends



Non-GAAP measures

Non-GAAP financial measures continues to result in frequent Staff comments. Focus areas have included:

- the presentation with equal or greater prominence of the most directly comparable GAAP financial measure;
- reconciliation to the most comparable GAAP financial measure;
- the use of individually tailored accounting principles; and
- the appropriateness of adjustments to eliminate or smooth items identified as non-recurring, infrequent, or unusual.
 - Staff has had a heightened focus on adjustments that have normally been excluded by registrants even if previously reviewed and commented on by the Staff
 - Compliance & Disclosure Interpretations (C&DI) 100.01 - **updated in December 2022**

“You disclose non-GAAP measures without presenting the comparable GAAP measures with equal or greater prominence. Please ensure any discussion regarding non-GAAP measures is preceded by an equal or more prominent discussion of the comparable GAAP measure.”

“Please include a reconciliation of core earnings that begins with the most directly comparable GAAP measure. Your revised reconciliation should provide disaggregated disclosure of all the adjustments necessary to arrive at core earnings from the most directly comparable GAAP measure.”

“We note that you disclose non-GAAP adjusted net income excluding the impact of “qualitative factors adjustment” as a result of sustained favorable macroeconomic conditions. It appears that this adjustment represents a tailored accounting principle prohibited by Rule 100(b) of Regulation G, as discussed in Question 100.04 of the Non-GAAP Financial Measures Compliance and Disclosure Interpretations (CD&Is). Please remove this adjustment from future filings. Alternatively, tell us how you comply with the guidance.”

SEC comment letter trends



Management's discussion and analysis

Focus areas have included:

- the discussion and analysis of results of operations, including the description and quantification of each material factor, offsetting factors, unusual or infrequent events, and economic developments causing changes in results between periods;
- the discussion of known trends or uncertainties that are reasonably expected to impact near and long term results;
- metrics used in assessing performance, how they are calculated and period over period changes;
- critical accounting estimates, including the judgments made, sensitivity to change, and the likelihood of materially impacts if different assumptions were used; and
- liquidity and capital resources, including clear discussion of drivers of cash flows and the trends and uncertainties related to meeting known or reasonably likely future cash requirements.

“Where a material change in a line item is attributed to two or more factors, including any offsetting factors, the contribution of each identified factor should be described in quantified terms, if reasonably practicable. Please revise your disclosures in future filings accordingly. Similar revisions should be considered throughout your results of operations disclosures, such as in your discussion of the change in research and development and selling, general and administrative expenses.”

“Please discuss in future filings whether supply chain disruptions or inflation have materially affected your outlook or business goals. Specify whether these challenges have materially impacted your results of operations or capital resources and quantify, to the extent possible, how your sales, profits, and or liquidity have been impacted. Revise also to discuss in future filings any known trends or uncertainties resulting from mitigation efforts undertaken, if any. Explain whether any mitigation efforts introduce new material risks, including those related to product quality, reliability, or regulatory approval of products.”

SEC comment letter trends



Segment reporting

Segment reporting has consistently been a topic of SEC comment.

Focus areas have included:

- how registrants have identified operating segments and aggregated them into reportable segments;
- the use of only one segment profit or loss measures; and
- the lack of entity-wide information required to be disclosed.

To resolve the comment, the SEC staff may request a copy of the reporting package or other documents utilized by the chief operating decision maker to evaluate the support for management's reporting conclusions.

“You disclose you have three operating segments. You further indicate you have aggregated these operating segments into one reportable segment based upon their shared customer base and similar economic characteristics. Please explain to us in detail how the customer base is shared and how this meets the applicable criteria for aggregation contained in ASC 280-10-50-11. Likewise, demonstrate how the economic characteristics are similar among the three separate geographic operating segments and how you determined the segments can be expected to essentially have the same future prospects. In your response, tell us the measure(s) you consider to be economically similar and why such measure(s) was selected.”

“We note that you operate as a single reportable segment, and that your business section discloses that you offer a variety of products. Please revise future filings to provide revenues for each product and service, or each group of similar products and services, or tell us why you believe the disclosures are not required. Refer to ASC 280-10-50-40 to 40-42 and be advised that these entity-wide disclosures requirements apply to all public entities, including those with one segment. If providing the information is impracticable, please disclose that fact.”

SEC comment letter trends



Revenue recognition

Revenue standards requires more quantitative and qualitative disclosure than prior guidance. The following areas have been addressed in the SEC staff's comments:

- Performance obligations
- Transaction price
- Variable consideration
- Recognizing revenue
- Gross versus net presentation
- Disaggregated revenue

“For each type of performance obligation you have, tell us whether it is recognized over time or at a point in time and specifically how it is satisfied as well as the payment terms. For those recognized over time, tell us the method you use to recognize revenue and why it represents a faithful depiction of the transfer of the goods or services.”

“You indicate that you apply certain constraints to your estimates around your variable consideration to ensure they do not pose a risk of significantly misstating your revenue in any reporting period. Please clarify for us whether this is consistent with the guidance in ASC 606-10-32-11, and if so revise your disclosure accordingly. If not, please further explain your policy for constraining your estimates with reference to the guidance applied.”

“We note your contracts often include multiple performance obligations. Please provide a description of the distinct performance obligations and explanation of when they are typically satisfied. In addition, please disclose the methods, inputs and assumptions that you use in estimating the transaction price, including variable consideration where applicable.”

