



Public consultation questions for "Applying Enterprise Risk Management to Environmental, Social and Governance-related Risks"

Consultation background and information about the consultation respondent (page 1 of 4)

Thank you for responding to the consultation questions on the preliminary draft guidance "Applying Enterprise Risk Management to Environmental, Social and Governance-related Risks." This survey is open until June 30, 2018.

The survey is set out in four pages:

- (1) Information about the consultation respondent
- (2) Questions on the overall preliminary draft guidance
- (3) Specific questions on individual modules
- (4) Any additional comments

Questions are optional. Responses are saved when you click "next" at the bottom of each page, and you may come back at any time to modify your responses until you complete the entire survey. Your results will be saved if you are using the same computer or device (only one response per computer or device is permitted). If you wish to provide additional comments or contact us for questions, please email risk@wbcsd.org.

Submissions received through this survey or via email are anonymous and will not be made publicly available (even for those respondents who provide their contact details in the final question). A summary of the feedback themes and key changes made to the final guidance document will be made publicly available. Only formal comment letters submitted on the COSO website will be given attribution in the public domain.

Please provide some information about yourself and your company.

1. What is your affiliation to COSO and/or WBCSD?

- WBCSD Member Company
- American Accounting Association (AAA)
- American Institute of Certified Public Accountants (AICPA)

- Financial Executives International (FEI)
- Institute of Management Accountants (IMA)
- The Institute of Internal Auditors (IIA)
- Other (please specify)

WBCSD are members of CDSB's board and we have an ongoing relationship through collaboration on specific projects, such as The Reporting Exchange.

2. What is your organization's legal structure?

- Public company
- Private company
- Not for profit
- Government
- Not applicable
- Other (please specify)

3. What is your organization's revenue?

- Less than \$100 million
- \$100-\$499 million
- \$500-\$999 million
- \$1-\$5 billion
- \$5-\$10 billion
- \$10-\$20 billion
- \$20 billion or greater
- Not applicable
- Prefer not to answer

4. Where is your organization headquartered?

- Africa
- Asia
- Australia
- Europe
- North America
- South America
- Not applicable

5. What is your role within the organization?

6. What is your organization's industry?

Please answer the following questions relating to the preliminary draft guidance. To save your responses and come back later, click next at the bottom of the page.

7. The guidance is logical and easy to follow (please consider the module layout, structure, language, checklists)

- Fully agree; guidance is logical and easy to follow
- Mostly agree; guidance is mostly logical and easy to follow
- Partially agree; guidance is hard to follow in several places
- Disagree; guidance is consistently hard to follow
- I don't know

Please provide details

The module layout of the guidance provides a clear and coherent structure for the user. In addition, the use of checklists provides a quick and simple way for businesses to integrate ESG risk management processes into their organisation.

However, we would suggest the introduction section is expanded for greater emphasis on the importance of ESG risks to business.

8. The case studies and illustrative examples are practical and helpful.

- Fully agree; the case studies and illustrative examples are practical and helpful
- Mostly agree; most of the case studies and illustrative examples are helpful, but some need improvement and/or additional examples
- Partially agree; some of the case studies and illustrative examples are helpful, but additional details or examples are needed
- Disagree; the case studies and illustrative examples are not practical or helpful

I don't know

We welcome the use of examples in the guidance as an illustration of the types of ESG risks that companies can face and how companies are approaching the risks.

We also suggest adding examples in the guidance or Appendix III which reflect the increasing number of investors calling for companies to take action including legal cases such as Exxon Mobil or Shell to disclose the impacts of climate change on their business.

In addition, with the majority of the examples / case studies US focused, the guidance could be a more globally accepted standard if other regional case studies were included.

Please provide details



9. The document has the right level of detail to help companies apply ERM to ESG-related risks.

- Fully agree; the level of detail is sufficient
- Mostly agree; the level of detail is mostly sufficient, but with some key omissions
- Partially agree; there could be more detail in several places
- Disagree; more detail is needed throughout the entire document
- I don't know

Please provide details



Please see our response to question 10.

10. The guidance includes references to relevant risk and sustainability methodologies, approaches and tools to support the integration of ERM and ESG (e.g., <IR> Framework, Monte Carlo simulation, Scenario Planning, Natural Capital Protocol, Greenhouse Gas Protocol, SASB, GRI)?

