

SEC Adopts Third Round of Disclosure Modernization

By John O. Newell

SUMMARY

The Securities and Exchange Commission has adopted the third group of amendments to its disclosure requirements, originally proposed in August 2019 and discussed in an earlier Goodwin client alert. The amendments, which are generally consistent with the original proposals, will incrementally simplify disclosure about a company's business, emphasizing a principles-based approach. The proposals also allow the disclosure requirements in the legal proceedings section to be satisfied by links to legal proceedings disclosure included elsewhere in the report or registration statement. Finally, the amendments change the disclosure standard for risk factors from the "most significant" to "material," require a summary of risk factor disclosures if the risk factor section is more than 15 pages, require risk factors to be organized under topical headings, discourage risk factors that could apply generically to any company or any offering, and require that any generic risk factors be presented at the end of the risk factors section under a separate heading. The appendix to this alert includes the text of the final amendments that has been marked to show changes from current requirements.

These amendments are the next step as the SEC continues to update its disclosure requirements, as recommended by the SEC staff in the December 2013 Regulation S-K study prepared under a mandate in the Jumpstart Our Business Startups Act. The SEC previously adopted two rounds of amendments in September 2018 (discussed in a Goodwin alert) and April 2019 (discussed in another Goodwin alert). These amendments revise three of the disclosure topics required by Regulation S-K in SEC reports and registration statements: Business (Item 101(a) and 101(c)), Legal Proceedings (Item 103), and Risk Factors (Item 105). The amendments also make conforming changes in the text of several SEC forms.

The amendments were adopted by a 3-2 vote of the SEC commissioners, with the dissenting commissioners expressing strong concerns that the amendments failed to adequately address disclosure about climate change and certain other environmental, social, and governance, or ESG, disclosures, and more in-depth disclosure about human capital matters.

Effective Date

The amendments will be effective 30 days after publication in the Federal Register. Companies should monitor the status of the amendments. It is possible that the amendments will become effective shortly before the due dates for Form 10-Q reports for the quarter ended September 30, 2020, so companies should review the amendments and consider how their current disclosures would change under the amendments. The adopting release does not indicate that companies can adopt the amended sections of Regulation S-K prior to the effective date of the amendments.

Companies Affected by the Amendments

The amendments will apply to reports and registration statements filed by domestic companies, with amended accommodations for Business disclosure (Regulation S-K Item 101(c)) by smaller reporting companies. The amendments to the Business (Item 101) and Legal Proceedings (Item 103) disclosure requirements will not apply to foreign private issuers that file SEC forms that do not rely on Regulation S-K disclosure requirements (such as Form 20-F), but the amendments to Risk Factors (Item 105) will apply to certain registration statements filed by foreign private issuers (such as Forms F-1, F-3, and F-4).

What Companies Should be Doing Now

Companies that file reports under the Securities Exchange Act of 1934, including reports on Forms 10-Q, 10-K, and 8-K, should review the amendments to determine the extent to which the amendments will affect their SEC reports, and the timing of these impacts. Note that the amendments also apply to registration statements filed under the Securities Act of 1933, which are not discussed in this section.

Legal Proceedings Considerations. If the amendments become effective before a company files its Form 10-Q for the quarter ended September 30, 2020, the amended disclosure requirements for Legal Proceedings (Item 103) will apply to that Form 10-Q. The amendments permit companies to satisfy the disclosure requirements for material legal proceedings by providing a hyperlinked cross-reference to legal proceedings disclosure elsewhere in the report, such as the notes to the financial statements or Management's Discussion and Analysis, Risk Factors.

If a company anticipates taking advantage of the option to refer to legal proceedings disclosure in the footnotes to the financial statements, it will be important to discuss this possibility in advance with the company's independent auditors. This will be especially true if the company proposes to use a dollar threshold for disclosure that differs from the threshold expected by the auditor.

