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Best Practices: In-house Legal Support of SEC Disclosures

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To help navigate the Securities and Exchange Commission's (SEC) detailed disclosure requirements, Troutman Pepper attorneys offer the below checklist as a blueprint for organizing your disclosure process and strategy. These tips and key considerations — drawn from our attorneys' diverse backgrounds, including in-house and SEC experience — are as follows:

- **Internal Coordination Among Personnel**

- Devising your approach early is essential to smooth, timely completion of the SEC disclosure process. Begin by identifying a point person for each project to oversee workflow. This will establish the most efficient and cost-effective project management structure so that your disclosure requirements can be efficiently managed internally.
- Create time and responsibilities charts and ensure that periodic status meetings appear on the schedules of all project participants.
- Seek meaningful input from relevant business units and provide context to the staff members being asked to provide information, stressing the importance of accuracy and documentary support for disclosures.
- Keep in mind board of directors and various committee (including disclosure committee) schedules in addition to your internal calendars. Critical questions to ask include:
 - What is the process for internal information flow?
 - When are pre-meeting materials due?
 - How do the committee members like to receive information (i.e., Word vs. PowerPoint, text vs. graphic presentations)?

- **Logistics**

- Secure all appropriate internal and board approvals, as well as any necessary signatures as early as possible.

- Keep on top of the subcertification process under Sarbanes-Oxley, if used by your organization.

- **Using Outside Counsel**

- While you should aim to manage the majority of your routine disclosure processes internally, seek the advice of capable outside counsel for complex issues, analyses, or time-consuming items that might overwhelm in-house team members. The priority should always be getting the most “bang for your buck” when deciding if and when to bring in outside counsel.
- Solicit guidance on the implementation of new rules, SEC guidance, and disclosure trends that will aid you and your team in the matter at hand, as well as guide the development of your future disclosures.
- Know when to ask questions. Clarify with your outside counsel on not only *what* is needed, but also *why* you need it.
- To the best of your ability, “package” requests for input from outside counsel that will allow them to understand relevant details of your disclosure question and the issues that have arisen. Be complete in providing details so that your outside counsel can “issue spot” if your question raises issues beyond the question you are presenting.
- Remember, it is your company’s disclosure. You know the company best, and your goal should always be to devise thoughtful, tailored disclosure with the help of internal and external legal advice.

- **Drafting Tips**

- Start early. Comb through and consider the implications of revisions in one section (or report) on disclosures in other sections (or reports).
- Read each complete section after drafting or revising to evaluate whether your intended meaning is the only one that can reasonably be understood. If not, refine the disclosure.
- Mind defined terms. Make sure to use defined terms consistently and appropriately throughout the document.

- **Interconnectedness**

- Be wary of unintended consequences. Check with stakeholders before making process changes (e.g., changing board meeting cadence can create issues with timing of compliance with reporting obligations).
- Ensure consistency of disclosure in sustainability reports, company website, IR presentations, etc. with SEC reports. The SEC looks at all these areas and has recently been asking about inconsistencies, especially concerning climate and other ESG disclosures.

- **Internal and Disclosure Controls**

- Memorialize everything. Documentation and support for various disclosures is critical to effective disclosure controls and internal controls.
- Work with internal and external auditors to ensure you are providing support they need.
- Keep your files safe. Maintaining manually signed documents (in either paper or digital format) is important. Keep your records safe and make sure other members of the disclosure team know how to access them.

- **Legal Developments**

- Stay abreast of the latest rulemakings and related guidance by reading outside counsel client advisories.
- Ensure nonlegal staff members are aware of new requirements that affect their participation in advance.

Adopting the practices described above will help you efficiently manage the inputs for your SEC disclosures, improve your drafting processes, and reduce the possibility of unexpected outcomes. For additional tips on implementing these practices or any other advice on your SEC disclosures, please contact a member of your Troutman Pepper team.

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