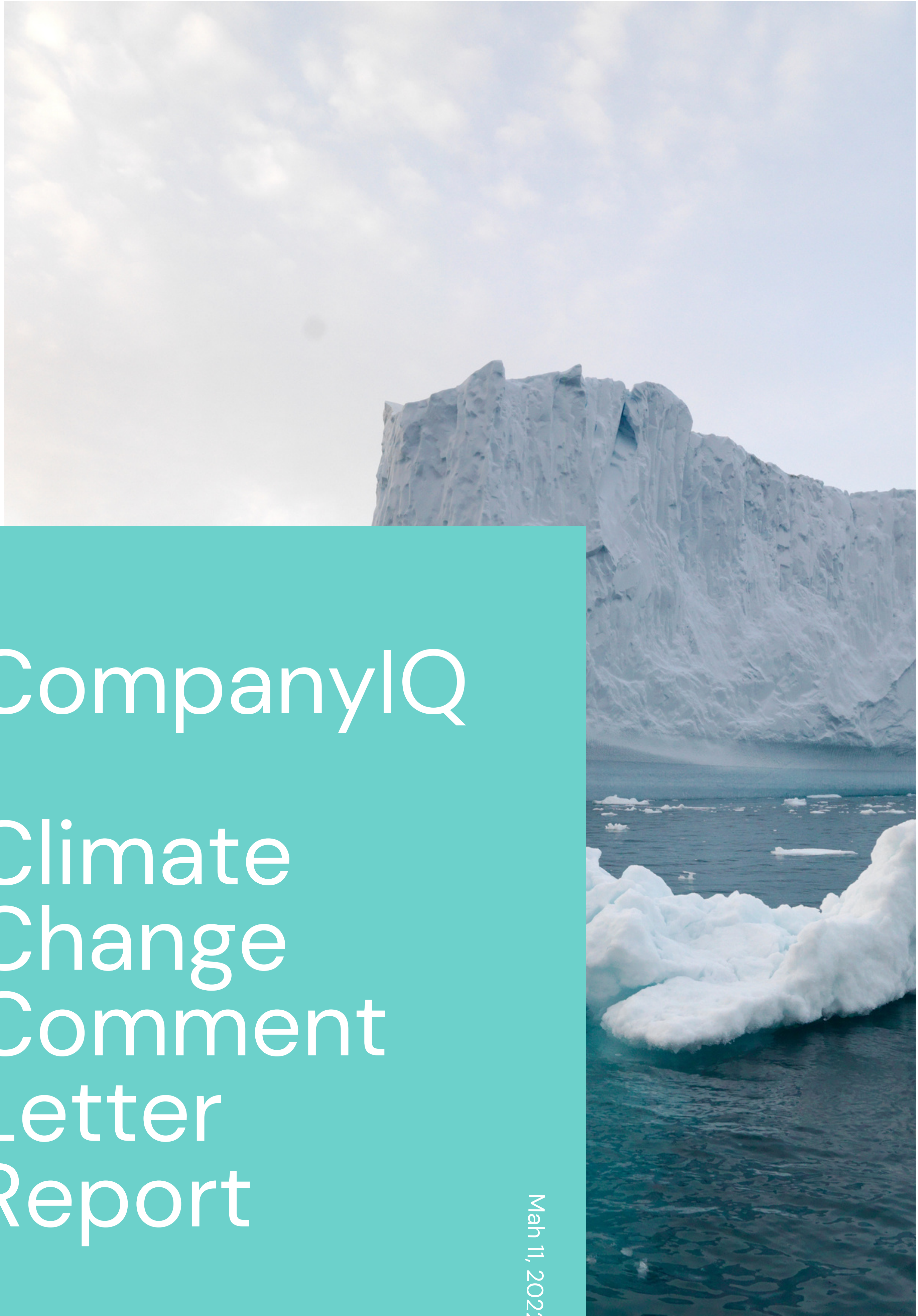


CompanyIQ

Climate Change Comment Letter Report

Mah 11, 2022

Vague Climate Statements a No Go with the SEC

Climate Change Dominates

One-third of S&P 500 Comment Letters released over the past 90 days (12/4/21-3/4/22) were related to climate change.