Risk Factors Considerations. If a company is updating its disclosure in Risk Factors (Item 105) after the effective date, the amendments could have a significant impact on that disclosure. This would potentially be true for updates made in a Form 8-K report as well as a Form 10-Q report.

Companies that update risk factors disclosure by restating their risk factors entirely with any current changes will be subject to the amended Risk Factors requirements, summarized below. This may include review and reorganization of the entire Risk Factors section and, if the Risk Factors section exceeds 15 pages, will also require preparation of a bullet-point summary that does not exceed two pages at the beginning of the Risk Factors section.

Companies that update risk factors disclosure by including only the changed risk factors will likely see minimal impact on their Risk Factors section until their next Form 10-K filing. We believe that Item 105, as amended, applies only to the risk factors actually contained in a Form 10-Q or Form 8-K report. In most such cases, the organizational amendments should have minimal impact, and the bullet point summary requirement should not apply except in the exceptional case where the updated risk factors exceed 15 pages.

Business Disclosure Considerations. The amended disclosure requirements for the Business section would generally not apply to a company's Securities Exchange Act of 1934 reports until its next annual report on Form 10-K.

Form 8-K Impacts. Form 8-K reports filed after the effective date that include any disclosure required by Items 101(a) and (c), Item 103, or Item 105 must comply with the amendments. Many companies update their Risk Factor disclosure by filing a Form 8-K report, and these reports will be subject to the amended Item 105 disclosure requirements.

Summary of the Amendments

The amendments are summarized below. An appendix following the summary shows the text of the amended sections, marked to show changes from the prior requirements. A second appendix reproduces a chart included in the SEC's adopting release that summarizes the amendments in tabular form.

Business – Item 101(a) and (c)

The amendments to Item 101 of Regulation S-K will:

- **Replace List of Specific Disclosure Topics with Examples.** Focus on disclosures that are material to an understanding of the company's business and replace the lengthy and detailed current list of disclosure topics with a more concise and general list of potential disclosure topics and clarify that disclosure is required only to the extent material to an understanding of the general development of the company's business;
- **New Business Strategy Disclosure.** Add a new disclosure topic about transactions and events that affect or may affect the company's business operations, including changes to a previously disclosed business strategy;
- **Human Capital Disclosure.** Add a new disclosure topic about human capital resources, including any human capital measures or objectives that the company focuses on in managing its business, such as measures or objectives that address the attraction, development, and retention of personnel, to the extent relevant and material — note that the amendments do not define "human capital" or require disclosure of any specific metrics;
- **Expanded Governmental Regulation Disclosure.** Expand current disclosure about the impact of compliance with environmental requirements to include compliance with all material government regulations, including environmental regulations;
- **Eliminate Five/Three Year Lookback.** Eliminate the currently required timeframe for disclosure of the general development of the company's business (generally five years, or three years for smaller reporting companies) — but note that Form 10-K continues to require a one-year lookback; and
- **Permit Hyperlinks to Previously Filed Disclosure.** Permit a company to provide only an update of the general development of its business, focusing on material developments during the reporting period, in filings other than IPO registration statements. The amendments require companies that provide such an update to incorporate by reference and include a single active hyperlink to a single report or registration statement filed by the company that, together with the update, would present a full discussion of the general development of the company's business. A similar amendment to Item 101(h), which applies to Item 101 business disclosure by smaller reporting companies, provides a similar same option for smaller reporting companies that use the scaled reporting provision.

Legal Proceedings — Item 103

The amendments to Item 103 will:

- **Hyperlinks or Cross-References to Legal Proceedings Disclosure in the Same Filing.** Permit companies to satisfy the disclosure requirements for material legal proceedings by providing a hyperlinked cross-reference to legal proceedings disclosure elsewhere in the report or registration statement, such as Management’s Discussion and Analysis, Risk Factors, or the notes to the financial statements; and
- **Increased Environmental Sanctions Disclosure Threshold.** Increase the threshold for disclosure of environmental proceedings in which a governmental authority is a party to \$300,000 from \$100,000.

