

Climate Change Disclosures in Public Reporting

New Guidance from the SEC



Just-released SEC guidance regarding financial disclosures of climate risk marks an important development amidst growing scrutiny by investors and regulators.

The SEC guidance presents new challenges for public corporations and compels companies to look more deeply into how climate issues are assessed and disclosed.

“For some companies, the regulatory, legislative and other developments related to climate change could have a significant effect on operating and financial decisions. Companies that may not be directly affected by such developments could nonetheless be indirectly affected by changing prices for goods or services provided by companies that are directly affected...”

“...there may be significant physical effects of climate change that have the potential to have a material effect on a registrant’s business and operations. These effects can impact a registrant’s personnel, physical assets, supply chain and distribution chain.”

SEC
2 February 2010

On February 2, 2010, the US Securities and Exchange Commission published an interpretive release “Commission Guidance Regarding Disclosure Related to Climate Change.” to provide guidance to public companies regarding disclosure of climate change matters.

<http://www.sec.gov/rules/interp/2010/33-9106fr.pdf>

The SEC guidance discusses the need to:

- **Include climate change information** that companies are already publically acknowledging in financial disclosures.
- **Identify pending actions** to comply with federal, state and local provisions or legal actions whose costs could be material.
- **Note significant factors** that could render an investment speculative or risky.
- **Disclose decisions** concerning trends, demands, commitments, events, and uncertainties around climate change that are reasonably likely to have a material impact.

How can ERM assist you in meeting your climate change assessment and reporting needs?

- **Estimate** the physical effects of climate change risk.
- Conduct **benchmarking** within or outside your industry.
- Provide **third-party review of disclosures** and current external reporting.
- Develop a **climate change strategy** that addresses risks, opportunities, disclosures, and program implementation.
- Establish systems to develop your **GHG inventory**.
- Conduct **third-party review of GHG data** and data systems.

- Develop programs and goals to reduce and off-set GHG emissions.
- Assist with internal and external communications about climate change and sustainability.

The guidance encourages disclosures to consider:

- Impact of legislation and regulation
- International accords
- Indirect consequences of regulation or business trends
- Physical impacts of climate change

Things to think about:

- **Alignment of all company public disclosures** (eg, disclosures to voluntary carbon entities, SEC disclosures, Annual Report, sustainability/corporate Social Responsibility (CSR) Report, presentations to analysis, other website information, etc.) with SEC filings.
- The **effectiveness of systems for collecting information, including the company's GHG emissions**, to permit you to evaluate the impact of climate change legislation or regulation on your business.
- The **scope of pertinent climate change risks and opportunities** that are considered in disclosures.

About ERM

Our world-class expertise benefits clients across all industry sectors. Our experience includes:

- Sustainability Strategy – developing a vision and programs that support your business strategy and achieve your sustainability goals.

- **Life Cycle Assessment** – assessing the potential environmental aspects associated with a product from “cradle to grave” and identifying ways to reduce negative impacts.
- Energy and Greenhouse Gas Emissions – measuring, reporting and reducing energy use and greenhouse gases.
- Resource Efficiency – driving efficiencies in energy, water and material consumption, and waste reduction.
- Supply Chain – providing systems and assurance of acceptable performance and helping build supplier capacity to achieve improvement.
- Information Systems – collecting and managing data around products and processes.
- Sustainability Reporting – planning, writing, designing, benchmarking and providing third-party assurance for sustainability reports.

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