

Snapshot

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SNAPSHOT 2021-12

CorpFin releases sample comments on climate change

The SEC's Division of Corporation Finance (CorpFin) released a [sample letter](#) illustrating comments that CorpFin staff might issue to companies related to climate-related disclosures or the absence of such disclosures. Drawing from the SEC's 2010 [guidance](#), which explains how the impacts of climate change may require disclosures under the SEC's existing requirements, the sample comments illustrate how the staff may apply that guidance in the comment letter process.

In addition, CorpFin notes that according to Rule 408 under the Securities Act of 1933 and Rule 12b-20 under the Securities Exchange Act of 1934, companies must also disclose "such further material information, if any, as may be necessary to make the required statements, in light of the circumstances under which they are made, not misleading."

Sample comments

CorpFin released the sample letter to help companies comply with their disclosure obligations under federal securities laws. The non-exhaustive list of sample comments includes the following topics:

- Disparity between robust disclosure in a company's corporate social responsibility report compared to its SEC filings
- Disclosure of material risks of transitioning to a low carbon economy as well as material litigation risks from climate change
- Discussion of significant developments in legislation, regulation, and international accords, as well as any material effect of these developments on the company

- Disclosure of material past and/or future capital expenditures for climate-related projects
- Discussion of any material indirect consequences of climate-related regulation or business trends, such as a decrease in demand for a product that produces significant greenhouse gas emissions
- Discussion of any material physical effects of climate-related changes, such as the severity of weather events
- Discussion of any material increased compliance costs related to climate change and, if material, purchases or sales of carbon credits

Grant Thornton insights

For insights on how the SEC's 2010 guidance applies to disclosure areas, such as descriptions of business, legal proceedings, risk factors, and Management's Discussion and Analysis, see Grant Thornton's Snapshot 2021-09, "SEC undertakes climate and ESG-related activity."

The SEC is expected to issue a proposed rule on climate change disclosures in late 2021. SEC Chairman Gary Gensler has [indicated](#) the proposed disclosures will include both quantitative and qualitative disclosures on climate change. Companies, particularly those with material risks and opportunities related to climate change, should monitor the SEC's activity and provide feedback on the proposed rule.

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