



Standard Guide for Disclosure of Environmental Liabilities¹

This standard is issued under the fixed designation E 2173; the number immediately following the designation indicates the year of original adoption or, in the case of revision, the year of last revision. A number in parentheses indicates the year of last reapproval. A superscript epsilon (ε) indicates an editorial change since the last revision or reapproval.

1. Scope

1.1 *Purpose*—The purpose of this guide is to provide a series of options or instructions consistent with good commercial and customary practice in the United States for environmental liability disclosures accompanying audited and unaudited financial statements. This guide is intended to supplement and be consistent with Generally Accepted Accounting Principles (GAAP).²

1.2 *Objectives*—The objectives of this guide are to determine the conditions warranting disclosure and the content of appropriate disclosure.

2. Referenced Documents

2.1 ASTM Standards:

D 5746 Classification of Environmental Condition of Property Area Types for Defense Base Closure and Realignment Facilities³

E 1527 Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process³

E 1739 Guide for Risk Based Corrective Action Applied at Petroleum Release Sites³

E 2137 Guide for Estimating Monetary Costs and Liabilities for Environmental Matters³

2.2 EPA Directives:⁴

United States Environmental Protection Agency, OSWER Directive 9610.17: Use of Risk-Based Decision-Making in UST Corrective Action Programs

3. Terminology

3.1 Definitions of Terms Specific to This Standard:

3.1.1 *CERCLA*—Comprehensive Environmental Response, Compensation and Liability Act of 1980 (as amended, 42 USC Section 9601 *et seq.*).

3.1.2 *CERCLIS*—Comprehensive Environmental Response, Compensation and Liability Information System, the list of

sites compiled by the EPA that the EPA has investigated or is currently investigating for potential hazardous substance contamination for possible inclusion on the National Priorities List.

3.1.3 *CFR*—Code of Federal Regulations.

3.1.4 *claim*—a demand for payment.

3.1.5 *environmental liabilities*—accrued liabilities and loss contingencies associated with conditions that present an unacceptable risk of harm to public health or the environment and that would be the subject of an enforcement action or other legal action.

3.1.6 *EPA*—United States Environmental Protection Agency.

3.1.7 *Federal Register, (FR)*—publication of the United States government published daily (except for federal holidays and weekends) containing all proposed and final regulations and some other activities of the federal government. When regulations become final, they are included in the Code of Federal Regulations (CFR), as well as published in the Federal Register.

3.1.8 *financial statements*—include, but are not limited to, statements associated with shareholder reporting, loans, mergers, acquisitions, or divestitures.

3.1.9 *materiality*—the significance of an item to users of a financial statement that considers all relevant and surrounding circumstances. A material item is one that its omission or misstatement is of such a magnitude in the surrounding circumstances that either the judgment of a reasonable person relying on the financial statement would have been changed or influenced by its inclusion or correction, or there is a substantial likelihood that the item, after assessing the inferences, and their significance, drawn from the given set of facts associated with the financial statement, would be viewed as significantly altering the information made available to the investor or shareholder. Relevant sources of information and references are included in Appendix X2.

3.1.10 *National Priorities List (NPL)*—a list compiled by the EPA pursuant to CERCLA 42 USC § 9605(a)(8)(B) of properties with the highest priority for cleanup pursuant to the EPA's Hazard Ranking System. See 40 CFR Part 300.

3.1.11 *Potentially Responsible Party (PRP)*—any individual, legal entity, or government—including owners, operators, transporters, or generators—potentially responsible for, or contributing to, conditions that present an unacceptable risk of

¹ This guide is under the jurisdiction of ASTM Committee E50 on Environmental Assessment and is the direct responsibility of Subcommittee E50.05 on Wetland Ecosystems.

Current edition approved Dec. 10, 2001. Published February 2002.

² This guide alone does not satisfy or include all disclosure requirements under GAAP, SEC, or any other agency or regulatory body. Appendix X1 provides some examples of where such requirements are contained.

³ *Annual Book of ASTM Standards*, Vol 11.04.

⁴ Available from the United States Environmental Protection Agency (U.S. EPA), Ariel Rios Building, 1200 Pennsylvania Ave., N.W., Washington, DC 20460.