World Business Council for Sustainable Development
MAISON DE LA PAIX
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SUBJECT: GRI's input to the Enterprise Risk Management: *Applying enterprise risk management to environmental, social and governance-related risks*

As the pioneer of global sustainability reporting for over 20 years, GRI believes that corporate transparency is an effective tool to help advance sustainable development. Reporting enhances trust throughout the value chain, which helps businesses manage their impacts. Corporate transparency through disclosure is key to reduce risks, while improving competitiveness for companies – leading to improved access to capital, performance and reputation. Good management systems are essential for building a solid basis to effectively integrate sustainability into business strategy.

GRI commends the work done by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the World Business Council for Sustainable Development (WBCSD) on the Enterprise Risk Management (ERM) guidance and we hereby share some thoughts on it:

- GRI supports the assumption that ESG-related risks should be managed by a function ancillary to a company's core activities, such as a corporate sustainability or responsibility department. However, in many companies, ESG-related risks are managed and disclosed by a team of sustainability specialists and viewed as separate or less significant than conventional strategic, operational or financial risks – leading to a range of biases against ESG-related risks. GRI believes that, in order to manage ESG risks uniformly, it is necessary to break down the "silos" within companies and ensure ERM professionals speak the same language as sustainability professionals as well as accountants. GRI's corporate engagement efforts strive to bridge this divide, finding innovative ways to harmonize sustainability language across organizations and support initiatives clarifying ESG related risks and opportunities. Facilitating the integration of sustainability practices will help reduce the gap between the risks deemed "material" only in the sustainability report and the risks disclosed in annual reports. GRI encourages the need for this alignment to be referenced in the forthcoming ERM Guide.

- In determining ESG material topics, an organization should consider the full picture of its significant impacts on the economy, the environment, and society – not only the risks that have financial consequences for the business itself. Social and environmental impacts often manifest themselves over a longer term, affect the business on many dimensions, and outside the organization's control, will eventually come back as risks to the business. By only looking at current risks, organizations are likely to preclude themselves the chance to see future risks in a constantly evolving landscape. This evolution is confirmed by the Global Risk Landscape Map presented in the 2016 and 2018 editions of the World Economic Forum Global Risk report, where risks such as natural disasters and extreme weather events consistently grew in prominence. Managing these risks requires making strategic decisions for longer-term capacity building and developing adaptive strategies. Applying such materiality lens would allow companies to look beyond immediate financial materiality and to focus on long-term resilience, which will have a positive impact on financial performance in the future. GRI therefore recommends highlighting the importance of considering the issues that are not-yet financially material.

- We commend the focus on stakeholder engagement to help better identify and understand risks the business context, including what may otherwise be "blind spots" to risk managers, sustainability managers or business executives. A process of stakeholder engagement can serve as a tool for understanding the reasonable expectations and interests of stakeholders, and the linkages among enterprise objectives, strategies and the associated major risks. If executed properly, systematic engagement is likely to result in ongoing learning within the organization, as well as increased transparency and accountability, strengthens trust between the organization and its multiple stakeholders.

The successful implementation of the ERM guide can help break down the siloed approach to ESG risks within companies and elevate the strategic importance of the work done by sustainability departments I thank you for the opportunity to provide input into this important document and I remain available to further discuss the feedback presented in this letter.

Sincerely,

Tim Mohin,

Chief Executive, GRI