“Please tell us the nature of all third-party costs you incur on behalf of your clients. Provide us with your analysis of how you determined whether you are acting as a principal or as an agent in these arrangements. Tell us how you considered your role in creating or developing a client's marketing or corporate communications message. Please specifically address amounts paid to both media providers and production companies.”

SEC comment letter trends



Fair value measurement

Fair value measurements often require the application of significant judgment. The SEC staff has focused on the quality of disclosure about those significant judgments and estimates, frequently commenting on:

- the valuation techniques and key inputs used to determine the fair value for each significant class of asset or liability, whether determined by management or a third party (e.g., independent pricing service);
- the quantitative information provided for significant unobservable inputs used in Level 3 fair value measurements, including the sensitivity of the fair value measurement to changes in those significant unobservable inputs; and
- the process and appropriateness in determining that investments reported at NAV (Net Asset Value) met the requirements to be measured at NAV.

“Please disclose quantitative information about the significant unobservable inputs used in developing the fair value of your Level 3 assets and liabilities. Also, tell us what consideration was given to providing a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs. Please refer to ASC 820-10-50-2(bbb) and (g).”

“Please tell us how you complied with the non-recurring fair value measurement disclosures related to the impairment charge, as required by ASC 820-10-50-2. Also refer to the example of these disclosures at ASC 820-10-55-100.”

“You indicate the securities included in Level 2 of the fair value hierarchy are valued utilizing inputs obtained from an independent pricing service. Please tell us what consideration was given to disclosing a description of the valuation techniques and inputs used in the fair value measurements. In addition, tell us what consideration you gave to separately disclosing the valuation techniques and inputs for each class of assets. We refer you to ASC 820-10-50-2 and ASC 820-10-50-2(bbb).”

SEC comment letter trends



Climate change matters

While the SEC has proposed sweeping new climate-related disclosures, last year the SEC staff began a renewed focus on the quality and adequacy of climate-related disclosures under existing rules, specifically as detailed in the SEC's 2010 interpretive release. The staff frequently commented on:

- inconsistencies between a registrant's corporate social responsibility report and its SEC filings;
- the lack of disclosure in a registrant's SEC filing of the risks, trends, and impact of climate change for the registrant and its business; and
- the lack of disclosure in a registrant's SEC filings related to pending, or existing climate-related legislation and regulations that could have a material impact on a registrant's business.

"Disclose the material effects of transition risks related to climate change that may affect your business, financial condition, and results of operations, such as policy and regulatory changes that could impose operational and compliance burdens, market trends that may alter business opportunities, credit risks, or technological changes."

"We note that you provided more expansive disclosure in your CSR report than you provided in your SEC filings. Please advise us what consideration you gave to providing the same type of climate-related disclosure in your SEC filings as you provided in your CSR report."

"There have been significant developments in federal and state legislation and regulation and international accords regarding climate change that you have not discussed in your filing. Please revise your disclosure to identify material pending or existing climate change-related legislation, regulations, and international accords and describe any material effect on your business, financial condition, and results of operations."

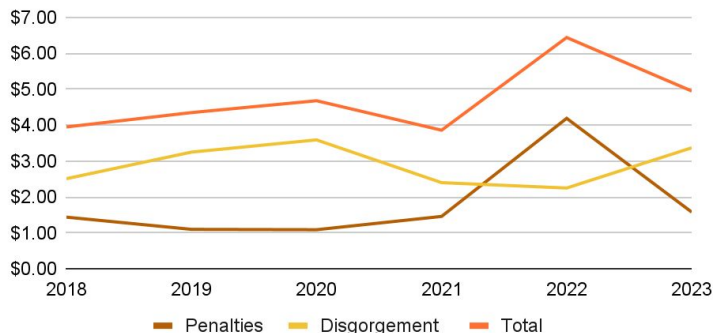
Enforcement activity and trends



2023 Enforcement activity

- **784** total enforcement actions filed in the fiscal year ended September 30, 2023, a **3% increase** from Fiscal 2022 enforcement actions of 760.
- Money ordered in enforcement actions totaled **\$4.9 billion**, the second highest amount in SEC history (after \$6.4 billion in FY 2022), including civil penalties of **\$1.6 billion** (\$4.2 billion in FY 2022) and disgorgement of **\$3.4 billion** (\$2.2 billion in FY 2022).

Total Money Ordered (in billions)



Source: Securities and Exchange Commission

“... the Enforcement Division is working with a sense of urgency to protect investors, hold wrongdoers accountable and deter future misconduct in our financial markets.”

“...we are using every tool in our toolkit, including penalties that have a deterrent effect...”

“...we expect behaviors to change. We expect compliance.”

Gurbir S. Grewal,

Director of the SEC’s Division of Enforcement

- In Fiscal 2023, the SEC issued whistleblower awards totally nearly **\$600 million**, the most ever awarded in one year.
- On May 5, 2023, the SEC announced the largest-ever award, nearly **\$279 million**, to a whistleblower whose information and assistance led to the successful enforcement of SEC and related actions. This is the highest award in the SEC’s whistleblower program’s history, more than doubling the \$114 million whistleblower award the SEC issued in October 2020 and larger than the total of all whistleblower awards in Fiscal 2022 (\$229 million).

Enforcement activity and trends (continued)



Enforcement focus areas

- Financial fraud and issuer disclosure
 - “Books and records” violations
 - Disclosure controls & procedures (DC&P)
 - Internal control over financial reporting (ICFR)
- Crypto asset securities
- Focus on gatekeepers, including auditors; lawyers; and board members
- Cybersecurity and compliance
- Environmental, social, and governance (ESG)
- Insider trading
- Public finance abuse in municipal bond sector
- Foreign Corrupt Practices Act, including bribery and other prohibited practices abroad

Leveraging the entire enforcement toolkit: **data analytics**; recognizing **meaningful cooperation**; and rewarding and protecting **whistleblowers**.