- Fully agree; the guidance refers to relevant methodologies, approaches and tools available to support the integration of ERM and ESG
- Mostly agree; the guidance refers to many of the relevant methodologies, approaches and tools available to support the integration of ERM and ESG
- Partially agree; the guidance references some of the relevant methodologies, approaches and tools that support the integration of ERM and ESG, but there are additional documents that should be referenced

- Disagree; the guidance is missing references to relevant methodologies, approaches and tools that can support the integration of ERM and ESG
- I don't know

Please provide details

The guidance provides a practical start for companies to establish governance structures and processes to identify, assess, respond, review and communicate ESG-related risks.

The CDSB Framework is widely perceived by the market as an essential tool for the implementation of the TCFD recommendations and integration of climate change into risk management. With this in mind, the guidance should refer to the CDSB Framework as a source of additional support for risk practitioners and be included in the list shown on table 7.4 p129. We have also outlined specific areas the CDSB Framework can support risk practitioners and referenced accordingly in response to questions 12-20 below.

11. The guidance has the right level of detail to support:

| | Disagree | Agree | I don't know |
|---|---|---|---|
| Sustainability practitioners to better understand how to leverage ERM structures and processes | <input type="radio"/> Sustainability practitioners to better understand how to leverage ERM structures and processes Disagree | <input checked="" type="radio"/> Sustainability practitioners to better understand how to leverage ERM structures and processes Agree | <input type="radio"/> Sustainability practitioners to better understand how to leverage ERM structures and processes I don't know |
| Risk practitioners to better understand ESG-related risks | <input type="radio"/> Risk practitioners to better understand ESG-related risks Disagree | <input checked="" type="radio"/> Risk practitioners to better understand ESG-related risks Agree | <input type="radio"/> Risk practitioners to better understand ESG-related risks I don't know |

Please provide

Please see our response to question 10.

12. **Module 1: Establish governance for effective risk management**

This module provides effective guidance for enhancing board awareness of ESG-related risks (in particular, Table 1.4)

- Fully agree; any of these approaches could be applied to enhance board awareness of ESG-related risks
- Mostly agree; most of these approaches could be applied to enhance board awareness of ESG-related risks and/or a few additional approaches should be included

- Partially agree; companies would struggle to apply most of these approaches to enhance board awareness of ESG-related risks and/or multiple additional approaches should be included
- Disagree; these approaches would not enhance board awareness of ESG-related risks
- I don't know

Please provide any additional detail you would like included

For further guidance on the disclosure of organisations governance and oversight of environmental issues, risk management policies and objectives, we would like to bring to your attention REQ-01 of the CDSB Framework.

13. **Module 1: Establish governance for effective risk management**

This module effectively describes the roles and responsibilities for managing ESG-related risks (in particular, Table 1.5).

- Fully agree; the description of roles and responsibilities is helpful for managing ESG-related risks
- Mostly agree; the description of roles and responsibilities is mostly helpful for managing ESG-related risks
- Partially agree; the description of roles and responsibilities is somewhat confusing for managing ESG-related risks
- Disagree; the description of roles and responsibilities is confusing and needs to be revised
- I don't know

Please provide any additional detail you would like included

For further guidance on the disclosure of organisations governance, management and how environmental risks are managed, we would like to bring to your attention REQ-01, REQ-02 and REQ-03 of the CDSB Framework.

14. **Module 1: Establish governance for effective risk management**

The guidance captures the different types of bias which impact the integration of ERM and ESG and provides practical tips to overcome the bias.

| | Disagree | Agree | I don't know |
|---|--|--|--|
| Based on my experience, companies encounter these types of bias for ESG-related risks | <input type="radio"/> Based on my experience, companies encounter these types of bias for ESG-related risks Disagree | <input checked="" type="radio"/> Based on my experience, companies encounter these types of bias for ESG-related risks Agree | <input type="radio"/> Based on my experience, companies encounter these types of bias for ESG-related risks I don't know |
| The guidance provides helpful approaches to address these types of bias | <input type="radio"/> The guidance provides helpful approaches to address these types of bias Disagree | <input checked="" type="radio"/> The guidance provides helpful approaches to address these types of bias Agree | <input type="radio"/> The guidance provides helpful approaches to address these types of bias I don't know |