Risk Factors — Item 105

The amendments to Item 105 will:

- **Summary of Risk Factors Section.** If the risk factor section is longer than 15 pages, require a risk factor summary under an appropriate heading in the forepart of the report or registration statement, consisting of a series of short, concise, bulleted or numbered statements that summarize the principal risk factors;
- **Topical Grouping and Subcaptions.** Require companies to organize risk factor disclosure under relevant headings, with each risk factor under a subcaption that adequately describes the risk;
- **Discourage and Relocate Generic Risk Factors.** Discourage inclusion of generic risk factors, and require the company to present any generic risk factors at the end of the risk factors section under the caption “General Risk Factors”; and
- **Replace “Most Significant” Standard with “Material.”** Change the current disclosure standard from the “most significant” risk factors to “material” risk factors.

Appendix A

Text of Amendments to Regulation S-K Items 101, 103 and 105

Additions shown in blue underscored text – ~~Deletions shown in red strikethrough text~~

§229.101 (Item 101) Description of business.

(a) **General development of business.** Describe the general development of the business of the registrant, its subsidiaries, and any predecessor(s) ~~during the past five years, or such shorter period as the registrant may have been engaged in business. Information shall be disclosed for earlier periods if~~

(1) In describing developments, only information material to an understanding of the general development of the business: is required. Disclosure may include, but should not be limited to, the following topics:

(i) Any material changes to a previously disclosed business strategy;

~~(1) In describing developments, information shall be given as to matters such as the following: the year in which the registrant was organized and its form of organization; the~~

(ii) The nature and results effects of any material bankruptcy, receivership, or any similar ~~proceedings~~ proceeding with respect to the registrant or any of its significant subsidiaries; ~~the~~

(iii) The nature and results effects of any ~~other~~ material reclassification, merger or consolidation of the registrant or any of its significant subsidiaries; ~~the and~~

(iv) The acquisition or disposition of any material amount of assets otherwise than in the ordinary course of business; ~~and any material changes in the mode of conducting the business.~~

(2) Notwithstanding the provisions of § 230.411(b) or § 240.12b-23(a) of this chapter, as applicable, a registrant may only forgo providing a full discussion of the general development of its business for a filing other than an initial registration statement if it provides an update to the general development of its business, disclosing all of the material developments that have occurred since the most recent registration statement or report that includes a full discussion of the general development of its business. In addition, the registrant must incorporate by reference, and include one active hyperlink to one registration statement or report that includes, the full discussion of the general development of the registrant's business.

~~(2) Registrants:~~

~~(i) Filing a registration statement on Form S-1 (§239.11 of this chapter) under the Securities Act or on Form 10 (§249.210 of this chapter) under the Exchange Act;~~

~~(ii) Not subject to the reporting requirements of section 13(a) or 15(d) of the Exchange Act immediately before the filing of such registration statement; and~~

~~(iii) That (including predecessors) have not received revenue from operations during each of the three fiscal years immediately before the filing of such registration statement, shall provide the following information:~~

~~(A) If the registration statement is filed prior to the end of the registrant's second fiscal quarter, a description of the registrant's plan of operation for the remainder of the fiscal year; or~~

~~(B) If the registration statement is filed subsequent to the end of the registrant's second fiscal quarter, a description of the registrant's plan of operation for the remainder of the fiscal year and for the first six months of the next fiscal year. If such information is not available, the reasons for its not being available shall be stated. Disclosure relating to any plan shall include such matters as:~~

~~(1) In the case of a registration statement on Form S-1, a statement in narrative form indicating the registrant's opinion as to the period of time that the proceeds from the offering will satisfy cash requirements and whether in the next six months it will be necessary to raise additional funds to meet the expenditures required for operating the business of the registrant; the specific reasons for such opinion shall be set forth and categories of expenditures and sources of cash resources shall be identified; however, amounts of expenditures and cash resources need not be provided; in addition, if the narrative statement is based on a cash budget, such budget shall be furnished to the Commission as supplemental information, but not as part of the registration statement;~~