Policy changes and rulemaking – Final rules

Cybersecurity – 2023 Update

In July 2023, the SEC adopted a final rule related to cybersecurity risk management, strategy, governance, and incident disclosures. There are two main provisions: cyber incident disclosure requirements and annual disclosures pertaining to cyber risk management, strategy, and governance.



Incident Disclosure Highlights



Timing and materiality

- Disclose information in new Item 1.05 in Form 8-K⁽¹⁾ about a **material cybersecurity incident**, which includes **a series of related incidents**, within **four business days** after the cyber incident is determined to be material
- Registrants must determine the materiality of an incident **without unreasonable delay** following discovery
- Disclosure can be delayed through a series of extensions if the US Attorney General determines that immediate disclosure would be a matter of national security or public safety and communicates that in writing to the SEC



Disclosure requirements

- The 8-K is required to describe the material aspects of the **nature**, **scope**, and **timing** of the incident, and the material impact or reasonably likely material impact on the registrant, including its financial condition and results of operations
- If information required to be disclosed is not determinable or unavailable at the time of the required filing, then state as such in the initial 8-K; file an **amendment** within **four business days** after such information becomes available
- A registrant is not required to disclose specific or technical information about its planned response to the incident or its systems in such detail as would impede its response or remediation of the incident

All registrants ⁽²⁾ will be required to comply with 8-K incident reporting starting **December 18, 2023**

⁽¹⁾ FPIs filing on FPI forms would be required to furnish information regarding material cyber incidents on a Form 6-K, assuming the other criteria outlined in the instructions to Form 6-K are met.

⁽²⁾ Smaller Reporting Companies are provided an additional 180 days to comply with incident disclosure rule

Policy changes and rulemaking – Final rules

Cybersecurity – 2023 Update



Annual Disclosure Requirements



Disclosure of Risk Management and Strategy

- Describe **processes**, if any, **for assessing, identifying, and managing material risks from cybersecurity threats**, including the following:
 - Whether and how such processes have been integrated into the registrant's overall risk management system or processes
 - Whether the registrant engages assessors, consultants, auditors or other third parties in connection with any such processes
 - Whether the registrant has processes to oversee and identify such risks from cyber threats associated with its use of any-third party service provider
- Describe whether and how any **risks from cyber threats**, including **as a result of any previous cyber incidents**, have materially affected (or are reasonably likely to materially affect) the registrant including business strategy, results of operations, or financial condition



Disclosure of Governance

- Disclose information about the **board of directors' oversight of cybersecurity risks**, including:
 - Description of the board's oversight of risks from cyber threats
 - If applicable, identify of any board committee or subcommittee responsible for the oversight of risks from cyber threats and how it is informed about such risks
- Disclose information about **management's oversight of cyber risks**, including:
 - Whether and which management positions or committees are responsible for assessing and managing such risks, and the relevant expertise of persons or members
 - The processes by which such persons or committee are informed about and monitor the prevention, detection, mitigation and remediation of cyber incidents
 - Whether such persons or committees report information about such risks to the board of directors or a committee or subcommittee of the board of directors

Required disclosure for annual reports on Form 10-K or 20-F for fiscal years ending on or after **December 15, 2023**

Policy changes and rulemaking – Final rules

Clawbacks of Executive Compensation

In October 2022, the SEC adopted a rule that directs US securities exchanges to establish standards that require listed issuers to develop and implement a written policy for the recovery, or clawback, of **erroneously awarded incentive-based compensation** received by current and former **executive officers** (over a **three-year look-back period**) in the event of a required **accounting restatement**.



Accounting restatement

An accounting restatement would include both **“Big R” restatements** and **“little r” revisions**, however does not include out-of-period adjustments.



Covered periods

Rule requires recovery of **erroneously awarded incentive-based compensation** received during the **three completed fiscal years** immediately preceding the required restatement.



Erroneously awarded incentive-based compensation

Erroneously awarded incentive-based compensation is “the amount of incentive-based compensation received that exceeds the amount of incentive-based compensation that otherwise would have been received had it been determined based on the restated financial reporting measures.”

- Incentive-based compensation is “any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a financial reporting measure”, which can include restricted stock or units, cash bonuses, and proceeds received upon the sale of shares.
- Financial reporting measure(s) is “a measure that is determined and presented in accordance with the accounting principles used in preparing the issuer’s financial statements, and any measures that are derived wholly or in part from such measures.” The final rule includes **stock price** and **total shareholder return (TSR)** as financial reporting measures.
- Incentive-based compensation is considered to be received when **the measure specified in the award is attained**, even if the payment or grant of the incentive-based compensation occurs after the end of that period.

Policy changes and rulemaking – Final rules

Clawbacks of Executive Compensation (continued)



Executive officer

The rule contains a definition of the term “executive officer”, which is consistent with the term “officer” in **Rule 16a** of the Exchange Act. Companies should consult with SEC counsel regarding identifying those employees meeting the definition of “executive officer”.



Disclosure requirement

Issuers will be required to file their **recovery policy as an exhibit to their annual reports**; include **new cover page disclosures** indicating if financial statements reflect the correction of an error and if the error correction required an incentive compensation recovery analysis; and disclose any actions they have taken pursuant to such recovery policies (Item 402 of Regulation S-K).

