



COMMITTEE OF SPONSORING
ORGANIZATIONS OF THE TREADWAY COMMISSION

June 15, 2021

The Honorable Gary Gensler
Chair
U.S. Securities and Exchange Commission
100 F St., NE
Washington, DC 20529

Re: Public Input on Climate Change Disclosures

Dear Chair Gensler:

The COSO board has read with great interest the March 15, 2021, request for public input on climate change disclosures. We believe this is an important initiative to better understand how the market can be properly informed about material climate-related risks facing filers. COSO is dedicated to providing thought leadership through the development of frameworks and guidance on internal control, enterprise risk management, governance, and fraud deterrence. Given this focus, we have some insights that we believe are relevant to the overall purpose of the SEC's request for public input.

We believe the experience gained by filers using COSO's Internal Control – Integrated Framework (ICIF) to assess the effectiveness of internal control over financial reporting (ICFR), can be leveraged and applied in the context of climate change disclosures. Applying ICIF could help companies ensure any disclosures are relevant, comprehensive, accurate, and in compliance with any applicable rules. We understand that one of the biggest challenges in reporting on climate risks (and other ESG matters) relates to the reliability of data and controls surrounding the gathering and reporting of such information. The ICIF can help address this issue, and it can be applied regardless of the ESG reporting standards of framework used.

In responding to this request for input we understand it is important to consider the cost of any changes the SEC decides to make relative to the value derived from such disclosures. We believe it is important to ensure any new rules covering new disclosures or reporting, such as on the topic of climate change, can be done without unnecessarily burdening filers.

Internal Control – Integrated Framework

The ICIF was updated in 2013 to reflect the experiences gained from, among others, filers who used the ICIF as the framework to support their certifications regarding ICFR. Such filers are able to demonstrate the 17 principles supporting the ICIF are present and functioning, at least as they pertain to internal control over external financial reporting. The ICIF has served filers well and we believe it can serve equally well for disclosures beyond the financial statements.



It is important to note that the ICIF reference to Reporting objectives (refer to graphic at right) goes beyond internal control over external financial reporting; it also covers internal financial reporting as well as internal and external non-financial reporting. We believe that filers who have used the ICIF to assess the effectiveness of internal control over external financial reporting can leverage this same framework and knowledge to assist with disclosures beyond the financial statements. Management can design their controls to address climate change disclosures and apply those controls to support quality disclosures. For example, filers could leverage ICIF and existing processes to document controls which address:

1. *Control Environment* – Establishing the structure, authority and responsibility for climate change disclosures.
2. *Risk Assessment* – Identifying climate change risks that impact the organization.
3. *Control Activities* – Designing and implementing controls regarding the risks associated with climate change and the related disclosures.
 1. *Consistency* – Disclosures are presented consistently each period and any issues with comparability are explained.
 2. *Data quality* — Disclosures are calculated on the basis of reliable inputs that are subject to appropriate controls.
 3. *Accuracy of calculation* — Metrics are calculated with arithmetic accuracy and are consistent with related metrics disclosed elsewhere.
4. *Information & Communication* – Disclosures are transparent and descriptions of the issues are clear and not confusing.
5. *Monitoring Activities* — The registrant’s monitoring activities (e.g., internal audit, 2nd line activities, disclosure committee, audit committee) appropriately reviews the disclosures.

Expand Scope of Disclosures to Material Environmental, Social, and Governance (ESG) Risks

The request for public input seems to focus on climate change disclosures. However, question #15 in the request asks, “Should climate-related requirements be one component of a broader ESG disclosure framework?” As noted in your request, “In December 2020 the Subcommittee of the SEC Asset Management Advisory Committee issued a preliminary recommendation that the Commission require the adoption of standards by which corporate issuers disclose material ESG risks.” While climate change

may be of great interest to investors and others in the business community, we believe that interest extends beyond climate change. Therefore, we support the idea from question #15 that any new SEC regulations or guidance extend to material ESG risks.

Assurance beyond the Financial Statements

We urge the SEC to be conscious of the additional cost to assurance (including time, resources, opportunity costs), as you appear to be from your request for data supporting the costs and benefits. Emphasizing the value of assurance from internal sources, such as internal audit, while weighing the costs/benefits of external assurance, may help ease concerns about additional costs.

We thank you for the opportunity to provide this input. We will watch with great interest the SEC's next steps with possible new regulations or guidance. If we can be of any service to you in your deliberations, please don't hesitate to reach out to me.

Respectfully submitted,



Paul J. Sobel

Chairman, Committee of Sponsoring Organizations of the Treadway Commission

