



## Standard Guide for Disclosure of Environmental Liabilities<sup>1</sup>

This standard is issued under the fixed designation E2173; 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 consistent with Generally Accepted Accounting Principles (GAAP)<sup>2</sup> issued by *Financial Accounting Standards Board (FASB)*, as well as related statements, rules, regulations, and/or procedures issued by *Government Accounting Standards Board (GASB)*, *Public Company Accounting Oversight Board (PCAOB)*, *Securities and Exchange Commission (SEC)*, and *Federal Accounting Standards Advisory Board (FASAB)*. This guide is intended to be consistent with other issuers of accounting standards and practices, including *International Accounting Standards Board (IASB)*.

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:<sup>3</sup>

E1527 Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process

E2091 Guide for Use of Activity and Use Limitations, Including Institutional and Engineering Controls

E2137 Guide for Estimating Monetary Costs and Liabilities for Environmental Matters

<sup>1</sup> This guide is under the jurisdiction of ASTM Committee E50 on Environmental Assessment, Risk Management and Corrective Action and is the direct responsibility of Subcommittee E50.05 on Environmental Risk Management.

Current edition approved Oct. 1, 2016. Published November 2016. Originally approved in 2001. Last previous edition approved in 2011 as E2173 – 07(2011). DOI: 10.1520/E2173-16.

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

<sup>3</sup> For referenced ASTM standards, visit the ASTM website, [www.astm.org](http://www.astm.org), or contact ASTM Customer Service at [service@astm.org](mailto:service@astm.org). For *Annual Book of ASTM Standards* volume information, refer to the standard's Document Summary page on the ASTM website.

#### 2.2 FASB Standard:<sup>4</sup>

Statement of Financial Accounting Concepts No. 8 “Conceptual Framework for Financial Reporting”, September 2010

### 3. Terminology

#### 3.1 Definitions of Terms Specific to This Standard:

3.1.1 *accretion, n*—increase to the present value of a liability solely because of the passage of time, normally a year; also “unwinding the discount.”

3.1.2 *activity and use limitations, AULs, n*—legal or physical restrictions or limitations on the use of, or access to, a *site* or facility to eliminate or minimize potential exposures to chemicals of concern or prevent activities that could interfere with the effectiveness of a response action to ensure maintenance of a condition of “acceptable risk” or “no significant risk” to human health and the environment.

3.1.2.1 *Discussion*—These legal or physical restrictions are intended to prevent adverse impacts to individuals or populations that may be exposed to chemicals of concern. (E2091)

3.1.3 *asset retirement obligation, n*—legal or constructive obligations associated with the retirement of a tangible long-lived asset that result from the acquisition, construction, development, or normal operation of a tangible long-lived asset.

3.1.3.1 *Discussion*—Activities include, but are not limited to, demolition, decommissioning, decontamination, reclamation, restoration, and abandonment.

3.1.4 *claim, n*—demand for payment or compensation.

3.1.5 *commitment, n*—type of liability covering purchase obligations that serve to mitigate environmental liabilities.

3.1.5.1 *Discussion*—An example is an entity continuing a property lease obligation indefinitely to defer a remediation or *asset retirement obligation* due at the end of the lease. (ASC 440)

3.1.6 *Comprehensive Environmental Response, Compensation and Liability Act of 1980 (as amended, 42 USC Section*

<sup>4</sup> Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, Connecticut 06856-5116. <http://www.fasb.org/>