New disclosures will be required for 10-K's, including checkboxes



Applicable issuers

The new rule is applicable to **all issuers** (inclusive of Emerging Growth Companies (EGC's), Smaller Reporting Companies (SRC's) and Foreign Private Issuers (FPI's)), with some limited exceptions.



Effective date

New listing standards will be effective October 2, 2023

Companies have until **December 1, 2023** to adopt corporate recovery policy

Policy changes and rulemaking – Final rules



Share repurchase disclosures

On May 3, 2023, the SEC adopted amendments that expand existing share repurchase disclosure requirements for domestic corporate issuers, foreign private issuers (FPIs), and listed closed-end funds.

Issuer Purchases of Equity Securities - Prior to the final rule becoming applicable

Period	(a) Total number of shares (or units) purchased	(b) Average price paid per share (or unit)	(c) Total number of shares (or units) purchased as part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
Month 1				
Month 2				
Month 3				

Issuer Purchases of Equity Securities - Once the final rule is applicable

Use the checkbox to indicate if any officer or director reporting pursuant to Section 16(a) of the Exchange Act (15 U.S.C. 78p(a)), or for Form 20-F filers, any director or member of senior management who would be identified pursuant to Item 1 of Form 20-F, purchased or sold shares or other units of the class of the issuer's equity securities that are registered pursuant to section 12 of the Exchange Act, under an announced plan or program within four (4) business days before or after the issuer's announcement of such repurchase plan or program or the termination of an existing share repurchase plan or program.

(a) Execution Date	(b) Class of Shares (or Units)	(c) Total Number of Shares (or Units) Purchased	(d) Average Price Paid per Share (or Unit)	(e) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(f) Aggregate Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Publicly Announced Plans or Programs	(g) Total Number of Shares (or Units) Purchased on the Open Market	(h) Total Number of Shares (or Units) Purchased that are Intended to Qualify for the Safe Harbor in Rule 10b18	(i) Total Number of Shares (or Units) Purchased Pursuant to the Affirmative Defense Conditions of Rule 10b5-1(c)
Day 1								
Day 2								
Day 3								
Day 4								
Day 5								
Etc.								

News Flash -
On November 22, 2023, the SEC postponed the effective date of the Repurchase Rule and the rule is stayed pending further SEC action.

Restatement and revision trends



2022 Highlights*

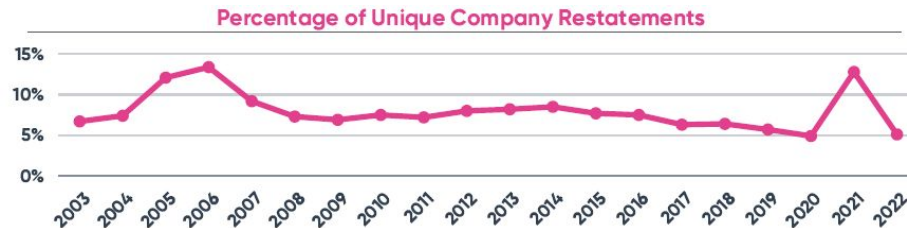
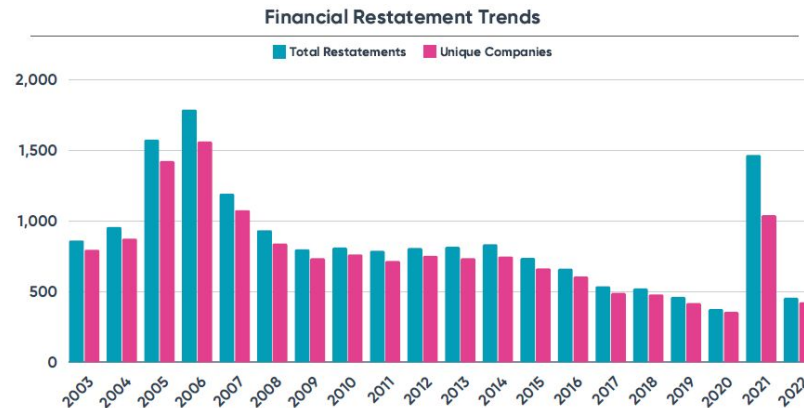
Total restatements decreased by 69% from 1,467 to 454 in 2022, reverting to the levels seen in the years just prior to 2021.

After an unprecedented spike in 2021, the number of SPAC restatements declined 91% to 71 restatements in 2022.

Most prevalent areas resulting in restatements:

- Debt and equity securities (22%)
- Revenue recognition (12%)
- Liabilities and accruals (11%)
- Expenses (9%)
- Deferred, Stock, Executive Compensation (9%)

