

# MAYER | BROWN

## REGULATION S-X DISCLOSURE REQUIREMENTS

The Final Rules revise Regulation S-X's Article 8-01(b) relating to the general requirements for financial statements of smaller reporting companies, and add Articles 14-01 and 14-02 to Regulation S-X. The table below provides the rule text from the adopting release, reprinted for convenience.

Regulation S-X Item	Text
<b>210.8-01</b> <b>General requirements for Article 8</b>	<p>[...]</p> <p>(b) Smaller reporting companies electing to prepare their financial statements with the form and content required in Article 8 need not apply the other form and content requirements in 17 CFR part 210 (Regulation S-X) with the exception of the following:</p> <p>(1) The report and qualifications of the independent accountant shall comply with the requirements of 210.2-01 through 210.2-07 (Article 2); and</p> <p>(2) The description of accounting policies shall comply with 210.4-08(n); and</p> <p>(3) Smaller reporting companies engaged in oil and gas producing activities shall follow the financial accounting and reporting standards specified in 210.4-10 with respect to such activities; and</p> <p>(4) Sections 210.14-01 and 210.14-02 (Article 14).</p>
<b>210.14-01</b> <b>Instructions related to disclosure of severe weather events and other information</b>	<p>(a) <i>General.</i> A registrant must include disclosure pursuant to 210.14-02 in any filing that is required to include disclosure pursuant to subpart 229.1500 of this chapter and that also requires the registrant to include its audited financial statements. The disclosure pursuant to 210.14-02 must be included in a note to the financial statements included in such filing.</p> <p>(b) <i>Definitions.</i> The definitions in 229.1500 (Item 1500 of Regulation S-K) apply to 210.14-01 and 210.14-02 (Article 14) except where otherwise indicated.</p> <p>(c) <i>Basis of calculation.</i> When calculating the financial statement effects in this Article 14, except where otherwise indicated, a registrant must:</p> <p>(1) Use financial information that is consistent with the scope of its consolidated financial statements included in the filing; and</p> <p>(2) Apply the same accounting principles that it is required to apply in the preparation of its consolidated financial statements included in the filing.</p> <p>(d) <i>Periods to be disclosed.</i> Disclosure must be provided for the registrant's most recently completed fiscal year, and to the extent previously disclosed or required to be disclosed, for the historical fiscal year(s), for which audited consolidated financial statements are included in the filing.</p>
<b>210.14-02</b> <b>Disclosures related to severe weather events and other information</b>	<p>(a) <i>Contextual information.</i> Provide contextual information, describing how each specified financial statement effect disclosed under 210.14-02(b) through (h) was derived, including a description of significant inputs and assumptions used, significant judgments made, other information that is important to understand the financial statement effect and, if applicable, policy decisions made by the registrant to calculate the specified disclosures.</p> <p>(b) <i>Disclosure thresholds.</i></p> <p>(1) Disclosure of the aggregate amount of expenditures expensed as incurred and losses pursuant to paragraph (c) of this section is required if the aggregate amount of expenditures expensed as incurred and losses equals or exceeds one percent of the absolute value of income or loss before income tax expense or benefit for the relevant fiscal year. Such disclosure is not required, however, if the aggregate amount of expenditures expensed as incurred and losses is less than \$100,000 for the relevant fiscal year.</p>

