

February 25, 2021

SEC Division of Corporation Finance Directed to Focus on
Climate-Related Disclosures and Update Prior Climate Guidance

The Acting Chair of the U.S. Securities and Exchange Commission (SEC), Allison Herren Lee, has issued a [statement](#) directing the Division of Corporation Finance to enhance its focus on public company disclosures concerning climate change, including by updating the SEC's formal 2010 [guidance](#) regarding such disclosure to "take into account developments in the last decade."

As part of this enhanced focus, the SEC staff will: (1) review the extent to which public companies have addressed the topics identified in the 2010 guidance (*e.g.*, impact of legislation and regulation, impact of international accords, indirect consequences of regulation or business trends, physical impacts of climate change such as severe weather, etc.); (2) assess compliance with disclosure obligations under the federal securities laws; (3) engage with public companies on climate-related disclosure issues; and (4) absorb critical lessons on how the market is currently managing climate-related risks. The Acting Chair's statement concludes with:

"Now more than ever, investors are considering climate-related issues when making their investment decisions. It is our responsibility to ensure that they have access to material information when planning for their financial future. Ensuring compliance with the rules on the books and updating existing guidance are immediate steps the agency can take on the path to developing a more comprehensive framework that produces consistent, comparable, and reliable climate-related disclosures."

As [boards of directors](#) are increasingly expected to attend to climate change and other ESG-related [issues](#), [sustainability-linked finance](#) rises to the fore and companies face new forms of [activist attacks](#) linked to ESG issues, the expectations for standardized, comparable and assurable data, particularly on climate-related risks, have become more urgent. This latest directive from the SEC, together with the SEC's recent appointment of a Senior Policy Advisor for Climate and ESG, statements from the new Acting Director of the Division of Corporation Finance and the SEC's heightened consideration of climate risk and other ESG, human capital management and sustainability matters, underscores the SEC's commitment to playing a central role in how disclosure expectations, private ordering and regulatory requirements evolve.

Companies will need to increase the attention they have been paying to their strategy in dealing with, and disclosing, these matters.

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