

Corporate governance in focus

Harnessing disclosure committees
for modern reporting



Updated insights from our 2021 report



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Introduction

In 2021, Ernst & Young LLP (EY US), Financial Education and Research Foundation (FERF), and the Society for Corporate Governance (Society) published the [Disclosure Committee Report – Practices and Trends](#), which included updated insights from the inaugural report published in 2014 titled [Unlocking the potential of disclosure committees: Leading practices and trends](#). Collectively, these publications have been viewed as leading references on disclosure committees, including their composition and operation, and remain relevant today. This updated report presents results from a February 2024 survey of 135 public company members of the Society. The actual number of responses varied by question. The goal of the report is to inform readers how practices for disclosure committees have further changed considering recent and developing regulatory and market trends.

Disclosure committees are essential for ensuring accurate and compliant disclosures, particularly for material information shared with investors and filed or furnished with the Securities and Exchange Commission (SEC). While not legally required, effective disclosure committees support Disclosure Controls and Procedures (DC&P) and Internal Controls over Financial Reporting (ICFR).

Respondent demographics

Q What is your company's market capitalization?

53%

were associated with large or mega-capitalization companies

34%

mid-capitalization companies

13%

small, micro- or nano-capitalization companies

“

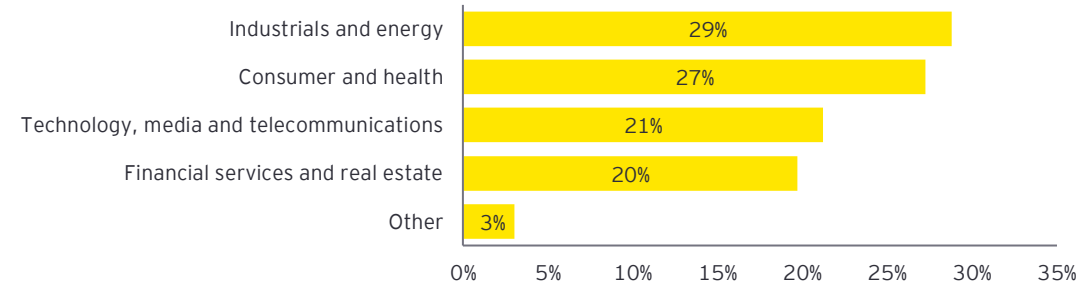
Disclosure committees serve as the cornerstone of transparent and consistent corporate communications. Transcending beyond a compliance exercise for ICFR, disclosure committees are increasingly instrumental in stakeholder relations and cultivating public trust.

Kristi Chapman, Enhanced Corporate Reporting and Accounting Leader, Ernst & Young LLP

Q

What best describes your company's industry?

Responses by industry



Key takeaways

1

Matters considered by disclosure committees continue to expand and increasingly encompass topics such as cybersecurity, human capital, and ethics and compliance matters.

2

Disclosure committees themselves are continuing to expand to include competencies beyond the traditional profile.

3

General counsel and other in-house counsel are increasingly taking on responsibilities for coordinating the activities of the committee.

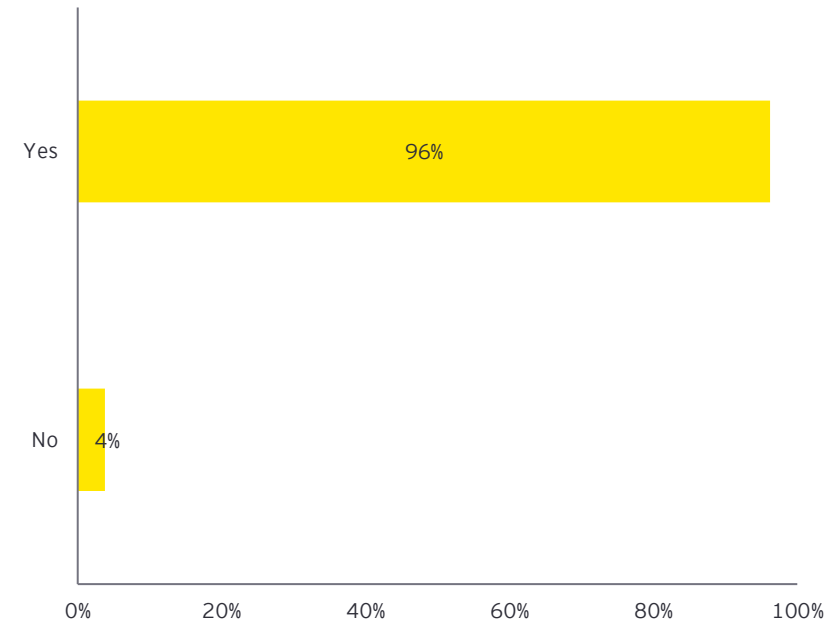


Makeup and structure

Established disclosure committee - takeaways:

- ▶ Formal disclosure committees remain a standard practice in corporations.
- ▶ There was a 2% rise in companies with formal disclosure committees compared with the 2021 survey.

Q Do you have a formal “disclosure committee” or comparable group with similar responsibilities?

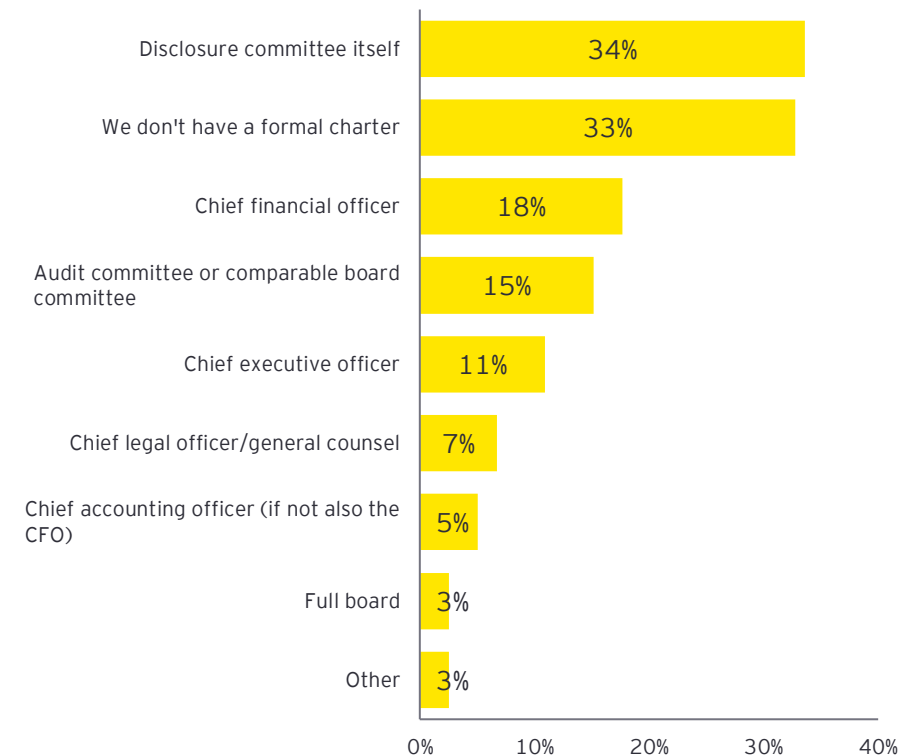


Makeup and structure

Charter and approvals - takeaways:

- ▶ Most respondents confirm their disclosure committees operate under a formal charter, aligning with 2021 findings.
- ▶ Charters are commonly approved by the disclosure committee itself, chief financial officer (CFO), or audit committee.
- ▶ The audit committee has surpassed the chief executive officer (CEO) as the third most frequent approver since the 2021 findings.
- ▶ Of respondents, 21% report that their charters receive approval from multiple authorities.