Source: Audit Analytics



SEC Conference Update



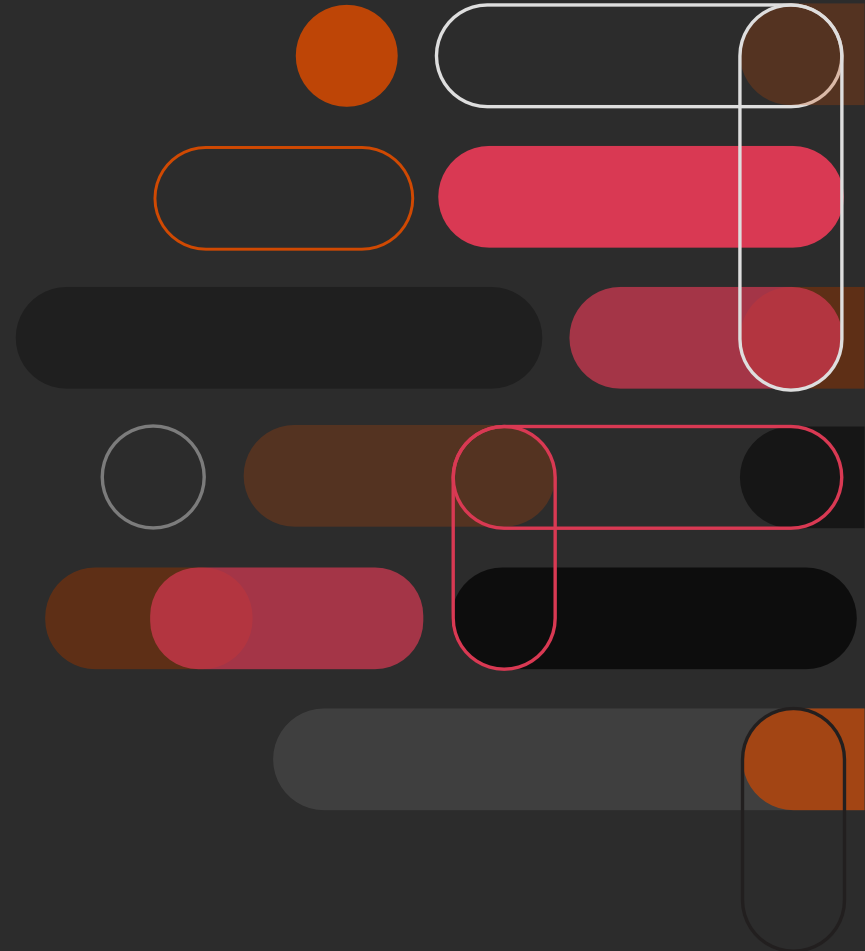
AICPA SEC Conference Themes

Link to website ...

<https://www.aicpa-cima.com/cpe-learning/conference/aicpa-conference-on-current-sec-and-pcaob-developments>

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ESG landscape: US sustainability reporting



US ESG landscape overview

SEC human capital proposal

The SEC is considering proposing amendments to enhance registrant disclosures regarding human capital management.

SEC proposed climate-related disclosures

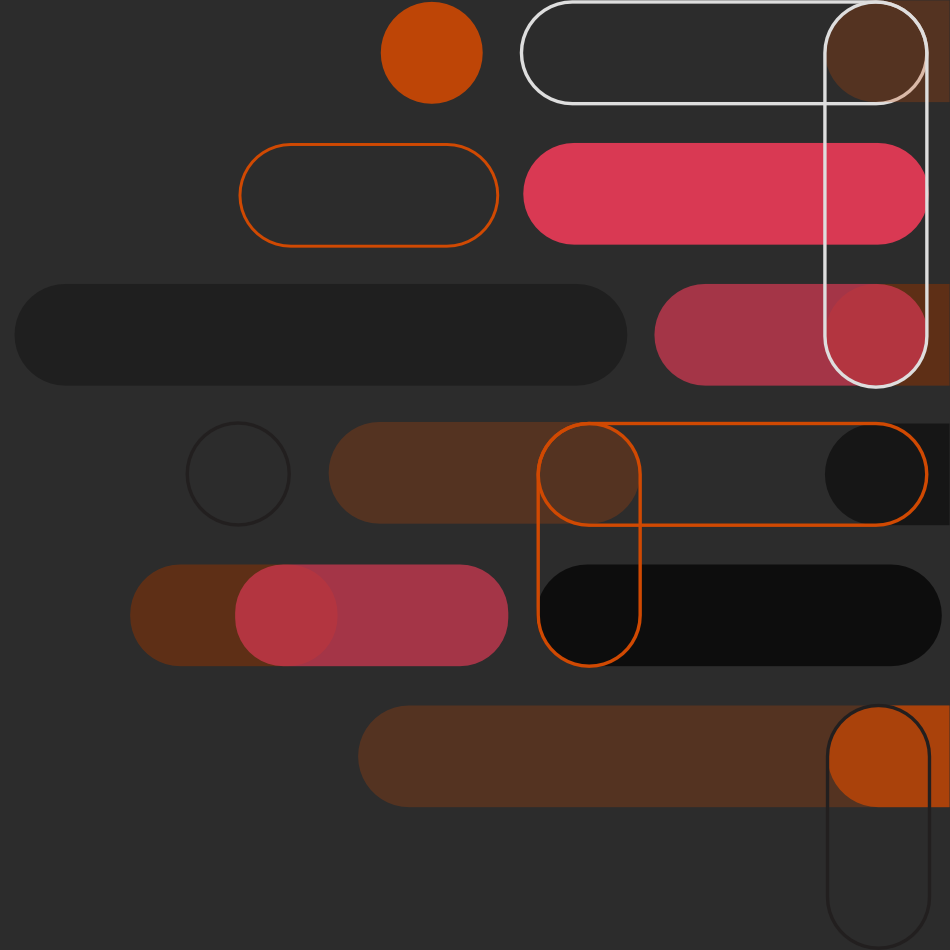
In March 2022, the SEC proposed new climate-related disclosures for all public companies that would include climate-related financial metrics in the audited financial statements. The disclosures would also include carbon emissions, which would be subject to a phased-in assurance requirement.

California climate disclosure bills

In October 2023, the California Governor signed three landmark climate disclosure bills that are poised to change the landscape of climate reporting in the US. The bills require in scope entities to disclose their greenhouse gas emissions, climate-related risks, and details about any emissions claims and voluntary carbon offsets.