~~(2) An explanation of material product research and development to be performed during the period covered in the plan;~~

~~(3) Any anticipated material acquisition of plant and equipment and the capacity thereof;~~

~~(4) Any anticipated material changes in number of employees in the various departments such as research and development, production, sales or administration; and~~

~~(5) Other material areas which may be peculiar to the registrant's business.~~

* * * * *

~~(c) *Narrative description*~~ **Description of business.** (1) Describe the business done and intended to be done by the registrant and its subsidiaries, focusing upon the registrant's dominant segment or each reportable segment about which financial information is presented in the financial statements. ~~To the extent~~ **When describing each segment, only information** material to an understanding of the ~~registrant's~~ business taken as a whole **is required,** ~~the description of each such segment shall~~ **Disclosure may** include, **but should not be limited to,** the information specified in paragraphs (c)(1)(i) through ~~(xv)~~ of this section. ~~The matters specified in paragraphs (c)(1) (xi) through (xiii) of this section shall be discussed with respect to the registrant's business in general; where material, the segments to which these matters are significant shall be identified.~~

~~(i) The principal products produced and services rendered by the registrant in the segment and the principal markets for, and methods of distribution of, the segment's principal products and services. In addition, state for each of the last three fiscal years the amount or percentage of total revenue contributed by any class of similar products or services which accounted for 10 percent or more of consolidated revenue in any of the last three fiscal years or 15 percent or more of consolidated revenue, if total revenue did not exceed \$50,000,000 during any of such fiscal years.~~

~~(ii) A description of the status of a product or segment (e.g. whether in the planning stage, whether prototypes exist, the degree to which product design has progressed or whether further engineering is necessary), if there has been a public announcement of, or if the registrant otherwise has made public information about, a new product or segment that would require the investment of a material amount of the assets of the registrant or that otherwise is material. This paragraph is not intended to require disclosure of otherwise nonpublic corporate information the disclosure of which would affect adversely the registrant's competitive position.~~

(i) Revenue-generating activities, products and/or services, and any dependence on revenue-generating activities, key products, services, product families or customers, including governmental customers;

(ii) Status of development efforts for new or enhanced products, trends in market demand and competitive conditions;

(iii) Resources material to a registrant's business, such as:

~~(iii) The sources~~ **(A) Sources** and availability of raw materials; **and**

~~(iv)~~ **(B)** The ~~importance to the segment and the~~ duration and effect of all patents, trademarks, licenses, franchises, **and** concessions held;

~~(v) The extent to which the business of the segment is or may be seasonal.~~

~~(vi) The practices of the registrant and the industry (respective industries) relating to working capital items (e.g., where the registrant is required to carry significant amounts of inventory to meet rapid delivery requirements of customers or to assure itself of a continuous allotment of goods from suppliers; where the registrant provides rights to return merchandise; or where the registrant has provided extended payment terms to customers).~~

~~(vii) The dependence of the segment upon a single customer, or a few customers, the loss of any one or more of which would have a material adverse effect on the segment. The name of any customer and its relationship, if any, with the registrant or its subsidiaries shall be disclosed if sales to the customer by one or more segments are made in an aggregate amount equal to 10 percent or more of the registrant's consolidated revenues and the loss of such customer would have a material adverse effect on the registrant and its subsidiaries taken as a whole. The names of other customers may be included, unless in the particular case the effect of including the names would be misleading. For purposes of this paragraph, a group of customers under common control or customers that are affiliates of each other shall be regarded as a single customer.~~

~~(viii) The dollar amount of backlog orders believed to be firm, as of a recent date and as of a comparable date in the preceding fiscal year, together with an indication of the portion thereof not reasonably expected to be filled within the current fiscal year, and seasonal or other material aspects of the backlog. (There may be included as firm orders government orders that are firm but not yet funded and contracts awarded but not yet signed, provided an appropriate statement is added to explain the nature of such orders and the amount thereof. The portion of orders already included in sales or operating revenues on the basis of percentage of completion or program accounting shall be excluded.)~~

~~(ix)~~ **(iv)** A description of any material portion of the business that may be subject to renegotiation of profits or termination of contracts or subcontracts at the election of the Government; **and**

(v) The extent to which the business is or may be seasonal.