Q If your disclosure committee has a charter, who formally approves it? (Select all that apply.)

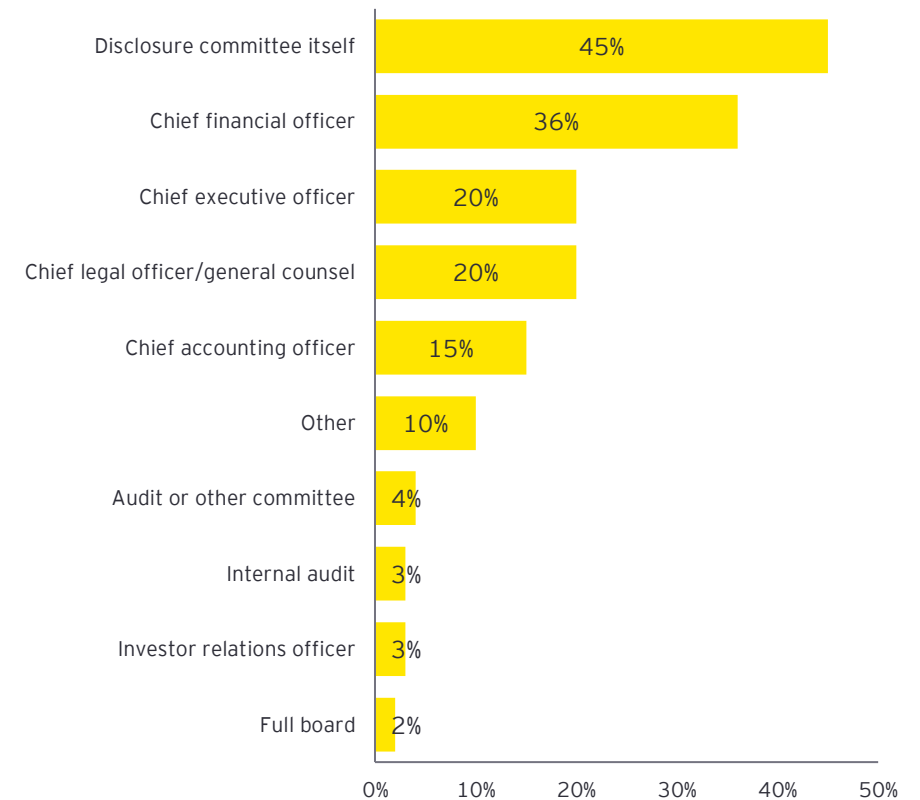


Makeup and structure

Appointment - takeaways:

- ▶ Of respondents, 61% look to one position or group to appoint the members of their disclosure committees.
- ▶ A notable trend shows a shift toward multiple appointers for collaborative membership selection (see page 6 of the 2021 report).

Q Who appoints the members of your company's disclosure committee? (Select all that apply.)



Makeup and structure

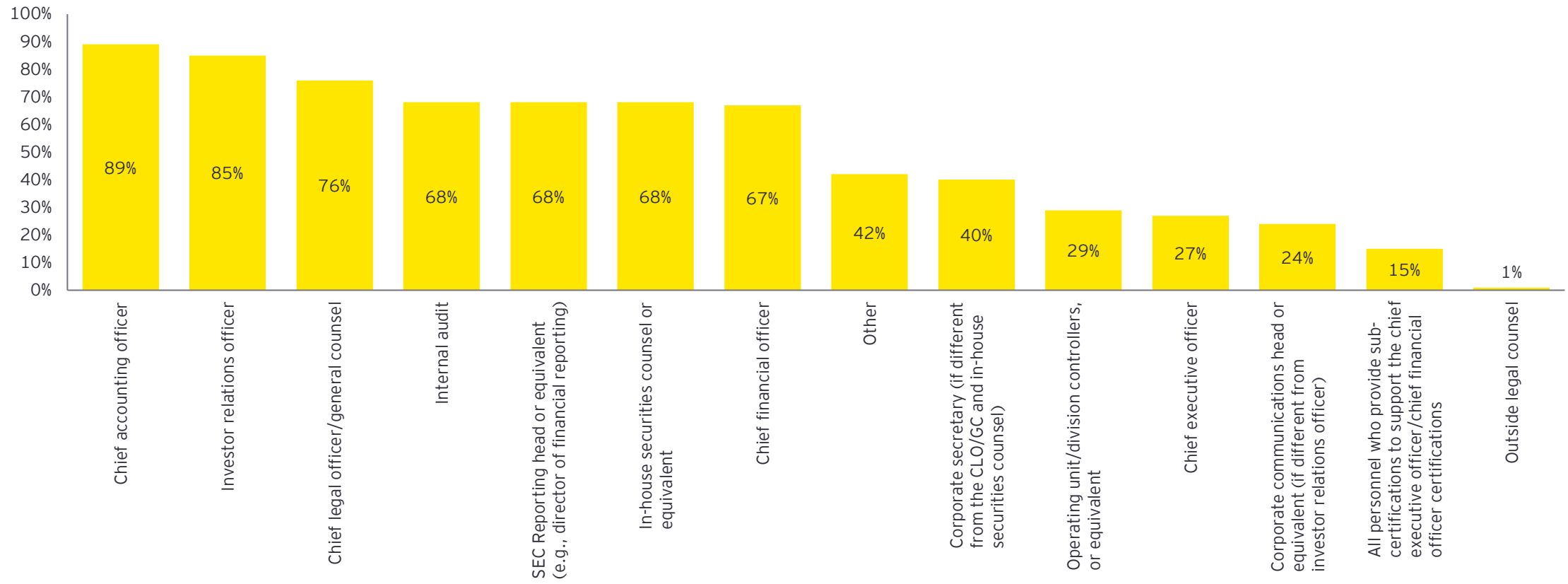
Q Who are the members of your disclosure committee or any subcommittees and observers/periodic attendees of your meetings?

- ▶ Increased organizational focus on risk, technology, and information security is influencing disclosure committee composition.
- ▶ Functions such as enterprise risk management, cybersecurity, and human capital management are increasingly included.
- ▶ While the current survey revealed no increase in representation by the chief sustainability officer on the committee compared with 2021, an increase is anticipated as a result of the SEC's climate-related disclosure rule and other sustainability-related disclosure mandates within and outside the US that are expected to influence companies' data-gathering and reporting practices.
- ▶ Other roles, such as chief product officer and head of tax, are also attending meetings.



