

Ongoing Processes for Upgrading Financial
Reporting to Include Sustainability
Reporting—SEC Approach

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Sustainability Reporting-SEC Approach



- We are at a cross roads in terms of what approach the SEC, as the regulator of public company disclosure in the US, will take to sustainability reporting
- For the last 10+ years the SEC’s approach to climate change disclosure has been a principles-based approach as set out in their 2010 guidance, reaffirmed in 2020
- With respect to resource companies, as we know, the SEC oil and gas reserves reporting rules do not include an “E-axis”
- The mining company rules were updated in 2018 and are now effective for reporting in 2021 annual reports. Again the SEC chose not to include specific environmental and social impacts in these new disclosure requirements

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- The SEC noted that companies would need to take environmental and social factors into account in applying the modifying factors which as defined include “legal; environmental compliance; plans, negotiations or agreements with local individuals or groups; and governmental factors”
- Since January 2021, there has been a major new focus by the SEC on sustainability and climate change disclosures
- On March 15, the SEC issued a wide ranging request for public input to inform potential rulemaking on climate change disclosure requirements for US registrants. The aim is to ensure the disclosure of consistent, comparable and reliable information on climate change
- The SEC has received numerous responses to this request and has met with various companies and organizations including the Sustainability Accounting Standards Board

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- The new chair, Gary Gensler, has now taken office and although he has not set out his agenda, we expect Mr. Gensler to spearhead a shift in approach by the SEC on sustainability disclosure
- However, there has been significant push back voiced by some members of Congress as well as two of the current SEC commissioners who object to a moving away from the existing principles-based regime and increasing compliance burdens on companies
- So battle lines are being drawn in the US
- Other standard setters are moving at a faster pace than the SEC
- If consistency, comparability and reliability of disclosure is a common goal, then we need to ask whether it is time for a single global framework

Thank you!

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