Specifically, out of 31 companies that received a SEC Comment Letter, the SEC asked the following 10 companies for additional information on climate disclosures:

1) Cintas
2) Cisco
3) Discover Financial Services
4) Meta Platforms
5) Monster Beverages
6) Progressive Insurance
7) Charles Schwab
8) Snap-On
9) Target
10) Under Armour.

Requested Disclosures

Utilizing our CompanyIQ® SEC Comment Letters database, we analyzed the comments in these ten SEC staff letters to identify the types of climate disclosures the SEC is looking for in 10-K annual reports.

The 59 comments in these ten climate-related Comment Letters fell into the following 13 broad categories:

- Quantification of the Physical Impacts of Weather Damage
- Detail on Capital Expenditures
- Consistency with Corporate Social Responsibility (CSR) Report/Website Statements
- Indirect Costs
- Litigation Risk
- Transition Costs
- Impact of Pending/New Regulations & Laws
- Compliance Costs
- Carbon Credits/Offsets Costs
- Specific Detail on Climate Risk Factors
- Specific Detail on Climate Expenditures
- Supply Chain Price Fluctuations
- Availability of Reinsurance

The Data

Table 1 and Chart 1 below have the details. Table 1 indicates the frequency of the requested climate disclosure topic among the ten companies. Chart 1 shows the frequency of the requested disclosure among the 59 comments.

Table 1: Frequency of Requested Climate Topic Disclosures for the S&P 500 by Company 12/4/21 to 3/4/22

Climate Item	# of Companies
Quantification of Weather-Related Damage	9/10
Detail on Capital Expenditures	7/10
Consistency with CSR/Website Statements	7/10
Indirect Costs/Consequences on Business Trends	7/10
Litigation Risk	7/10
Transition Costs	6/10
Impact of Pending/New Regulations & Laws	5/10
Compliance Costs	5/10
Carbon Credits/Offsets Costs	2/10
Specific Detail on Climate Risk Factors	1/10
Specific Detail on Climate Expenditures	1/10
Supply Chain Price Fluctuations	1/10
Availability of Reinsurance	1/10

9

Out of 10 companies needed more disclosure on weather-related damage

Cap Ex

2nd most frequent comment

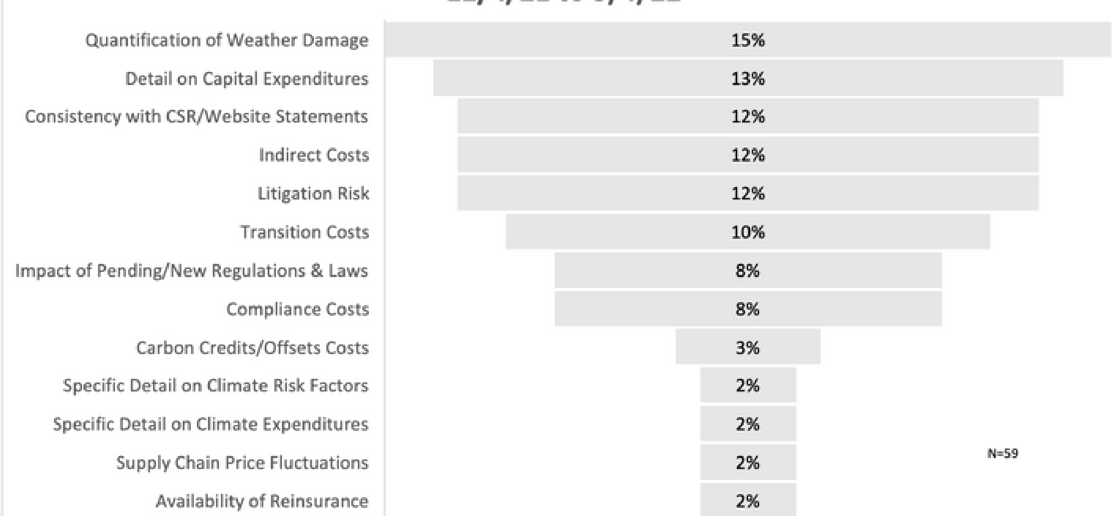
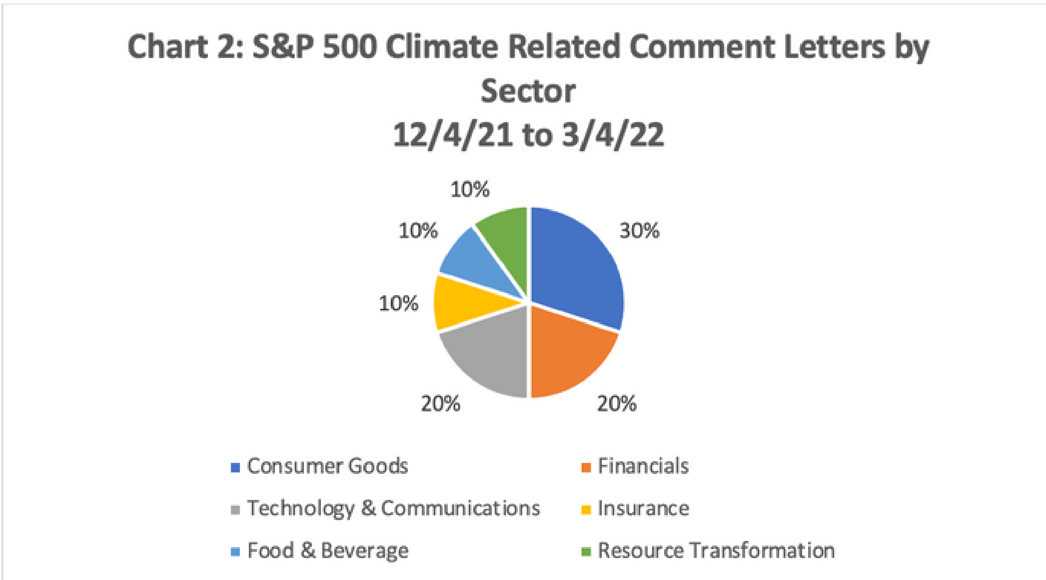