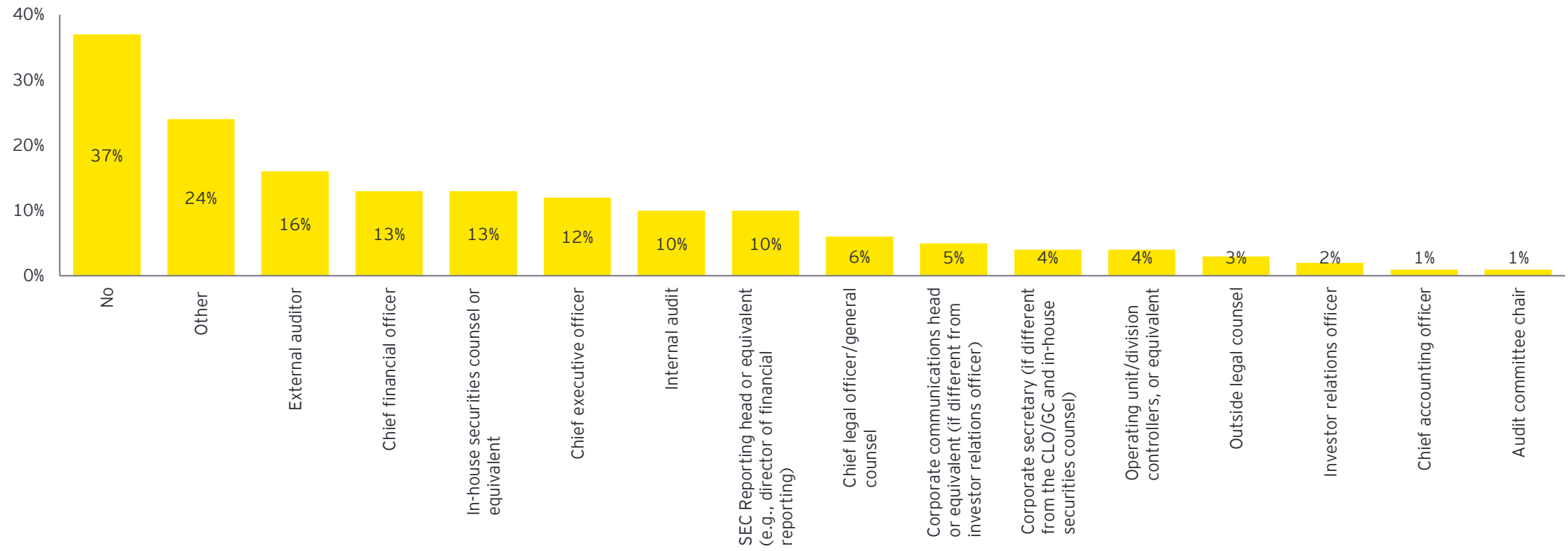
Makeup and structure

Q Who are the regular members of your disclosure committee? (Select all that apply.)



Makeup and structure

Q Excluding regular members, are there any observers or periodic attendees (unofficial members) of your disclosure committee meetings? (Select all that apply.)



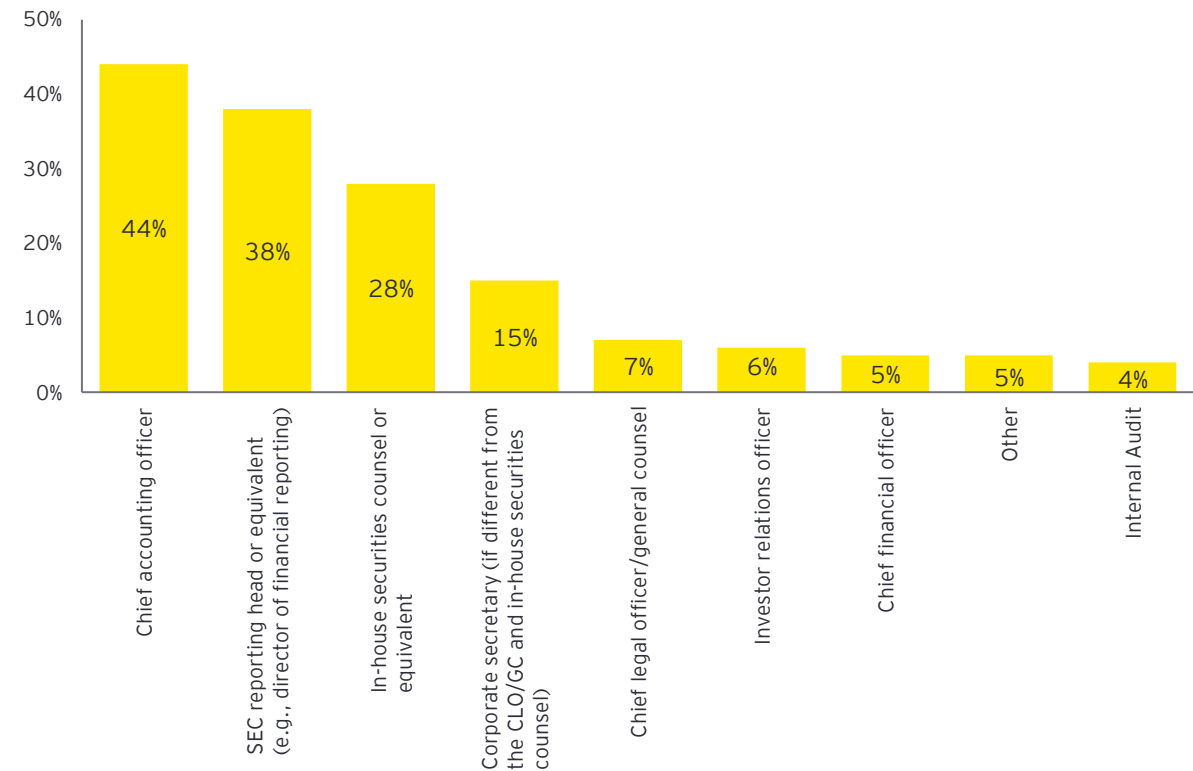
Responsibilities and procedures

Administration - takeaways:

- ▶ The chief accounting officer (CAO), SEC reporting head, and in-house securities counsel are the primary coordinators of disclosure committee activities.
- ▶ Compared with the 2021 survey, there's a slight decline in the corporate secretary's coordination of these activities; however, the general counsel (GC) or other in-house counsel is increasingly assuming this role.



Who coordinates the activities (for administrative purposes) of the disclosure committee? (Select all that apply.)