(2) Discuss the information specified in paragraphs (c)(2)(i) and (ii) of this section with respect to, and to the extent material to an understanding of, the registrant's business taken as a whole, except that, if the information is material to a particular segment, you should additionally identify that segment.

~~(x) Competitive conditions in the business involved including, where material, the identity of the particular markets in which the registrant competes, an estimate of the number of competitors and the registrant's competitive position, if known or reasonably available to the registrant. Separate consideration shall be given to the principal products or services or classes of products or services of the segment, if any. Generally, the names of competitors need not be disclosed. The registrant may include such names, unless in the particular case the effect of including the names would be misleading. Where, however, the registrant knows or has reason to know that one or a small number of competitors is dominant in the industry it shall be identified. The principal methods of competition (e.g., price, service, warranty or product performance) shall be identified, and positive and negative factors pertaining to the competitive position of the registrant, to the extent that they exist, shall be explained if known or reasonably available to the registrant.~~

~~(xi) [Reserved]~~

~~(xii) Appropriate disclosure also shall be made as to the~~

(i) The material effects that compliance with ~~Federal, State and local provisions which have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment~~ **government regulations, including environmental regulations**, may have upon the capital expenditures, earnings and competitive position of the registrant and its subsidiaries. ~~The registrant shall disclose any material,~~ **including the** estimated capital expenditures for environmental control facilities for the ~~remainder of its current fiscal year and its succeeding fiscal year and for such further periods as the registrant may deem materials~~ **any other material subsequent period; and**

~~(xiii) The number of persons employed by the registrant.~~

(ii) A description of the registrant’s human capital resources, including the number of persons employed by the registrant, and any human capital measures or objectives that the registrant focuses on in managing the business (such as, depending on the nature of the registrant’s business and workforce, measures or objectives that address the development, attraction and retention of personnel).

* * * * *

(h) **Smaller reporting companies.** A smaller reporting company, as defined by

§229.10(f)(1), may satisfy its obligations under this Item by describing the development of its business ~~during the last three years~~ pursuant to this paragraph (h). In describing developments under paragraphs (h)(1) through (3), information should be provided for the period of time that is material to an understanding of the general development of the business. Notwithstanding the provisions of § 230.411(b) or § 240.12b-23(a) of this chapter as applicable, a smaller reporting company may only forgo providing a full discussion of the general development of its business for a filing other than an initial registration statement if it provides an update to the general development of its business disclosing all of the material developments that have occurred since the most recent registration statement or report that includes a full discussion of the general development of its business. In addition, the smaller reporting company must incorporate by reference, and include one active hyperlink to one registration statement or report that includes, the full discussion of the general development of the registrant’s business. If the smaller reporting company has not been in business for three years, ~~give~~ provide the same information for predecessor(s) of the smaller reporting company if there are any. This business development description should include:

§229.103 (Item 103) Legal proceedings.

(a) Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the registrant or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the ~~proceeding~~ proceedings and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

~~Instructions to Item 103: 1. If the business ordinarily results in actions for negligence or other claims, no such action or claim need be described unless it departs from the normal kind of such actions.~~

Information may be provided by hyperlink or cross-reference to legal proceedings disclosure elsewhere in the document, such as in Management’s Discussion & Analysis (MD&A), Risk Factors and notes to the financial statements.