Regulation S-X Item	Text
	<p>(2) Disclosure of the aggregate amount of capitalized costs and charges incurred pursuant to paragraph (d) of this section is required if the aggregate amount of the absolute value of capitalized costs and charges equals or exceeds one percent of the absolute value of stockholders' equity or deficit at the end of the relevant fiscal year. Such disclosure is not required, however, if the aggregate amount of the absolute value of capitalized costs and charges is less than \$500,000 for the relevant fiscal year.</p> <p>(c) <i>Expenditures expensed as incurred and losses resulting from severe weather events and other natural conditions.</i> Disclose the aggregate amount of expenditures expensed as incurred and losses, excluding recoveries, incurred during the fiscal year as a result of severe weather events and other natural conditions, such as hurricanes, tornadoes, flooding, drought, wildfires, extreme temperatures, and sea level rise. For example, a registrant may be required to disclose the amount of expense or loss, as applicable, to restore operations, relocate assets or operations affected by the event or other natural condition, retire affected assets, repair affected assets, recognize impairment loss on affected assets, or otherwise respond to the effect that severe weather events and other natural conditions had on business operations. Disclosure pursuant to this paragraph must separately identify where the expenditures expensed as incurred and losses are presented in the income statement.</p> <p>(d) <i>Capitalized costs and charges resulting from severe weather events and other natural conditions.</i> Disclose the aggregate amount of capitalized costs and charges, excluding recoveries, incurred during the fiscal year as a result of severe weather events and other natural conditions, such as hurricanes, tornadoes, flooding, drought, wildfires, extreme temperatures, and sea level rise. For example, a registrant may be required to disclose the amount of capitalized costs or charges, as applicable, to restore operations, retire affected assets, replace or repair affected assets, recognize an impairment charge for affected assets, or otherwise respond to the effect that severe weather events and other natural conditions had on business operations. Disclosure pursuant to this paragraph must separately identify where the capitalized costs and charges are presented in the balance sheet.</p> <p>(e) <i>Carbon offsets and RECs.</i></p> <p>(1) If carbon offsets or RECs have been used as a material component of a registrant's plans to achieve its disclosed climate-related targets or goals, disclose the aggregate amount of carbon offsets and RECs expensed, the aggregate amount of capitalized carbon offsets and RECs recognized, and the aggregate amount of losses incurred on the capitalized carbon offsets and RECs, during the fiscal year. In addition, disclose the beginning and ending balances of the capitalized carbon offsets and RECs for the fiscal year. Disclosure pursuant to this paragraph must separately identify where the expenditures expensed, capitalized costs, and losses are presented in the income statement and the balance sheet.</p> <p>(2) If a registrant is required to provide disclosure pursuant to paragraph (e)(1) of this section, then a registrant must state its accounting policy for carbon offsets and RECs as part of the contextual information required by paragraph (a) of this section.</p> <p>(f) <i>Recoveries.</i> If a registrant is required to provide disclosure pursuant to paragraphs (c) or (d) of this section, then as part of the contextual information required by paragraph (a) of this section, a registrant must state separately the aggregate amount of any recoveries recognized during the fiscal year as a result of severe weather events and other natural conditions for which capitalized costs, expenditures expensed, charges, or losses are disclosed pursuant to paragraphs (c) or (d) of this section. Disclosure pursuant to this paragraph must separately identify where the recoveries are presented in the income statement and the balance sheet.</p> <p>(g) <i>Attribution.</i> For purposes of providing disclosure pursuant to paragraphs (c), (d), and (f) of this section, a capitalized cost, expenditure expensed, charge, loss, or recovery results from a severe weather event or other natural condition when the event or condition is a significant contributing factor in incurring the capitalized cost, expenditure expensed, charge, loss, or recovery. If an event or condition is a significant contributing factor in incurring a cost, expenditure, charge, loss, or recovery, then the entire amount of such cost, expenditure, charge, loss, or recovery must be included in the disclosure pursuant to paragraphs (c), (d), and (f) of this section.</p> <p>(h) <i>Financial estimates and assumptions materially impacted by severe weather events and other natural conditions or disclosed targets or transition plans.</i> Disclose whether the estimates and assumptions the registrant used to produce the consolidated financial statements were materially impacted by exposures to risks and uncertainties associated with, or known impacts from, severe weather events and other natural conditions, such as hurricanes, tornadoes, flooding, drought, wildfires, extreme temperatures, and sea level rise, or any climate-related targets or transition plans disclosed by the registrant. If yes, provide a qualitative description of how the development of such estimates and assumptions were impacted by such events, conditions, targets, or transition plans.</p>