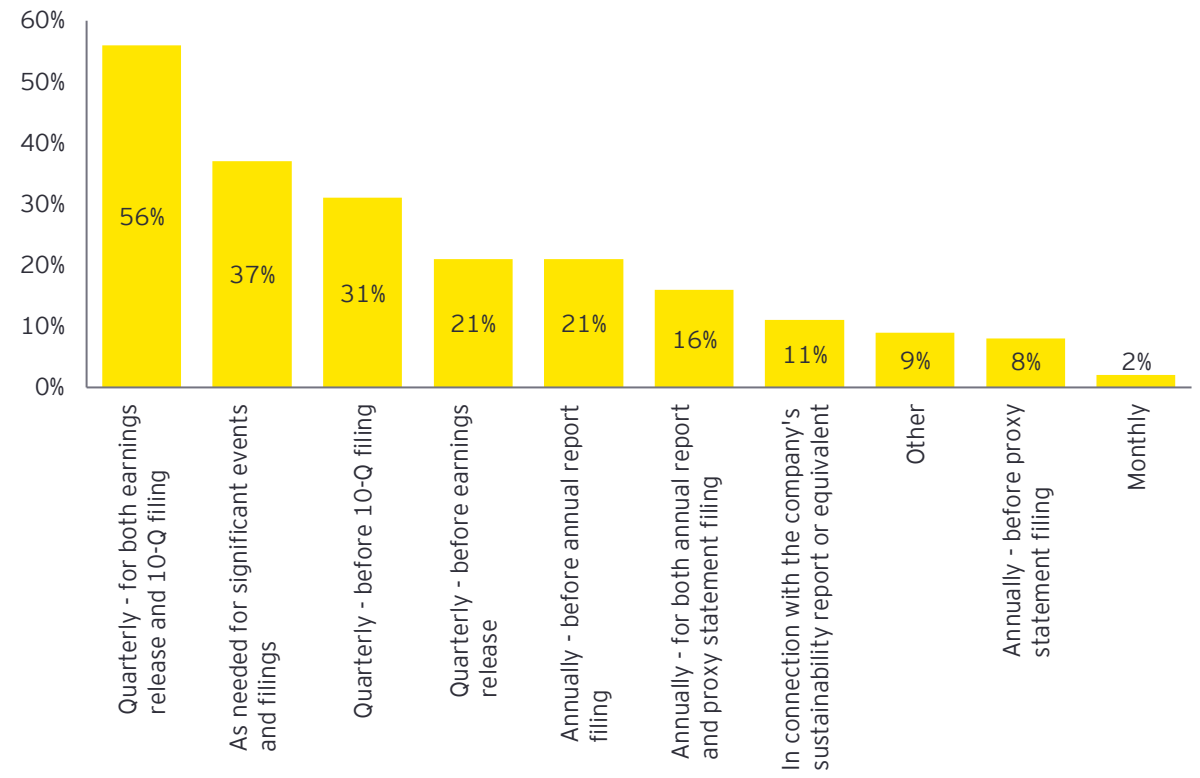
Responsibilities and procedures

Meeting frequency - takeaway:

- ▶ Meeting frequency is consistent with the 2021 survey findings.

Q

How often does the disclosure committee formally meet? (Select all that apply.)



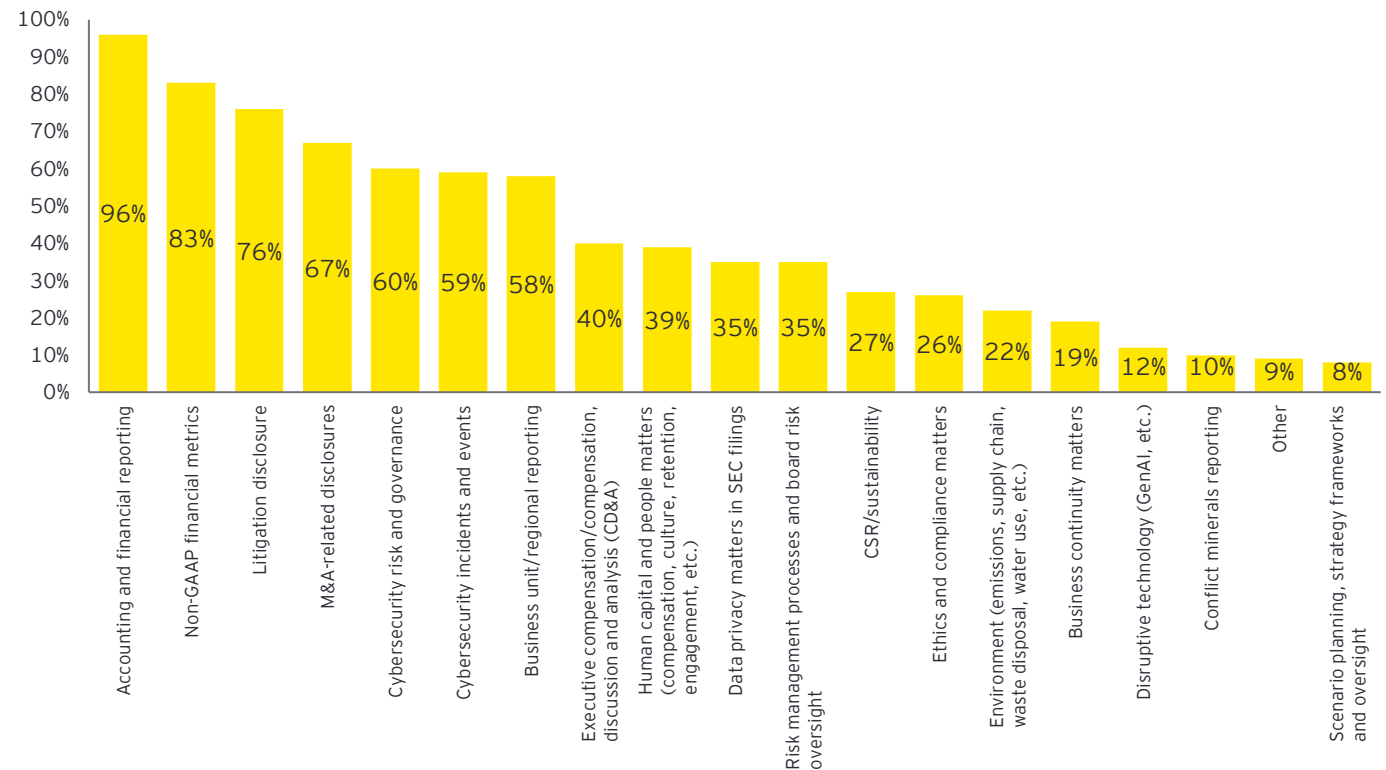
Responsibilities and procedures

Matters covered - takeaways:

- ▶ Likely prompted by increased SEC scrutiny, review of non-GAAP measures rose to 83%, an 11% increase from 2021.
- ▶ Review of human capital disclosures also rose significantly, likely reflecting companies' reaction to SEC enforcement actions and increased scrutiny of sustainability-related disclosures included in SEC filings.
- ▶ Disclosure committee review of cybersecurity disclosures has also increased, likely in response to new SEC cybersecurity rules.
- ▶ 12% of disclosure committees now review generative AI (GenAI) and other emerging technology disclosures, reflecting potentially significant risks and opportunities associated with rapidly evolving technologies.

Q

Which of these disclosures does your disclosure committee regularly review as part of its scope? (Select all that apply.)