(b) No information need be given under this section for proceedings:

(1) That involve negligence or other claims or actions if the business ordinarily results in such claims or actions, unless the claim or action departs from the normal kind of such claims or actions; or

~~(2) No information need be given with respect to any proceeding that involves)~~ That involve primarily a claim for damages if the amount involved, exclusive of interest and costs, does not exceed 10 percent of the current assets of the registrant and its subsidiaries on a consolidated basis. However, if any proceeding presents in large degree the same legal ~~and~~ or factual issues as other proceedings pending or known to be contemplated, the amount involved in such other proceedings shall be included in computing such percentage.

(c) Notwithstanding paragraph (b) of this section, disclosure under this section shall include, but shall not be limited to:

~~3. Notwithstanding Instructions (1) and 2, any Any~~ material bankruptcy, receivership, or similar proceeding with respect to the registrant or any of its significant subsidiaries; ~~shall be described.~~

~~4.(2)~~ Any material proceedings to which any director, officer or affiliate of the registrant, any owner of record or beneficially of more than five percent of any class of voting securities of the registrant, or any associate of any such director, officer, affiliate of the registrant, or security holder is a party adverse to the registrant or any of its subsidiaries or has a material interest adverse to the registrant or any of its subsidiaries; ~~also shall be described.~~

~~5. Notwithstanding the foregoing, an administrative~~ **(3) Administrative** or judicial ~~proceeding~~ **proceedings** (including, ~~for purposes of A and B of this Instruction,~~ proceedings which present in large degree the same issues) arising under any Federal, State, or local provisions that have been enacted or adopted regulating the discharge of materials into the environment or ~~primary~~ **primarily** for the purpose of protecting the environment. **Such proceedings** shall not be deemed "ordinary routine litigation incidental to the business" and shall be described if:

~~A.(i)~~ Such proceeding is material to the business or financial condition of the registrant;

~~B.(ii)~~ Such proceeding involves primarily a claim for damages, or involves potential monetary sanctions, capital expenditures, deferred charges or charges to income and the amount involved, exclusive of interest and costs, exceeds 10 percent of the current assets of the registrant and its subsidiaries on a consolidated basis; or

~~C.(iii)~~ A governmental authority is a party to such proceeding and such proceeding involves potential monetary sanctions, unless the registrant reasonably believes that such proceeding will result in no monetary sanctions, or in monetary sanctions, exclusive of interest and costs, of less than ~~\$100,000~~ **300,000 or, at the election of the registrant, such other threshold that (A) the registrant determines is reasonably designed to result in disclosure of any such proceeding that is material to the business or financial condition is disclosed, (B) the registrant discloses (including any change thereto) in each annual and quarterly report, and (C) does not exceed the lesser of \$1 million or one percent of the current assets of the registrant and its subsidiaries on a consolidated basis;** provided, however, that such proceedings ~~which~~ **that** are similar in nature may be grouped and described generically.

§ 229.105 (Item 105) Risk factors.

~~(a)~~ Where appropriate, provide under the caption "Risk Factors" a discussion of the ~~most significant~~ **material** factors that make an investment in the registrant or offering speculative or risky. This discussion must be ~~concise and~~ organized logically. ~~Do not present risks that could apply generically to any registrant or any offering. Explain with relevant headings and each risk factor should be set forth under a subcaption that adequately describes the risk. The presentation of risks that could apply generically to any registrant or any offering is discouraged, but to the extent generic risk factors are presented, disclose them at the end of the risk factor section under the caption "General Risk Factors."~~

~~(b)~~ **Concisely explain** how ~~the~~ **each** risk affects the registrant or the securities being offered. ~~Set forth each risk factor under a subcaption that adequately describes the risk~~ **If the discussion is longer than 15 pages, include in the forepart of the prospectus or annual report, as applicable, a series of concise, bulleted or numbered statements that is no more than two pages summarizing the principal factors that make an investment in the registrant or offering speculative or risky.** If the risk factor discussion is included in a registration statement, it must immediately follow the summary section **required by § 229.503 (Item 503 of Regulation S-K).** If you do not include a summary section, the risk factor section must immediately follow the cover page of the prospectus or the pricing information section that immediately follows the cover page. Pricing information means price and price-related information that you may omit from the prospectus in an effective registration statement based on Rule 430A (§ 230.430A(a) of this chapter). The registrant must furnish this information in plain English. See § 230.421(d) of Regulation C of this chapter.