California climate disclosure bills



California climate disclosure bills

- In October 2023, three bills were signed into law in California that require climate disclosures from US companies (including US subsidiaries of non-US companies).
 - AB 1305, Voluntary Carbon Market Disclosures
 - SB 253, Climate Corporate Data Accountability Act
 - SB 261, Greenhouse gases: climate-related financial risk
- The number of entities in scope goes well beyond that of the SEC's climate disclosure proposal.
 - AB 1305 applies to any public and private entities that (1) operate and make emissions claims within California or (2) buy or sell carbon offsets within California.
 - SB 253/SB 261 apply to US public and private companies that meet certain revenue thresholds and that do business in California.

2024

- Emissions claims and voluntary carbon offset disclosures as of January 1 (AB 1305)

2026

- First TCFD report by January 1 (SB 261)
- Scope 1 and scope 2 GHG report on 2025 information with third-party limited assurance (SB 253)

2030

- Reasonable assurance on scope 1 and scope 2 GHG report (SB 253)

2027

- Scope 3 GHG report on 2026 information (SB 253)

Summary of California climate disclosure bills

	AB 1305 — Voluntary carbon market disclosures	SB 253: Climate Corporate Data Accountability Act	SB 261: Greenhouse gases: climate-related financial risk
Primary topic	(1) Emissions claims, (2) use of carbon offsets, and (3) sale of carbon offsets	Scope 1, scope 2, and scope 3 greenhouse gas emissions	(1) Climate-related financial risks and (2) measures a company has adopted to reduce and adapt to such risks
Framework	Not applicable	Greenhouse Gas Protocol	Task Force on Climate-Related Financial Disclosures (TCFD)
Scope	Entities that (1) operate and make emissions claims within California, (2) buy or sell carbon offsets in California	Business entities with annual revenue over \$1 billion that do business in California ¹	Business entities with annual revenue over \$500 million that do business in California ^{1, 2}
Where filed	Publicly available on company's website	Publicly available digital platform	Publicly available on company's website
Assurance	No, although certain disclosures required about any independent third-party verification obtained	Yes, phased requirements beginning with limited assurance	No
Compliance date	January 1, 2024, with information updated at least annually	Annual reporting of scope 1 and scope 2 in 2026 (on prior fiscal year information); scope 3 starting in 2027	On or before January 1, 2026 and biennially thereafter

¹ A partnership, corporation, limited liability company, or other business entity formed under the laws of any US state or the District of Columbia, or under an act of Congress.

² Insurance companies are exempt from SB 261 because they are required to prepare TCFD reports under National Association of Insurance Commissioners standards.

What does it mean to “operate” or “do business” in California?

AB 1305 does not define what it means to operate in California.

SB 253 and SB 261 apply to companies doing business in California. While not explicitly referenced, “doing business” is defined within the California tax code.¹ The California Franchise Tax Board considers a company to be “doing business” if it meets any of the following:

Engages in any transaction for the purpose of financial gain within California

- We believe this criterion is intended to be interpreted broadly

Organized or commercially domiciled in California

California sales, property, or payroll that exceed specified amounts. These amounts are relatively low and are adjusted annually,² in 2022 they are as follows:

- Sales - \$690,000
- Property or payroll - \$69,015

¹ [California Revenue and Taxation Code \(CRTC\), Section 23101.](#)

² [The latest amounts can be found on the California Franchise Tax Board website.](#)

AB 1305 - Voluntary carbon market disclosures

Emissions claims disclosures

- How claims are determined to be accurate or achieved
- How interim progress towards goals is measured
- If third-party verification was obtained over data/claims

Disclosures for voluntary carbon offsets purchased or used

- Name of the business entity selling the offset and the offset registry or program
- Project identification number and name as listed in the registry or program
- The offset project type, including whether the offsets purchased were derived from a carbon removal, an avoided emission, or a combination of both, and site location
- Specific protocol used to estimate emissions reductions or removal benefits.
- Whether there is independent third-party verification of company data/claims listed

Disclosures for voluntary carbon offsets sold

- Details about the carbon offset project, including the protocol used, the location of the offset project site, whether the project meets any established standards, whether there is independent validation or verification of the project attributes, and the emissions reduced or carbon removed on an annual basis
- Details of accountability measures taken if a project is not completed or does not meet projected emissions reduction or removal benefits
- The data and calculation methods needed to reproduce and verify the number of emissions reduction or removal credits issued

SB 253 - Climate Corporate Data Accountability Act

Applicable to: Companies with total annual revenues in excess of \$1 billion dollars that do business in California.

- The revenue threshold is for the consolidated US entity; it is not limited to revenue earned in California and includes revenue generated outside the US
- We believe revenue would be determined as per the financial statements



Requires scope 1, scope 2, and scope 3 greenhouse gas (GHG) emissions reporting in compliance with the Greenhouse Gas Protocol



Phased-in requirement for third-party assurance. Assurance provider to meet specified experience and independence requirements



Specific requirements, including due date, to be determined by the California Air Resources Board by January 1, 2025 (proposed rules will be available for public commentary)



Reporting requirements may be satisfied through disclosures prepared to meet other national and international reporting requirements, as long as those reports meet the requirements of the bill

SB 261 - Greenhouse gases: climate-related financial risk

Applicable to: Companies with total annual revenues in excess of \$500 million dollars that do business in California