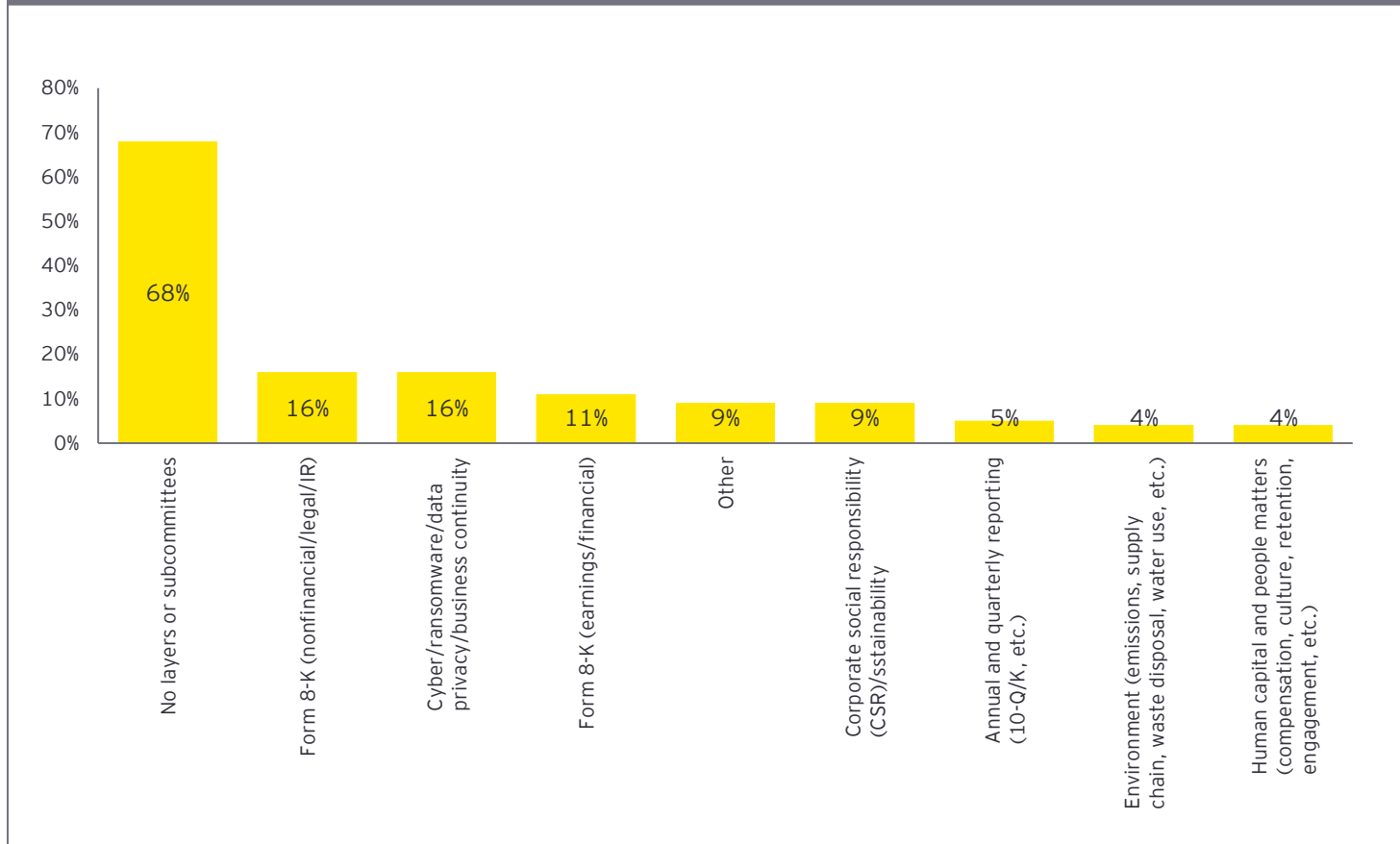
Responsibilities and procedures

Subcommittees - takeaways:

- ▶ 68% of respondents reported that their disclosure committees operate without dedicated subcommittees.
- ▶ The other 32% have subcommittees focusing on specific topics, with some dedicated to proxy filings.

Q

Does your disclosure committee have layers or subcommittees that cover/support certain topics? (Select all that apply.)



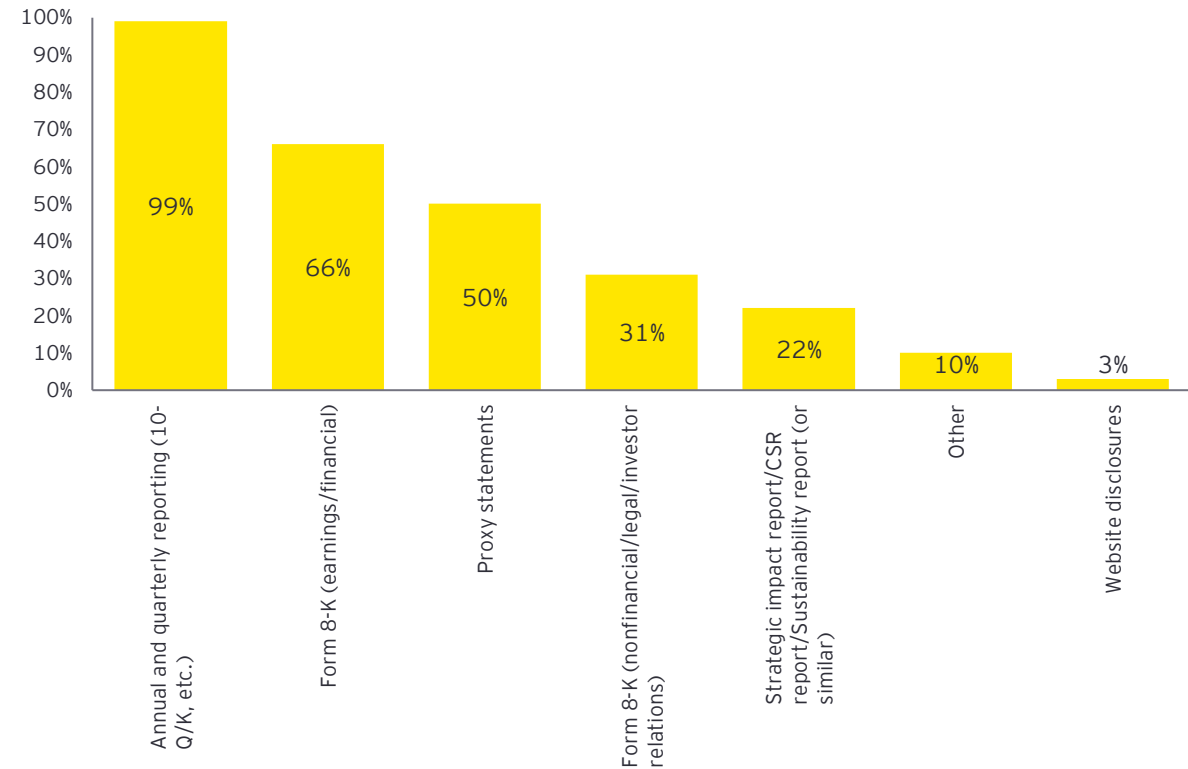
Responsibilities and procedures

Document review - takeaway:

- ▶ Disclosure committees' document review practices have remained stable, with no significant shifts since the 2021 survey.