Appendix B

SEC Table Summarizing Amendments

Regulation S-K Item	Summary of Existing Item Requirements	Summary of the Final Amendments
<p>Item 101(a)</p>	<p>Requires a description of the general development of the business of the registrant during the past five years, or such shorter period as the registrant may have been engaged in business.</p>	<p>Revises Item 101(a) to:</p> <ul style="list-style-type: none"> • Be largely principles-based, requiring disclosure of information material to an understanding of the general development of the business, and eliminating the previously prescribed five-year timeframe. <p>Revises Item 101(h) to:</p> <p>Eliminate the three-year timeframe with respect to smaller reporting companies.</p> <p>Revises Items 101(a) and (h) to clarify that:</p> <ul style="list-style-type: none"> • Registrants, in filings made after a registrant's initial filing, may provide an update of the general development of the business rather than a full discussion. The update must disclose all of the material developments that have occurred since the registrant's most recent filing containing a full discussion of the general development of its business, and incorporate by reference that prior discussion.
<p>Item 101(c)</p>	<p>Requires a narrative description of the business done and intended to be done by the registrant and its subsidiaries, focusing upon the registrant's dominant segment or each reportable segment about which financial information is presented in its financial statements. To the extent material to an understanding of the registrant's business taken as a whole, the description of each such segment must include disclosure of several specific matters.</p>	<p>Revises Item 101(c) to:</p> <ul style="list-style-type: none"> • Clarify and expand the principles-based approach of Item 101(c), with a non-exclusive list of disclosure topic examples (drawn in part from the topics currently contained in Item 101(c)); • Include, as a disclosure topic, a description of the registrant's human capital resources to the extent such disclosures would be material to an understanding of the registrant's business; and • Refocus the regulatory compliance disclosure requirement by including as a topic all material government regulations, not just environmental laws.

<p>Item 103</p>	<p>Requires disclosure of any material pending legal proceedings including the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Similar information is to be included for any such proceedings known to be contemplated by governmental authorities.</p> <p>Contains a threshold for disclosure based on a specified dollar amount (\$100,000) for proceedings related to Federal, State, or local environmental protection laws.</p>	<p>Revises Item 103 to:</p> <ul style="list-style-type: none"> • Expressly state that the required information may be provided by hyperlink or cross-reference to legal proceedings disclosure located elsewhere in the document to avoid duplicative disclosure; and • Implements a modified disclosure threshold that increases the existing quantitative threshold for disclosure of environmental proceedings to which the government is a party from \$100,000 to \$300,000, but that also affords a registrant the flexibility to select a different threshold that it determines is reasonably designed to result in disclosure of material environmental proceedings, provided that the threshold does not exceed the lesser of \$1 million or one percent of the current assets of the registrant and its subsidiaries on a consolidated basis.
<p>Item 105</p>	<p>Requires disclosure of the most significant factors that make an investment in the registrant or offering speculative or risky and specifies that the discussion should be concise, organized logically, and furnished in plain English. The Item also states that registrants should set forth each risk factor under a subcaption that adequately describes the risk. Additionally, Item 105 directs registrants to explain how each risk affects the registrant or the securities being offered and discourages disclosure of risks that could apply to any registrant.</p>	<p>Revises Item 105 to:</p> <ul style="list-style-type: none"> • Require summary risk factor disclosure of no more than two pages if the risk factor section exceeds 15 pages; • Refine the principles-based approach of Item 105 by requiring disclosure of “material” risk factors; and • Require risk factors to be organized under relevant headings in addition to the subcaptions currently required, with any risk factors that may generally apply to an investment in securities disclosed at the end of the risk factor section under a separate caption.

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