

Cost of Climate Disclosure Survey

Fact Sheet

A survey by ERM and the SustainAbility Institute by ERM (together 'ERM') reveals what U.S. private sector organizations currently spend measuring and managing climate change data and disclosure.

Ceres and Persefoni commissioned the survey to help inform mandatory and voluntary climate disclosure guidelines and methods being developed by regulators, standard setters, and individual firms. Specifically, the survey findings are intended to inform discussions related to the US Securities and Exchange Commission's (SEC) recent proposed [Rules on Enhancement and Standardization of Climate-Related Disclosures for Investors](#).

Comparing SEC Estimated Costs of Climate Disclosure to Survey Findings

The SEC estimates issuer costs of \$530,000 following the first year of the proposed rule's implementation.

The ERM survey covered the same spending categories covered by the SEC's projected cost estimates. The cost elements covered by both the SEC and the ERM survey are:

- Climate-related disclosures regarding governance, strategy, and risk management.
- Financial statement metrics.
- GHG emissions, metrics, and targets.

Compared to the SEC's estimate of \$530,000 per corporate issuer, the ERM survey finds that corporate issuers currently spend \$533,000 per year on climate-related disclosure activities that would be required by the SEC's proposed rule. This suggests the SEC's estimated costs closely align with corporate issuers' current average spend and reflect a realistic assessment of market practice.

In addition to the spending categories listed above, the ERM survey also assessed: (1) costs related to proxy responses to climate-related proposals, and (2) costs related to voluntarily developing low-carbon transition plans, stakeholder engagement, government relations, and the preparation of related disclosures. When these items which are not required by the SEC proposal are taken into account, the survey finds that corporate issuers currently spend an average of \$677,000.

The survey also found that institutional investors spend an average of \$1,333,000 annually to collect, analyze, and report climate data to inform their investment decisions. The SEC does not provide an estimate of investor spending to which to compare this finding.

Biggest Areas of Spend for Climate-Related Disclosure Activities

For both issuers and investors, the survey encompassed costs related to voluntary disclosures and regulatory compliance in the US and worldwide.

Among issuer respondents that shared their costs for specific climate-related disclosure activities, the three largest cost categories are:

1. Greenhouse gas (GHG) analysis and/or disclosures (\$237,000 average annual cost for those reporting spend in this category).
2. Climate scenario analysis and/or disclosure (\$154,000 average annual cost for those reporting spend in this category).
3. Internal climate risk management controls, namely the costs related to integrating climate risk into business processes (\$148,000 average annual cost for those reporting spend in this category).

Among investor respondents that shared their costs for specific climate-related disclosure activities, the three largest cost categories are

1. External ESG ratings, data providers, and consultants (\$466,000 average annual cost for those reporting spend in this category).
2. In-house, outside counsel, and proxy solicitor analysis of shareholder voting for ballot items (\$397,000 average annual cost for those reporting spend in this category).
3. Internal climate-related investment analysis (\$335,000 average annual cost for those reporting spend in this category).

Survey Methodology and Scope

The survey was conducted February-March 2022 and was distributed to leaders and subject matter experts in sustainability and climate-related roles in both corporate issuer and institutional investor companies.

Issuer survey results are based on 39 corporate responses, including organizations of various sizes across a broad range of industry sectors representing a combined market capitalization of at least \$3.8 trillion. None of the respondents were Smaller Reporting Companies (SRCs) as defined by the SEC.

Investor survey results are based on 35 institutional investor responses representing \$7.2 trillion combined assets under management.

Upcoming Report

Further analysis of the survey response data and contextualization of results will be released in an upcoming whitepaper to be produced by ERM and the SustainAbility Institute by ERM in consultation with Ceres and Persefoni. This paper will be publicly available in early May so that its findings can be taken into consideration during the SEC comment period running through May 20, 2022.



About ERM

ERM is the business of sustainability.

As the largest global pure play sustainability consultancy, ERM partners with the world's leading organizations, creating innovative solutions to sustainability challenges and unlocking commercial opportunities that meet the needs of today while preserving opportunity for future generations.

ERM's diverse team of 6,500+ world-class experts in over 150 offices in more than 40 countries supports clients across the breadth of their organizations to operationalize sustainability. Through ERM's deep technical expertise, clients are well positioned to address their environmental, health, safety, risk, and social issues. ERM calls this capability its "boots to boardroom" approach – a comprehensive service model that allows ERM to develop strategic and technical solutions that advance objectives on the ground or at the executive level.



About Ceres

Ceres is a nonprofit organization working with the most influential capital market leaders to solve the world's greatest sustainability challenges. Through our powerful networks and global collaborations of investors, companies, and nonprofits, we drive action and inspire equitable market-based and policy solutions throughout the economy to build a just and sustainable future. For more information, visit ceres.org and follow [@CeresNews](https://twitter.com/CeresNews).



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About Persefoni

Persefoni, Inc., is the leading Climate Management & Accounting Platform (CMAP). The company's Software-as-a-Service solutions enable enterprises and financial institutions to meet stakeholder and regulatory climate disclosure requirements with the highest degree of trust, transparency, and ease. As the ERP of Carbon, the Persefoni platform provides users a single source of carbon truth across their organization, enabling them to manage their carbon transactions and inventory with the same rigor and confidence as their financial transactions. Learn more at persefoni.com.

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