Which of these documents does your disclosure committee regularly review as part of its scope? (Select all that apply.)



Responsibilities and procedures

Does your disclosure committee maintain minutes?

Our 2021 survey revealed that 58% of respondents' disclosure committees maintained formal meeting minutes. This year's survey indicates that this practice has not significantly changed, with 54% of respondents' disclosure committees maintaining formal minutes and another 11% maintaining some form of informal record, such as notes or other documentation.



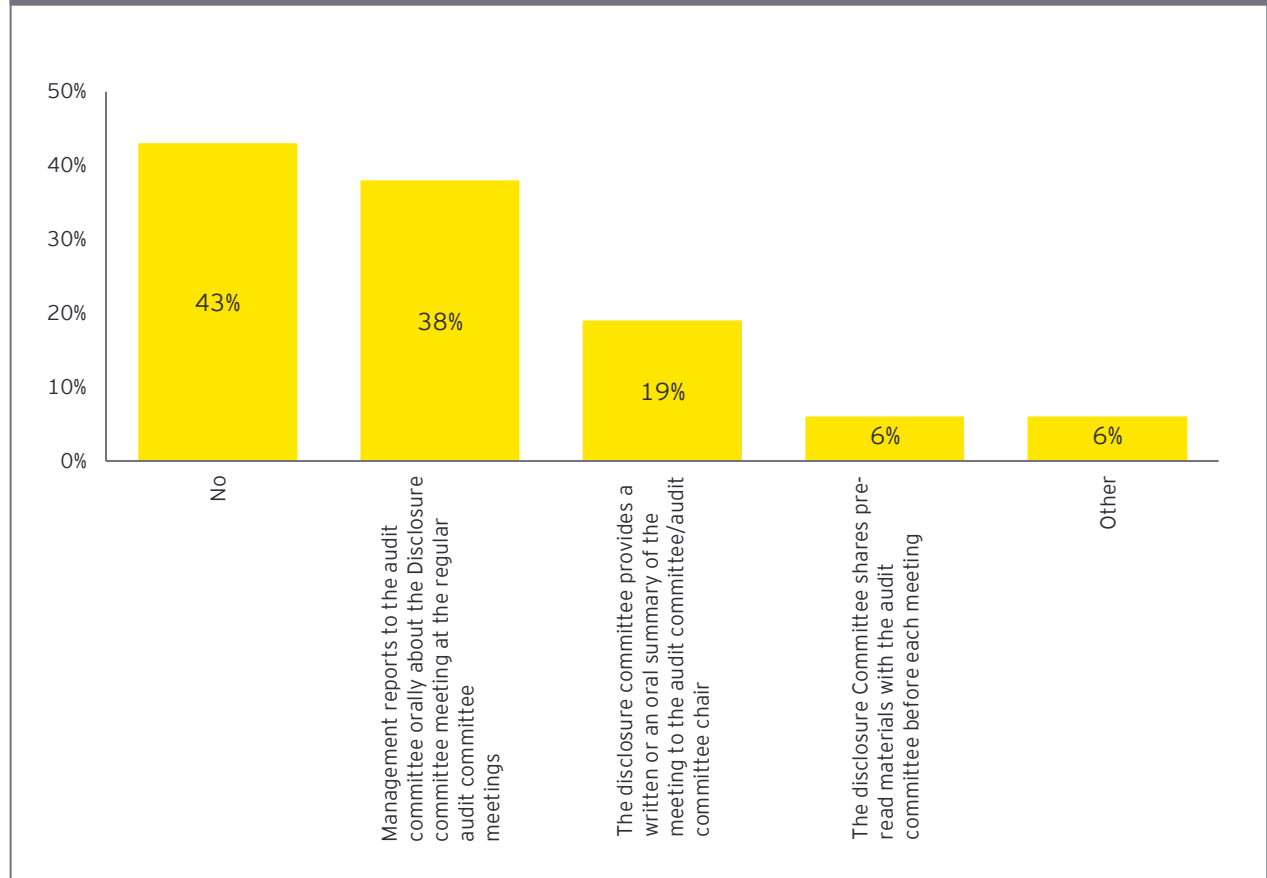
Responsibilities and procedures

Audit committee interaction - takeaways:

- ▶ 43% of respondents say they have minimal or no formal engagement with their audit committees.
- ▶ 38% of respondents say that management reports orally to the audit committee at regular meetings.
- ▶ 19% of respondents say that their disclosure committees provide written or oral summaries of their meetings to the audit committee or audit committee chair, with only 6% sharing pre-meeting materials.

Q

Does your disclosure committee report to or regularly interact directly with your company's audit committee (or comparable board committee)? (Select all that apply.)



