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U.S. Securities and Exchange Commission,
Division of Corporation Finance Dear Issuer
Letters, Sample Letter to Companies
Regarding Disclosures Pertaining to Russia's
Invasion of Ukraine and Related Supply
Chain Issues (Modified May 3, 2022)

Sample Letter to Companies Regarding Disclosures Pertaining to Russia's Invasion of Ukraine and Related Supply Chain Issues [1]

Companies may have disclosure obligations under the federal securities laws related to the direct or indirect impact that Russia's invasion of Ukraine and the international response have had or may have on their business. To satisfy these obligations, the Division of Corporation Finance (the "Division") believes that companies should provide detailed disclosure, to the extent material or otherwise required, regarding (1) direct or indirect exposure to Russia, Belarus, or Ukraine through their operations, employee base, investments in Russia, Belarus, or Ukraine, securities traded in Russia, sanctions against Russian or Belarusian individuals or entities, or legal or regulatory uncertainty associated with operating in or exiting Russia or Belarus, (2) direct or indirect reliance on goods or services sourced in Russia or Ukraine or, in some cases, in countries supportive of Russia, (3) actual or potential disruptions in the company's supply chain, or (4) business relationships, connections to, or assets in, Russia, Belarus, or Ukraine. The financial statements may also need to reflect and disclose the impairment of assets, changes in inventory valuation, deferred tax asset valuation allowance, disposal or exiting of a business, de-consolidation, changes in exchange rates, and changes in contracts with customers or the ability to collect contract considerations. In addition, since Russia's invasion of Ukraine, many companies have experienced heightened cybersecurity risks, increased or ongoing supply chain challenges, and volatility related to the trading prices of commodities regardless of whether they have operations in Russia, Belarus, or Ukraine that warrant disclosure.

Companies also should consider how these matters affect management's evaluation of disclosure controls and procedures, management's assessment of the effectiveness of internal control over financial reporting, and the role of the board of directors in risk oversight of any action or inaction related to Russia's invasion of Ukraine, including consideration of whether to continue or to halt operations or investments in Russia and/or Belarus.

The Division selectively reviews filings made under the Securities Act of 1933 and the Securities Exchange Act of 1934 to monitor and enhance compliance with applicable disclosure requirements. The following illustrative letter contains sample comments that the Division may issue to companies based on their specific facts and circumstances. The sample comments do not constitute an exhaustive list of the issues that companies should consider. As always, companies should evaluate whether they have experienced or been impacted by matters characterized as potential risks and, if so, update disclosures accordingly. Any comments issued would take into consideration the disclosure that a company has provided in Commission filings or otherwise made publicly available. The Division encourages companies to contact the industry office responsible for the company's filings with any questions regarding the company's proposed disclosure on these topics.

May 2022

Name

ABC Corporation

Address

Dear Issuer:

We have reviewed your filing and have the following comments. Please revise or update your disclosure in response to our comments.

General

1. [You refer to your business in [Russia/Belarus/Ukraine]] OR [We note that a material portion of your operations or those of companies with which you do business is conducted through facilities located in [Russia/Belarus/Ukraine]]. Please describe the direct or indirect impact of Russia's invasion of Ukraine on your business. In addition, please also consider any impact:
 - resulting from sanctions, limitations on obtaining relevant government approvals, currency exchange limitations, or export or capital controls, including the impact of any risks that may impede your ability to sell assets located in Russia, Belarus, or Ukraine, including due to sanctions affecting potential purchasers;
 - resulting from the reaction of your investors, employees, customers, and/or other stakeholders to any action or inaction arising from or relating to the invasion, including the payment of taxes to the Russian Federation; and
 - that may result if Russia or another government nationalizes your assets or operations in Russia, Belarus, or Ukraine.

If the impact is not material, please explain why.

2. Please describe the extent and nature of the role of the board of directors in overseeing risks related to Russia's invasion of Ukraine. This could include, but is not limited to, risks related to cybersecurity, sanctions, employees based in affected regions, and supply chain/suppliers/service providers in affected regions as well as risks connected with ongoing or halted operations or investments in affected regions.

Risks Related to Cybersecurity

3. To the extent material, disclose any new or heightened risk of potential cyberattacks by state actors or others since Russia's invasion of Ukraine and whether you have taken actions to mitigate such potential risks.