Chart 1: Frequency of Requested Climate Disclosures for the S&P 500 by Comment 12/4/21 to 3/4/22

Sector Analysis

While examples from 10 companies do not provide a full picture, it is interesting to note which sectors were affected as Chart 2 below indicates.



Comments Are Clear – Detailed & Consistent Climate Disclosure is a Must

The following excerpts paint the picture that more disclosure, specificity, quantification, and consistency with CSR and website statements are the new standard that the SEC wants to see.

Target
9/22/21 Comment Letter
Consistency with CSR/Website Statements

"We note that you provided more expansive disclosure in your CSR report than you provided in your SEC filings. Please advise us what consideration you gave to providing the same type of climate-related disclosure in your SEC filings as you provided in your CSR report."

Meta
9/21/21 Comment Letter
Transition Risks

"Disclose the material effects of transition risks related to climate change that may affect your business, financial condition, and results of operations, such as policy and regulatory changes that could impose operational and compliance burdens, market trends that may alter business opportunities, credit risks, or technological changes."

Charles Schwab
9/23/21 Comment Letter
Weather-Related Damage

“If material, discuss the significant physical effects of climate change on your operations and results. This disclosure may include the following: severity of weather, such as floods, hurricanes, sea levels, extreme fires, and water availability and quality; quantification of material weather-related damages to your property or operations; potential for indirect weather-related impacts that have affected or may affect your major customers or suppliers; and any weather-related impacts on the cost or availability of insurance.”

Snap-On
9/23/21 Comment Letter
Capital Expenditures

“We note that you list several future climate-related projects on your Sustainability Commitment webpage. Please revise your disclosure to identify any material past and/or future capital expenditures for climate-related projects. If material, please quantify these expenditures.”

Cisco Systems
9/15/21 Comment Letter
Indirect Consequences

“To the extent material, discuss the indirect consequences of climate-related regulation or business trends, such as the following: decreased demand for goods or services that produce significant greenhouse gas emissions or are related to carbon-based energy sources; increased demand for goods that result in lower emissions than competing products; increased competition to develop innovative new products that result in lower emissions; increased demand for generation and transmission of energy from alternative energy sources; and any anticipated reputational risks resulting from operations or products that produce material greenhouse gas emissions.”

Progressive Corp
9/23/21 Comment Letter
Litigation Risks

“Disclose any material litigation risks related to climate change and the potential impact to the company.”

For more information on the underlying data for this analysis or our CompanyIQ® SEC Comment Letters research database, please contact info@mylogiq.com.

1 in 3

Comment Letters Were on Climate Change

Will this pace continue?

For more information, contact info@mylogiq.com.

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