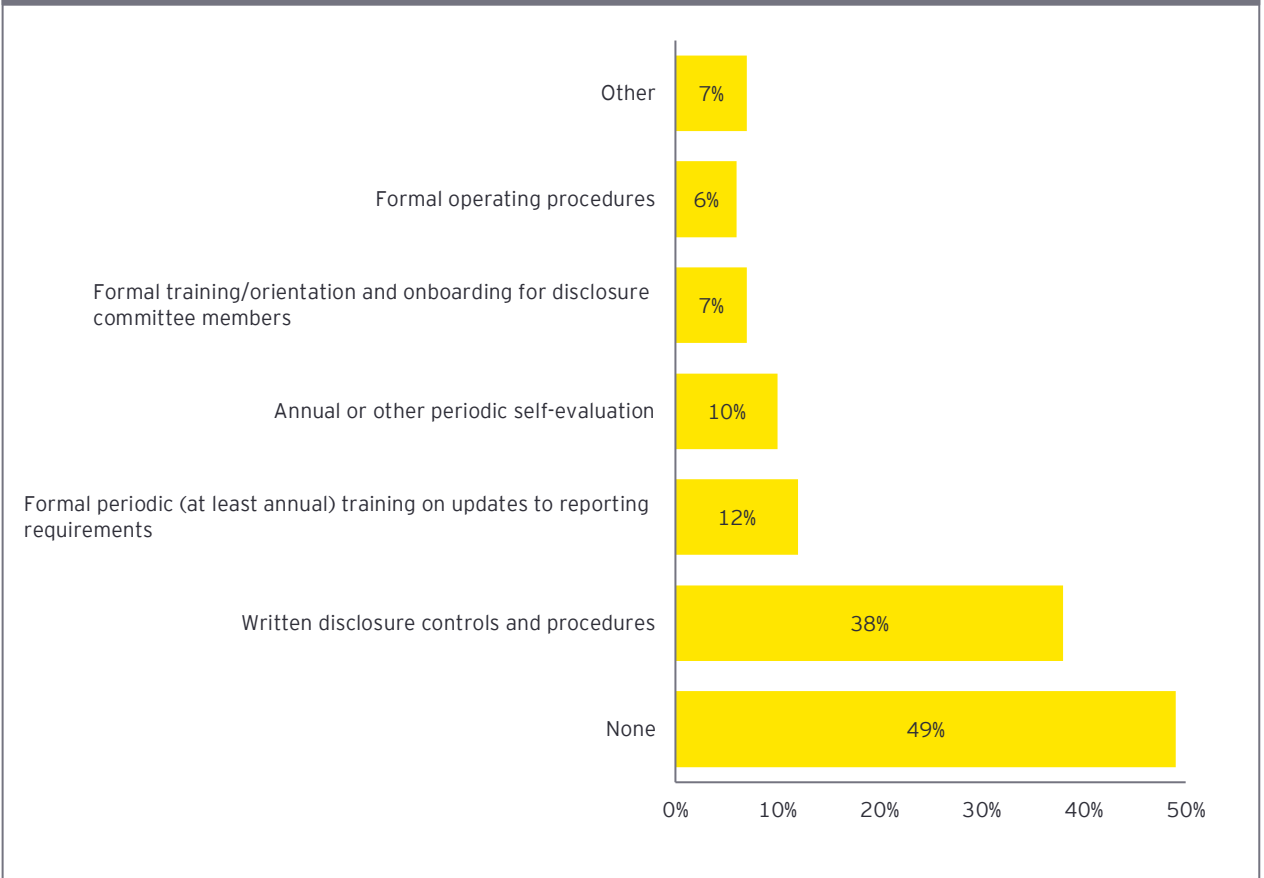
Responsibilities and procedures

Other policies - takeaways:

- ▶ Written disclosure controls and procedures (DC&P) are the most common practice, with 38% of respondents having them in place.



What other policies and procedures does the disclosure committee have? (Select all that apply.)



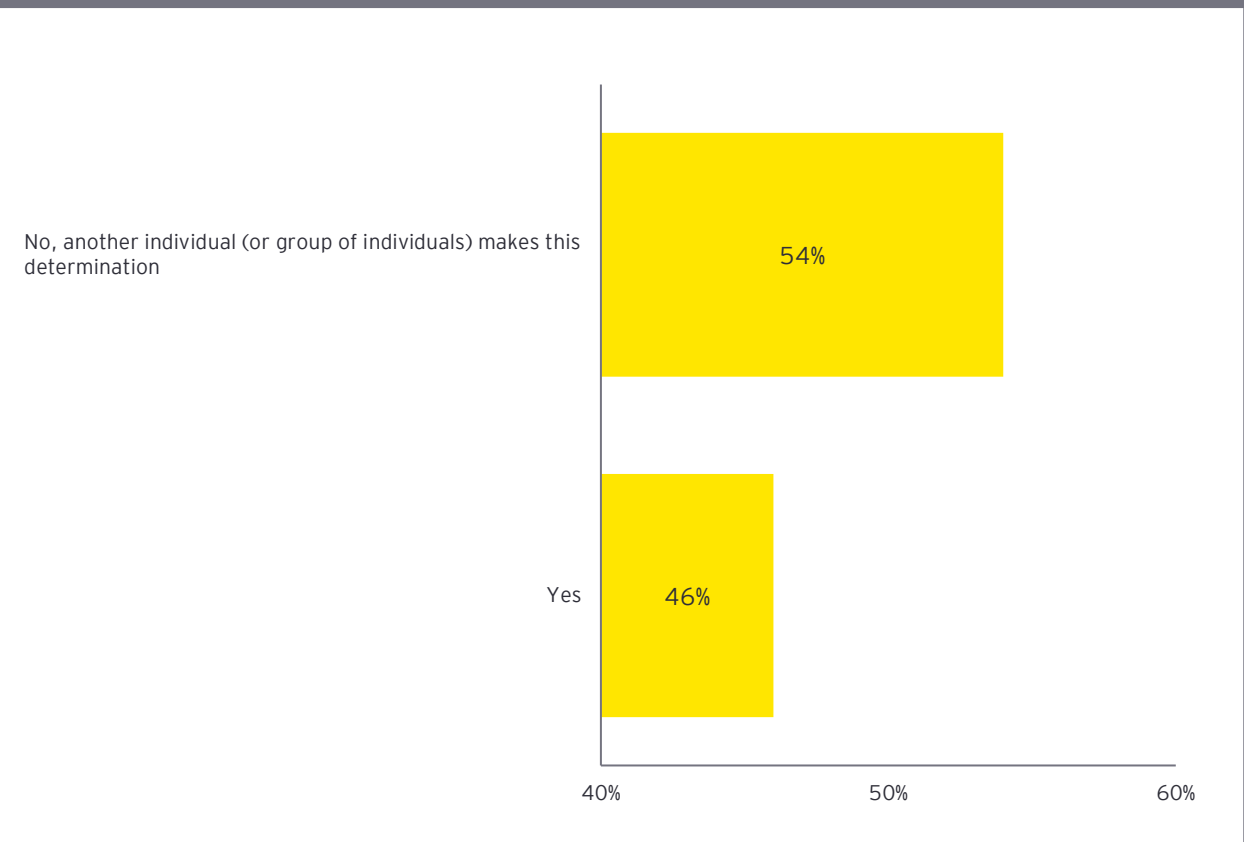
Emerging issues

Materiality of cyber events - takeaway:

- ▶ Survey results indicate that while many disclosure committees are involved in determining the materiality of cyber incidents, most companies look to others such as their CEOs, CFOs, CLOs, CIOs, CISOs, legal teams, and financial reporting directors.



Specifically regarding the new cyber rules, is your disclosure committee involved in determining whether a cyber incident is “material” and requires disclosure in a Form 8-K?



