

November 16, 2021

SEC Staff Reminds Companies of Guidance on Climate Change Disclosures

SEC's Chair has directed staff to compile recommendations for mandatory disclosures on climate-related matters

The SEC's Division of Corporation Finance recently released a [sample letter](#) to companies regarding climate change disclosures. Such disclosures are currently a focus area of the SEC led by Chair Gary Gensler. The SEC [solicited public input](#) on climate change disclosures earlier in 2021 to inform the Commission's future rulemaking on the topic. Chair Gensler has since directed SEC staff to compile recommendations for potential mandatory disclosures on climate-related matters.

The sample letter largely reminds registrants of the existing [SEC guidance issued in 2010](#) on disclosures related to climate change. Based on a registrant's specific facts and circumstances, climate change-related disclosures may be required in SEC filings within the description of the business, legal proceedings, risk factors, and management's discussion and analysis (MD&A) under existing rules and guidance.

The staff's example comment letter requests additional information to understand registrants' disclosures, particularly in circumstances where;

- ⑥ there is very little disclosure related to climate-change matters, or
- ⑥ where such disclosures have been included in a separate corporate social responsibility report, but not within SEC filings.

In addition, the sample letter includes other disclosure requests or seeks additional information about:

- ⑥ *Risk Factors*: Disclosures about any material transition or litigation risks related to climate change.
- ⑥ *MD&A*: Disclosures on;
 - significant developments in climate-related legislation and international accords,
 - any material past or future climate-related capital commitments,
 - material indirect consequences of climate-related trends or regulation,
 - material physical impacts of climate change on the business,
 - any corresponding material increased compliance costs, and
 - any material purchases or sales of carbon credits or offsets.

Examples of indirect consequences of climate-related regulation or business trends, and example disclosures regarding the physical effects of climate change are provided in the sample letter.

Registrants are advised to consider the 2010 interpretive guidance and the sample letter regarding climate disclosures in their upcoming SEC filings. In accordance with existing SEC rules, companies are reminded to disclose material information on their business, financial condition, and results of operations.



TX Office: Dallas Metropolitan Area (817) 416-6842
NV Office: Las Vegas (702) 565-2727

Kral Ussery LLC serves US public and private companies to protect and grow shareholder value, as well as non-profits and governments with internal controls and in combating fraud. We assist entities in all matters relating to financial reporting, including SEC compliance, internal controls, SOX-404, IT general controls, IPO & SPAC readiness, M&A transactions, US GAAP compliance, audit preparedness, and technical accounting memos. Visit us at www.KralUssery.com.

This is an article from the Governance Issues™ Newsletter, Volume 2021, Number 4, published on November 16, 2021 by Kral Ussery LLC.

© Kral Ussery LLC. Copyright: The Governance Issues™ Newsletter is meant to be distributed freely to interested parties. However, any use of this article must credit the respective author and Kral Ussery LLC as the publisher. All rights reserved. Use of the newsletter article constitutes acceptance of our [Disclaimer](#) and [Privacy Policy](#). To receive the newsletter, go to www.KralUssery.com and register. Or, send a request to newsletter@KralUssery.com and we will register you.