Please provide details

15. Module 2: Understand the business context and strategy

This module provides appropriate guidance for:

| | Disagree; the guidance on this aspect is confusing | Partially agree; the guidance on this aspect is relevant, but needs to be clarified | Mostly agree; the guidance on this aspect is mostly relevant and helpful | Fully agree; the guidance on this aspect is relevant and helpful |
|---|--|---|---|--|
| Leveraging the <IR> Framework (i.e., value creation model and six capitals) to understand the business context | <input type="radio"/> Leveraging the <IR> Framework (i.e., value creation model and six capitals) to understand the business context Disagree; the guidance on this aspect is confusing | <input type="radio"/> Leveraging the <IR> Framework (i.e., value creation model and six capitals) to understand the business context Partially agree; the guidance on this aspect is relevant, but needs to be clarified | <input checked="" type="radio"/> Leveraging the <IR> Framework (i.e., value creation model and six capitals) to understand the business context Mostly agree; the guidance on this aspect is mostly relevant and helpful | <input type="radio"/> Leveraging the <IR> Framework (i.e., value creation model and six capitals) to understand the business context Fully agree; the guidance on this aspect is relevant and helpful |
| Leveraging a range of tools to understand the business context (e.g., megatrend analysis, materiality assessment) | <input type="radio"/> Leveraging a range of tools to understand the business context (e.g., megatrend analysis, materiality assessment) Disagree; the guidance on this aspect is confusing | <input type="radio"/> Leveraging a range of tools to understand the business context (e.g., megatrend analysis, materiality assessment) Partially agree; the guidance on this aspect is relevant, but needs to be clarified | <input checked="" type="radio"/> Leveraging a range of tools to understand the business context (e.g., megatrend analysis, materiality assessment) Mostly agree; the guidance on this aspect is mostly relevant and helpful | <input type="radio"/> Leveraging a range of tools to understand the business context (e.g., megatrend analysis, materiality assessment) Fully agree; the guidance on this aspect is relevant and helpful |
| Aligning risk management to the company strategy and objectives | <input type="radio"/> Aligning risk management to the company strategy and objectives Disagree; the guidance on this aspect is confusing | <input type="radio"/> Aligning risk management to the company strategy and objectives Partially agree; the guidance on this aspect is relevant, but needs to be clarified | <input checked="" type="radio"/> Aligning risk management to the company strategy and objectives Mostly agree; the guidance on this aspect is mostly relevant and helpful | <input type="radio"/> Aligning risk management to the company strategy and objectives Fully agree; the guidance on this aspect is relevant and helpful |

Please provide details

REQ-02, 03, 05 and 06 of the CDSB Framework provides further guidance on aspects of the above.

16. Module 3: Identify ESG-related risks

The module provides helpful guidance for identifying ESG-related risks.

- Fully agree; this module is helpful for identifying ESG-related risks
- Mostly agree; this module is helpful for identifying ESG-related risks but further detail is required
- Partially agree; this module provides some help for identifying ESG-related risks but is not fully clear
- Disagree; this module is confusing and not helpful for identifying ESG-related risks
- I don't know

Please provide details

For further guidance on identifying and disclosing relevant and material risks, we would like to bring to your attention P1 and REQ-03 of the CDSB Framework.

17. Module 3: Identify ESG-related risks

This module provides guidance that is sufficient and appropriate to help better define and frame ESG-related risks.

- Fully agree; this guidance describes clearly how ESG-related risks should be defined and framed
- Mostly agree; this guidance needs some improvement for describing how ESG-related risks should be defined and framed
- Partially agree; this guidance needs substantial improvement for describing how ESG-related risks should be defined and framed
- Disagree; this guidance for defining and framing ESG-related risks is confusing
- I don't know

Please provide details

Please see our response to question 16.

18. Module 4: Assess and prioritize ESG-related risks

This module provides helpful:

| | Disagree; the guidance is confusing | Partially agree; the guidance needs to be clarified to be helpful | Mostly agree; the guidance is mostly helpful | Fully agree; the guidance is very helpful |
|--|--|--|--|--|
| Overall guidance for assessing ESG-related risks | <input type="radio"/> Overall guidance for assessing ESG-related risks Disagree; the guidance is confusing | <input type="radio"/> Overall guidance for assessing ESG-related risks Partially agree; the guidance needs to be clarified to be helpful | <input checked="" type="radio"/> Overall guidance for assessing ESG-related risks Mostly agree; the guidance is mostly helpful | <input type="radio"/> Overall guidance for assessing ESG-related risks Fully agree; the guidance is very helpful |
| References to available and relevant methodologies, approaches and tools (such as Monte Carlo simulation, TCFD, Social Capital Protocol) | <input type="radio"/> References to available and relevant methodologies, approaches and tools (such as Monte Carlo simulation, TCFD, Social Capital Protocol) Disagree; the guidance is confusing | <input type="radio"/> References to available and relevant methodologies, approaches and tools (such as Monte Carlo simulation, TCFD, Social Capital Protocol) Partially agree; the guidance needs to be clarified to be helpful | <input checked="" type="radio"/> References to available and relevant methodologies, approaches and tools (such as Monte Carlo simulation, TCFD, Social Capital Protocol) Mostly agree; the guidance is mostly helpful | <input type="radio"/> References to available and relevant methodologies, approaches and tools (such as Monte Carlo simulation, TCFD, Social Capital Protocol) Fully agree; the guidance is very helpful |
| Company or illustrative examples to demonstrate how the methodologies, approaches and tools are applied | <input type="radio"/> Company or illustrative examples to demonstrate how the methodologies, approaches and tools are applied Disagree; the guidance is confusing | <input type="radio"/> Company or illustrative examples to demonstrate how the methodologies, approaches and tools are applied Partially agree; the guidance needs to be clarified to be helpful | <input checked="" type="radio"/> Company or illustrative examples to demonstrate how the methodologies, approaches and tools are applied Mostly agree; the guidance is mostly helpful | <input type="radio"/> Company or illustrative examples to demonstrate how the methodologies, approaches and tools are applied Fully agree; the guidance is very helpful |

Please provide details

Please see our responses to question 8, 10, 16, 17 about the integration of the CDSB Framework as further guidance for companies assessing and prioritising ESG-related risks.

19. Module 4: Assess and prioritize ESG-related risks

The prioritization criteria additional to impact and likelihood (i.e., adaptability, complexity, velocity, persistence and recovery) are helpful for assessing ESG-related risks.

- Fully agree; these additional criteria and related guidance are helpful
- Mostly agree; these additional criteria and related guidance are helpful, but with some key omissions
- Partially agree; these additional criteria and related guidance are helpful, but with several omissions

Disagree; these additional criteria and related guidance are not helpful for prioritizing ESG-related

I don't know

Please provide details



For further guidance on the identifying and assessing environmental risks, we would like to bring to your attention Principle 1, REQ-01 to REQ-06 of the CDSB Framework.

20. **Module 4: Assess and prioritize ESG-related risks**

Does your company have other proven approaches, tools or data sources that could be added to this chapter for assessing ESG-related risks?

Yes; we have other approaches, tools or data sources (please list below)

No; the guidance covers the approaches, tools or data sources my company uses

Describe proven approaches



For further guidance on the identifying and assessing environmental risks, we would like to bring to your attention Principle 1, REQ-01 to REQ-06 of the CDSB Framework. We have also published a position paper on materiality and climate-related financial disclosures that could help organisations apply the principles of materiality when assessing and prioritising ESG-related risks: https://www.cdsb.net/sites/default/files/materiality_and_tcf_d_paper.pdf

This paper looks at what the TCFD and other mainstream reporting requirements says about the application of materiality to climate-related financial disclosures, trying to understand the main challenges and potential solutions for an effective materiality judgement process.

21. **Module 5: Respond to ESG-related risks**

This module provides appropriate guidance for developing responses for ESG-related risks.

Fully agree; the module provides sufficient guidance for developing ESG-related risk responses

Mostly agree; the module provides most of the guidance needed for developing ESG-related risk responses

Partially agree; the module could provide more guidance on developing ESG-related risk responses

- Disagree; the module has key omissions for developing ESG-related risk responses

Please provide details

22. Module 6: Review and revise ESG-related risks

This module provides appropriate guidance for setting thresholds to monitor risks and inform decision-making.

- Fully agree; the module provides sufficient guidance for review and revision of ESG-related risks
- Mostly agree; the module provides most of the guidance needed for review and revision of ESG-related risks, but there are some gaps
- Partially agree; the module could provide more guidance for review and revision of ESG-related risks
- Disagree; the module has several omissions for review and revision of ESG-related risks
- I don't know

