

Not surprising given how so many companies have been struggling over the past month to keep up with the changes wrought by Russia's invasion of Ukraine, Corp Fin posted this "[sample letter to companies](#)" last week regarding disclosure about the invasion and the related supply chain issues. The Corp Fin Staff has begun commenting upon this topic - and this sample letter enables companies to get a good sense of the type of disclosures that the Staff is seeking.

The guidance from Corp Fin is consistent with a typical approach for a company considering how a new development or unexpected circumstance should be reflected in public filings (risks, financial impacts, known uncertainties, disclosure controls...). In the preamble to the sample letter, Corp Fin goes through a lengthy list of considerations for companies, including:

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1. To the extent material or otherwise required, companies should provide disclosure 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.
  2. Financial statements may 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.
  3. Disclosure may also be appropriate relating to:
    1. Heightened cybersecurity risks
    2. Increased or ongoing supply chain challenges
    3. Commodities trading price volatility
  4. Companies should consider whether and how the considerations described above affect disclosure controls and procedures, as well as the board's risk oversight role of any action or inaction related to Russia's invasion of Ukraine, including decisions to halt operations or investments in Russia or Belarus.
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The sample comment letter has 11 comments that track the considerations described above, addressing general impacts on the company, risks (including cybersecurity), MD&A disclosures, and disclosure controls and internal control over financial reporting.

Two notable comments not directly discussed in the preamble focus on non-GAAP measures:

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1. A non-GAAP adjustment to estimate and add back revenue lost due to the invasion or supply chain disruptions is an impermissible individually tailored revenue recognition under the applicable rules.

2. In making non-GAAP adjustments for expenses incurred related to operations in Russia, Belarus, and/or Ukraine, companies should consider [\*\*Non-GAAP Financial Measures C&DI 100.01\*\*](#), and not adjust out from a performance measure normal, recurring operating expenses.
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