- The revenue threshold is for the consolidated US entity; it is not limited to revenue earned in California and includes revenue generated outside the US
- We believe revenue would be determined as per the financial statements



Requires (1) reporting of climate-related financial risks in line with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and (2) measures a company has adopted to reduce and adapt to such risks

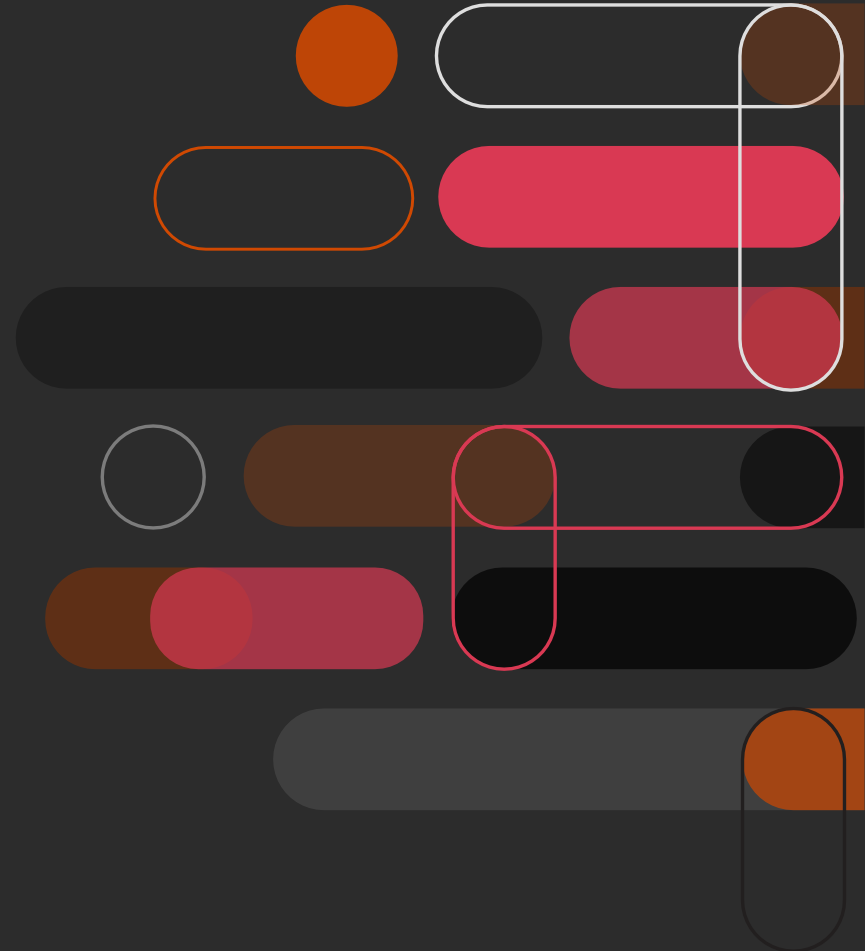
- TCFD disclosures include metrics related to greenhouse gas (GHG) emissions
- Requires scope 1 and scope 2 reporting, with scope 3 reporting being strongly encouraged