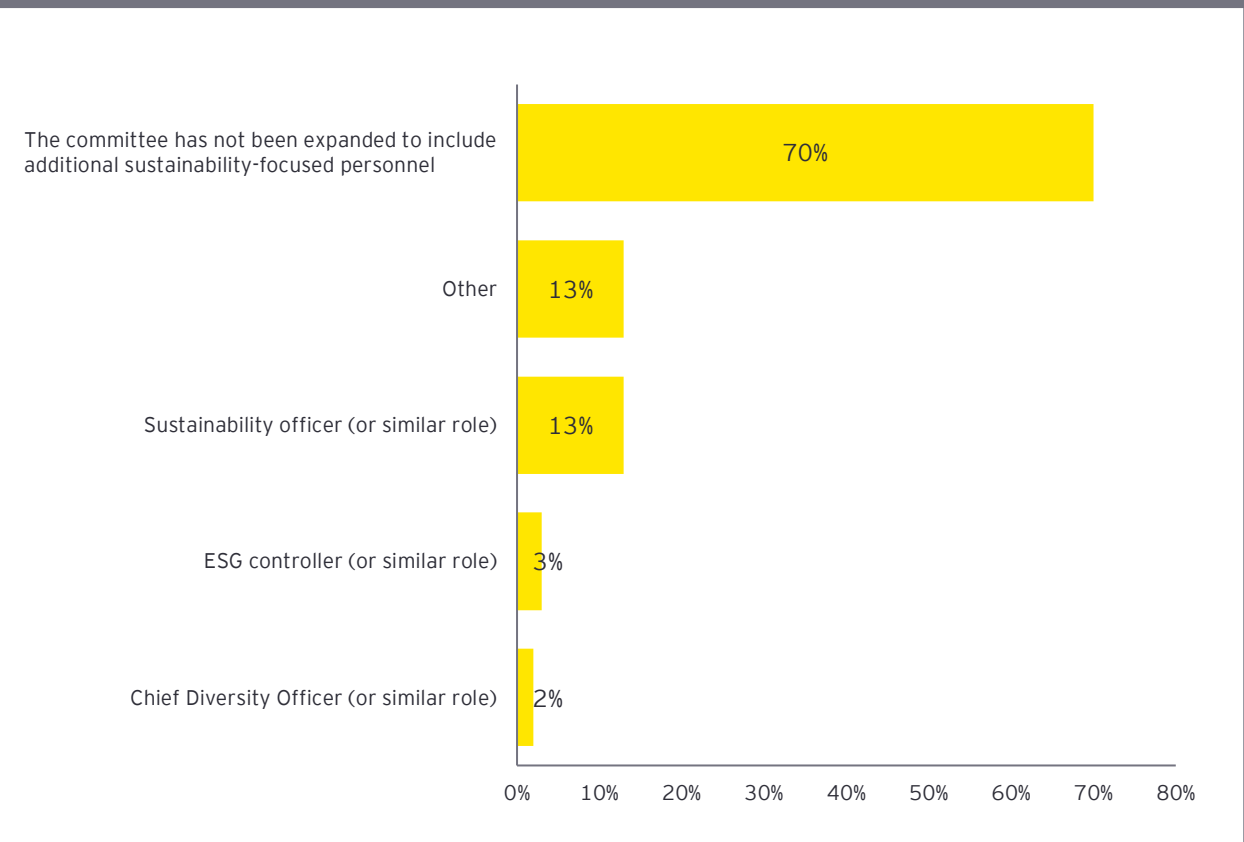
Emerging issues

Sustainability representation - takeaway:

- More than 20% of respondents observed an expansion in the composition of their disclosure committee in recent years, incorporating formal positions like ESG controller and/or sustainability officer, while another approximately 10% already included members on the committee with responsibility for sustainability.



If the disclosure committee has been expanded to include additional personnel focused on sustainability within the past three years, what roles have been added?



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About the Society for Corporate Governance

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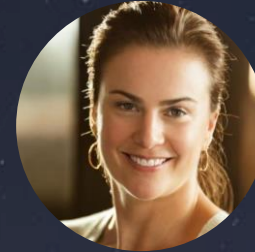
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Appendix A: Example disclosure committee charter

Below is an example disclosure committee charter, detailing the structured approach to ensuring accurate and timely public disclosures as mandated by the SEC.

[COMPANY NAME] DISCLOSURE COMMITTEE CHARTER

A. Background

The Securities and Exchange Commission (the “**Commission**”) defines “**disclosure controls and procedures**” as those controls and procedures that are designated to ensure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934, as amended (the “**Act**”), is recorded, processed, summarized, and reported on a timely and accurate basis. Disclosure controls and procedures relate to both financial and nonfinancial information.

The Commission rules require that the principal executive officer and principal financial officer (the “**Senior Officers**”) of [Company name] (the “**Company**”) certify in the Company’s annual reports on Form 10-K and quarterly reports on Form 10-Q that they:

1. Are responsible for establishing and maintaining disclosure controls and procedures;
2. Have designed the disclosure controls and procedures to ensure that material information relating to the Company and its consolidated subsidiaries is made known to them, particularly during the preparation of periodic reports; and
3. Have evaluated the effectiveness of the disclosure controls and procedures as of the end of the period covered by the periodic report and have presented the conclusions of their evaluation in the periodic report.

B. Purpose

The Disclosure Committee has been established, and this Disclosure Committee Charter has been adopted, by the Senior Officers. The purpose of the Disclosure Committee is:

1. Subject to the supervision and oversight of the Senior Officers, to (i) assist the Company in designing, overseeing, and evaluating its disclosure controls and procedures and (ii) assist the Senior Officers in discharging their responsibilities under the Act with respect to such controls and procedures;
2. To assist the Company in evaluating the accuracy, completeness, materiality, timeliness, and consistency of the Company’s public disclosures to investors and to advise the Senior Officers with respect to the same; and

3. To undertake such additional responsibilities relating to the Company’s public disclosures to investors, disclosure controls and procedures, and internal controls and procedures as shall be specifically requested by the Senior Officers.

C. Committee Membership and Organization

The Disclosure Committee includes persons at the Company performing the following functions (if applicable):

1. Principal Financial Officer
2. Corporate Controller
3. General Counsel
4. Director of SEC Reporting
5. Director of Investor Relations
6. Other individuals designated by the Principal Financial Officer

Representatives of the Company’s outside counsel, representatives of the Company’s independent auditors, consultants/third-party advisors, and other personnel of the Company or representatives of its other outside advisors may be invited to attend meetings of the Disclosure Committee, as the Disclosure Committee deems necessary or appropriate in performing its functions.

Changes to the membership of the Disclosure Committee shall be determined by the Senior Officers, as necessary, in light of changes in the Company’s business, operations, organization, or management.

The Disclosure Committee may designate one of its members as the primary coordinator of the Disclosure Committee’s activities, including scheduling meetings, establishing meeting agendas, and maintaining a record of the Disclosure Committee’s activities.

In light of the Disclosure Committee’s nature and objectives, it does not vote on matters it addresses and has no quorum requirements.

D. Committee Responsibilities and Authority

The responsibilities of the Disclosure Committee include the following:

1. Coordinate and oversee the formulation and documentation of the Company’s disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Act.

2. Participate, together with the Senior Officers, in an evaluation of the effectiveness of the Company’s disclosure controls and procedures as of the end of each period to which an annual report on Form 10-K or quarterly report on Form 10-Q relates, as contemplated by Rules 13a-14 and 13a-15 under the Act.
3. Participate in the preparation of the Company’s annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements, and annual reports to stockholders (each, an “**SEC Document**”).
4. Review drafts of the SEC Documents and of such other disclosure documents (whether in the form of Commission filings, press releases, corporate website postings, or other public communications) as a Senior Officer may, from time to time, request and coordinate, as necessary, the review of such documents by the Company’s independent auditors, outside counsel, or other outside advisors.
5. Periodically review and assess the adequacy of the Company’s disclosure policy and guidelines, including, without limitation, the Company’s Investor Relations and Communications Policy.

E. Meetings

It is anticipated that the Disclosure Committee will carry out its responsibilities on a continuous basis using such procedures as it deems appropriate or as directed by the Senior Officers, including, without limitation, holding formal or informal meetings, conducting telephone conferences, or using other communications, but in no event shall the Disclosure Committee formally meet less than once each fiscal quarter.

F. Full Access

The Committee shall have full access to all of the Company’s books, records, assets, facilities, and personnel, including the internal auditors, in connection with fulfilling its responsibilities.

G. Charter Review

The Committee shall review and assess this Charter annually and recommend any proposed changes to the Senior Officers for approval.

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US SCORE no. 23981-241US

2406-4555014
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