Please provide details

23. Module 7: Communicate and report ESG-related risks

This module provides appropriate guidance for reporting and communicating with

| | Disagree; the module does not provide helpful guidance | Partially agree; the module is helpful guidance, with several gaps | Mostly agree; the module provides helpful guidance, with some gaps | Fully agree; the module provides helpful guidance |
|-----------------------|--|---|--|---|
| Internal stakeholders | <input type="radio"/> Internal stakeholders Disagree; the module does not provide helpful guidance | <input type="radio"/> Internal stakeholders Partially agree; the module | <input type="radio"/> Internal stakeholders Mostly agree; the module | <input type="radio"/> Internal stakeholders Fully agree; the module |

| | Disagree; the module does not provide helpful guidance | Partially agree; the module is helpful guidance, with several gaps | Mostly agree; the module provides helpful guidance, with some gaps | Fully agree; the module provides helpful guidance |
|-----------------------|--|--|--|---|
| | | is helpful guidance, with several gaps | provides helpful guidance, with some gaps | provides helpful guidance |
| External stakeholders | <input type="radio"/> External stakeholders Disagree; the module does not provide helpful guidance | <input type="radio"/> External stakeholders Partially agree; the module is helpful guidance, with several gaps | <input type="radio"/> External stakeholders Mostly agree; the module provides helpful guidance, with some gaps | <input type="radio"/> External stakeholders Fully agree; the module provides helpful guidance |

Please provide details

We agree that different risk information is relevant to different stakeholders, and there should be a tailored approach to the communication of this information, depending on the needs of the stakeholder. In the case of investors discussed in table 7.3, we agree this information can be communicated at the annual general meeting, annual report or integrated financial report. However, the use of the sustainability report by investors is unclear. In CDSB's experience, prospective and existing investors make informed decisions to assess the financial impact of ESG-related risks based on information reported in the mainstream report, where non-financial information is prepared and reported with the same rigour as financial information. For further guidance on the disclosure of ESG-related risk information in the mainstream report, we would suggest the CDSB Framework is referenced in Table 7.4.

24. Which modules of the guidance will be most helpful to your organization? (select all that apply)

- Module 1: Governance for effective risk management
- Module 2: Understand the business context and strategy
- Module 3: Identify ESG-related risks
- Module 4: Assess and prioritize ESG-related risks
- Module 5: Respond to ESG-related risks
- Module 6: Review and revise ESG-related risks
- Module 7: Communicate and report ESG-related risks
- I don't know
- Not applicable

25. Please provide any additional comments you have on the guidance (e.g., summary of key points, proposed additions or removals or potential challenges for implementation).



The Climate Disclosure Standards Board (CDSB) would like to thank COSO and WBCSD the opportunity to offer our written response.

The guidance provides a practical start for companies to establish governance structures and processes to identify, assess, respond, review and communicate ESG-related risks. We welcome the references to the TCFD recommendations in the guidance, so that decision useful information is reported to investors and other key stakeholders with the same level of rigour as financial information.

The CDSB Framework is widely perceived by the market as an essential tool for the implementation of the TCFD recommendations and integration of climate change into risk management. With this in mind, we would like to reiterate the guidance makes reference to the CDSB Framework as a source of additional support for risk practitioners by including in table 7.4 p129 and areas of the modules discussed in our response to questions 12-20.

We note the guidance includes examples where other frameworks can support organisations to integrate environmental, social and governance (ESG) risks into their ERM governance and processes, so they can identify, assess, and mitigate ESG-related risks. In this regard, we have suggested specific areas the CDSB Framework can support companies.

If you wish to include illustrative examples of companies who use the CDSB Framework in the guidance, we refer you to the following companies – BT group, Nestle and Coca-Cola Hellenic Bottling Company. For a more comprehensive list, please feel free to contact us through your main CDSB contact or info@cdsb.net

We also have the following additional comments: -

Appendix II – Examples of risk and governance disclosure requirements – We would also highlight the EU NFR Directive 2014/95/EU to be included here.

Appendix III – Additional examples could be included of legal cases and resolutions against companies by investors, cities and countries for failing to take action on climate change.

We would also like to highlight the recently-launched TCFD Knowledge Hub www.tcfdhub.org as an additional resource developed and powered by CDSB to support businesses implementing the TCFD recommendations. Resources include existing legislation and regulations, frameworks, standards, guidance, research papers, tools and webinars. All resources either directly address the TCFD recommendations or are related to themes or specific requirements within the TCFD recommendations. We would recommend the guidance is included on the TCFD Knowledge Hub once this has been finalised.

26. If you would like to be contacted regarding your responses or for opportunities for further involvement, please provide your contact information. (Please note that we will not publicly attribute your feedback to you.)

Name

Organization

Email Address