There is no requirement for third-party assurance

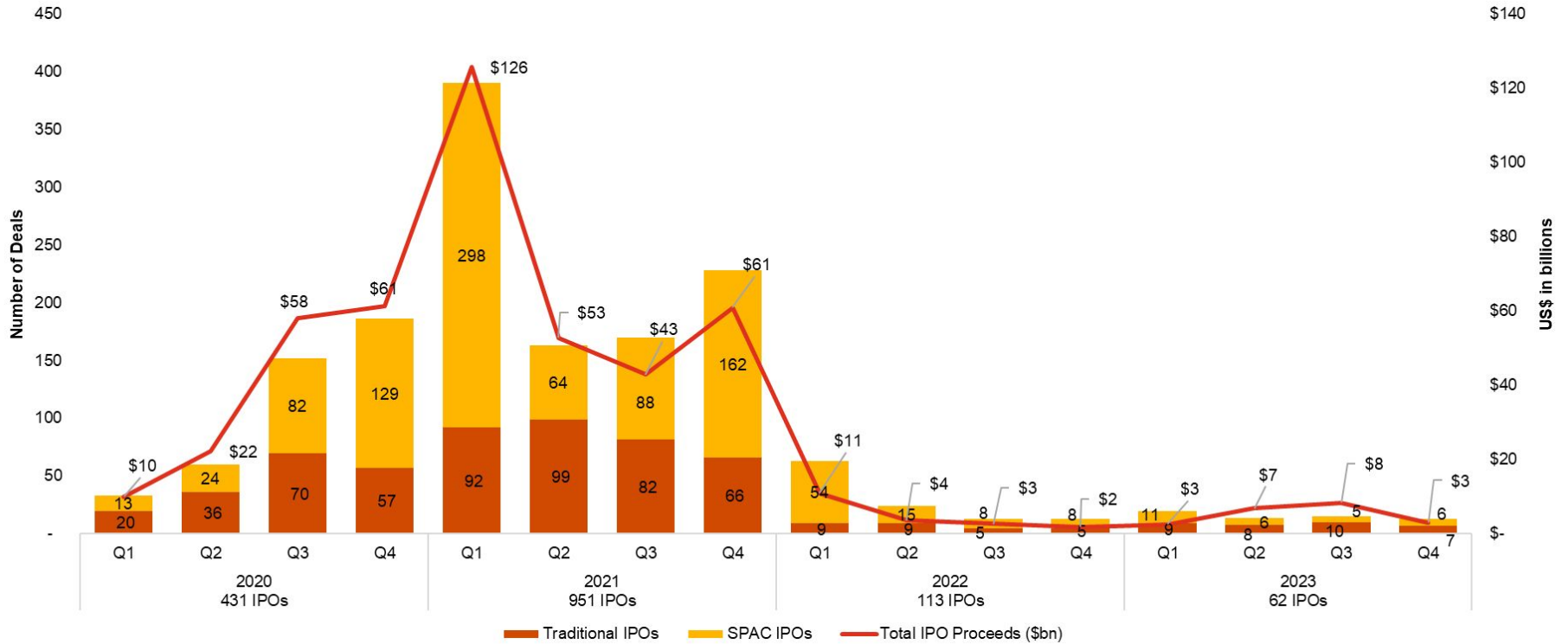
3

US capital markets update



US IPO Activity

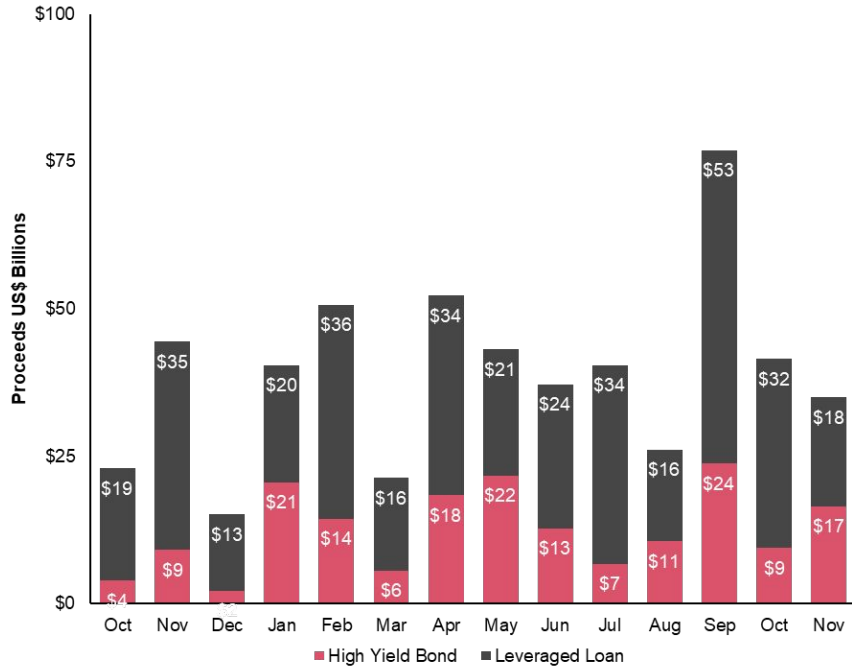
Activity continues to show signs of thawing in the US, marked by a few successfully completed IPOs



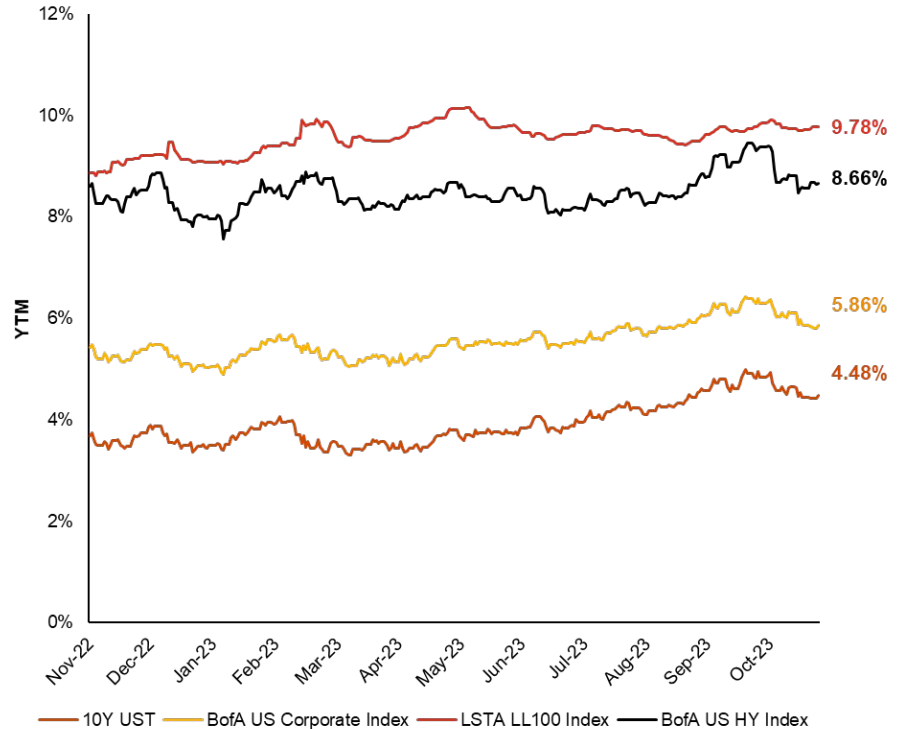
Source: Dealogic and PwC analysis as of 11/26/23. Note: IPOs with deal values of less than \$25 million, best efforts offerings, oil and gas royalty trusts, business development companies, pricing on OTC Bulletin Board and OTC Pink Sheets are excluded.

Debt Activity

Leveraged loan market was active with M&A and refinancing activity as dealmakers closed deals ahead of the holiday



Source: LCD and Refinitiv as of 11/26/23.



Q&A



Thank you

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