

AA & T Consulting

Oct/Nov 2022 – Regulatory Alerts – ESG Series

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Environmental, Social and Governance (ESG) Reporting – U.S.:

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Dear Friends,

In this series of ESG Updates, we have covered the ESG or sustainability reporting in Australia, U.K. and H.K.

In this newsletter, we will highlight ESG reporting requirements proposed in U.S. Similar to previous issues, we will only highlight points of interests for ESG reporting practitioners here, instead of every all requirements. Hope that you will enjoy!

If you need any advices or training on ESG or other regulatory matters, feel free to contact us via our website or email.

AA & T Consulting Advisory team

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Introduction

- ESG or sustainability reporting is now a worldwide trend. U.S is no exception this time. The US Securities and Exchange Commission (SEC) has proposed rule changes and amendment to require more climate-related disclosures for:
 - 1) registrants and
 - 2) certain funds and advisors
- On 21 Mar 2022, the SEC proposed rule changes that would require registrants to include certain climate-related disclosures in their registration statements and periodic reports.

Introduction (continued)

- On 25 May 2022, it further proposed amendments to rules and reporting forms to promote consistent, comparable, and reliable information for investors concerning funds' and advisers' incorporation of ESG factors. The proposed changes would apply to certain registered investment advisers, advisers exempt from registration, registered investment companies, and business development companies.

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Changes for US Listed Companies

- On 21 Mar 2022, the SEC proposed changes to require registrants to include certain disclosures in their registration statements and periodic reports, including climate-related risks that are reasonably likely to have a material impact on their business, results of operations, or financial condition, and certain climate-related financial statement metrics in a note to their audited financial statements.
- The required information would include disclosure of a registrant's GHG emissions, which become a commonly used metric to assess a registrant's exposure to such risks.

Changes for US Listed Companies (cont'd)

- The proposed rule changes would require a registrant to disclose:
 - (1) the registrant's governance of climate-related risks and relevant risk management processes;
 - (2) how any climate-related risks identified by the registrant would have a material impact on its business and consolidated financial statements;
 - (3) how any identified climate-related risks have affected or are likely to affect the registrant's strategy, business model, and outlook; and
 - (4) the impact of climate-related events (severe weather events and other natural conditions) and transition activities on the line items of a registrant's consolidated financial statements, as well as on the financial estimates and assumptions used in the financial statements.

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Changes for US Investment Advisers and Investment Companies

- On 25 May 2022, SEC proposed amendments to categorize certain types of ESG strategies and require funds and advisers to provide more disclosures in fund prospectuses, annual reports, and adviser brochures based on the ESG strategies they pursue:
 - 1) Funds focused on environmental factors would be required to disclose the GHG emissions associated with their portfolio investments.
 - 2) Funds claiming to achieve a specific ESG impact would be required to describe the specific impact(s) and summarize their progress.

Changes for US Investment Advisers and Investment Companies (cont'd)

- 3) Funds that use proxy voting or other engagement with issuers as a significant means of implementing their ESG strategy would be required to disclose information regarding their voting of proxies on particular ESG-related voting matters and information concerning their ESG engagement meetings.
- 4) Advisers that consider ESG factors would be required to make generally similar disclosures in their brochures with respect to their consideration of ESG factors in the significant investment strategies or methods of analysis they pursue and report certain ESG information in their annual filings with the Commission.

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How can AA & T Consulting help?

The above are some highlights of the current proposed requirements on ESG reporting in U.S. Hope that these will help preparing your journey to ESG reporting.

If you need any help, feel free to contact us by phone (+852 9181 8659 (HK); +61 452 371 753 (Aus.)), email (advisory@aathk.com) or via website's "contact us" page at: www.aathk.com or www.aataus.com .



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