

SEC SHINES SPOTLIGHT ON CLIMATE CHANGE IN SAMPLE COMMENT LETTER

Sep 23, 2021

As discussed in our [March 4, 2021](#) and [March 17, 2021](#) posts, Allison Herren Lee, then the Acting Chair of the SEC, previously issued a [Public Statement](#) and delivered a [speech](#) announcing the SEC's enhanced focus on climate-related disclosures. Yesterday, the SEC's Division of Corporation Finance issued a sample comment letter to provide [additional guidance](#) on the application of its rules to climate change, including the following topics covered in the SEC's [2010 climate change guidance](#):

- The impact of pending or existing climate-change related legislation, regulations and international accords
- The indirect consequences of regulation or business trends
- The physical impacts of climate change

The Division noted that climate change may be implicated in an issuer's description of business, legal proceedings, risk factors and MD&A.

The topics addressed by the sample comment letter included:

- In general
 - The level of consideration given to providing the same type of climate-change disclosure as the issuer provides in its corporate social responsibility report (CSR report)
- Risk factors that address
 - Material effects of transition risks related to climate change on the issuer's business, financial condition and results of operations, including
 - Policy and regulatory changes that could impose operational and compliance burdens
 - Market trends that may alter business opportunities, credit risks or technological changes

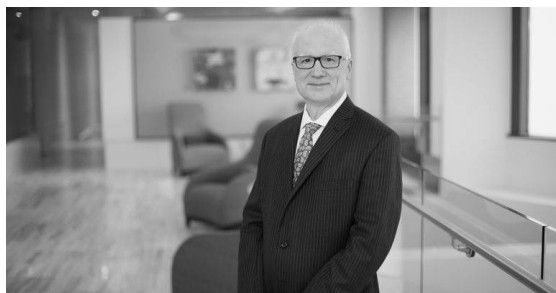
- Material litigation risks related to climate change and their potential impact
- MD&A disclosures that cover following, to the extent material
 - The effects of pending or existing climate change-related legislation, regulation and international accords
 - Past and future capital expenditures for climate-related projects, which should be quantified if material
 - The indirect consequences of climate-related regulation or business trends, including:
 - increases and decreases in demand and competition related to greenhouse gas emissions standards and alternative energy sources
 - anticipated reputational risks from operations or products that produce material emissions
 - The physical effects of climate change on the issuer's operations and results, including weather-related disclosures and related impacts on the issuer's property, operations, customers, suppliers, production capacity and the cost and availability of insurance
 - Increased compliance costs related to climate change
 - Purchases and sales of carbon credits or offsets

The Division noted that the sample comments do not constitute an exhaustive list of the issues that companies should consider.

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