Management's Discussion and Analysis of Financial Condition and Results of Operations

4. Please disclose any known trends or uncertainties that have had or are reasonably likely to have a material impact on your cash flows, liquidity, capital resources, cash requirements, financial position, or results of operations arising from, related to, or caused by the global disruption from, Russia's invasion of Ukraine. Trends or uncertainties may include impairments of financial assets or long-lived assets; declines in the value of inventory, investments, or recoverability of deferred tax assets; the collectability of consideration related to contracts with customers; and modification of contracts with customers.
5. Please enhance your critical accounting estimate disclosures related to [impairment of assets, valuation of inventory, allowance for bad debt, deferred tax asset valuation allowance, or revenue recognition], as applicable, with both qualitative and quantitative information, to the extent the information is material and reasonably available, that addresses the following:
 - Why the critical accounting estimate is subject to uncertainty, including any new uncertainties related to the estimate, such as the asset, customer, or supplier is located in or reliant upon business(es) or operations in [Russia/Belarus/Ukraine];
 - The method used to develop the estimate and the significant assumptions underlying its calculation, such as discounted cash flow and the discount rate assumption;

- The degree to which the estimate and the underlying significant assumptions have changed over the current period or since the last assessment, including due to effects of changing prices, changes in exchange rates, changes in estimated cash flows due to loss of operations, etc.; and
 - The sensitivity of the reported amount to the method and assumptions underlying its calculation. For example, if the cash flow estimates used were based on assumptions about the invasion or sanctions and those assumptions could significantly impact the estimate, then that should be disclosed along with how sensitive the estimate is to changes in those assumptions.
6. Disclose any material impact of import or export bans resulting from Russia's invasion of Ukraine on any products or commodities, including energy from Russia, used in your business, or sold by you. Disclose the current and anticipated impact on your business, taking into account the availability of materials, cost of needed materials, costs and risks associated with transportation in your business, and the impact on margins and on your customers.
7. Please disclose whether and how your business segments, products, lines of service, projects, or operations are materially impacted by supply chain disruptions, especially in light of Russia's invasion of Ukraine. For example, discuss whether you have or expect to:
- suspend the production, purchase, sale, or maintenance of certain items;
 - experience higher costs due to constrained capacity or increased commodity prices or challenges sourcing materials [(e.g., nickel, palladium, neon, cobalt, iron, platinum or other raw material sourced from Russia, Belarus, or Ukraine)];
 - experience surges or declines in consumer demand for which you are unable to adequately adjust your supply;
 - be unable to supply products at competitive prices or at all due to export restrictions, sanctions, or the ongoing invasion; or
 - be exposed to supply chain risk in light of Russia's invasion of Ukraine and/or related geopolitical tension or have [sought][made or announced plans] to "de-globalize" your supply chain.

Explain whether and how you have undertaken efforts to mitigate the impact and where possible quantify the impact to your business.

Non-GAAP Measures

8. We note your adjustment to add an estimate of lost revenue due to [Russia's invasion of Ukraine and/or supply chain disruptions]. Recognizing revenue that was not earned during the period presented results in the use of an individually tailored revenue recognition and measurement method which may not be in accordance with Rule 100(b) of Regulation G. Please remove these adjustments. Refer to Question 100.04 of the Division's C&DI for Non-GAAP Financial Measures.
9. We note your adjustment for certain expenses [such as compensation expense or bad debt expense] incurred related to your operations in Russia, Belarus, and/or Ukraine that appear to be normal and recurring to your business. Please tell us the nature of these expenses. Explain how you have considered Question 100.01 of the Division's C&DI for Non-GAAP Financial Measures and why you believe that the expenses excluded from your non-GAAP measures do not represent normal, recurring operating expenses.

Disclosure Controls and Procedures

10. Based on your disclosures, it appears that you may have had changes in or issues that arose impacting the effectiveness of your disclosure controls and procedures due to Russia's invasion of Ukraine [and/or supply chain disruptions]. Please tell us the impact of Russia's invasion of Ukraine on your design of disclosure controls and procedures and its impact on your conclusion of their effectiveness as of the end of the reporting period.

Internal Control Over Financial Reporting

11. Based on your disclosures, it appears that you may have had changes to your internal controls as a result of Russia's invasion of Ukraine [and/or supply chain disruptions]. Please disclose any changes in your internal control over financial reporting identified in connection with your evaluation that occurred during the last fiscal quarter (or your fourth fiscal quarter in the case of an annual report) that has materially affected or is reasonably likely to materially affect your internal controls over financial reporting. See Item 308(c) of Regulation S-K.

We remind you that the company and its management are responsible for the accuracy and adequacy of their disclosures, notwithstanding any review, comments, action or absence of action by the staff.

Sincerely,

Division of Corporation Finance

[1] The statements in this guidance represent the views of the staff of the Division of Corporation Finance. This guidance is not a rule, regulation, or statement of the Securities and Exchange Commission (the "Commission"). The Commission has neither approved nor disapproved its content. This guidance, like all staff guidance, has no legal force or effect: it does not alter or amend applicable law, and it creates no new or additional obligations for any person.

Modified: May 3, 2022

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