Bank ABC's Response to the Basel Consultative Document on "Disclosure of Climate-related financial risks"

Bank ABC would like to thank the Central Bank of Bahrain **(CBB)**, Bank ABC's Home Regulatory Authority, for relaying the Basel Committee on Banking Supervision (BCBS) Consultative Document (CD) on "Disclosure of climate-related financial risks" via their Circular dated 7th January 2024. Bank ABC also thanks the BCBS for taking this consultative approach to assess, among others the feasibility, importance and timelines of such disclosures on the wider banking community via the Pillar 3 disclosure framework. As a leading bank headquartered in Bahrain and operating in multiple jurisdictions, we fully support such important initiatives by the CBB and the BCBS.

Sustainability is a strategic priority for Bank ABC, having set our Group Sustainability Strategy to integrate sustainability throughout the Bank's value chain. The implementation stage is well underway and ESG-related KPIs having been defined to measure progress. As such, Bank ABC views ESG and 'Disclosures of Climate-related financial risks' as an essential and seminal drive towards the long-term sustainability of our ecosystem and the financial viability of the banking institutions in the Kingdom and globally.

We have some general observations on the proposed ESG Reporting Guidelines, which are outlined below, while the specific comments are collated in Annexure A. Pertinent to note that the comments to the CD are provided on Bank-Wide basis, inclusive of ABC Islamic and Ila Bank.

In general terms, while we understand the broad thrust on the need for the Pillar 3 climate-related disclosures, we have the below observations at the high-level:

1. **Section 1. Introduction - Interoperability:** We would recommend that the proposed disclosures related to Scope 3 financed emissions, physical risk and forecasting are not mandatory and are subject to national discretion. In this respect, the ability to provide reliable data will be extremely limited in certain geographies such as the MENA region. This would help to alleviate any duplication and allow for the recognition of existing climate-related disclosures at the national level. Weight should be given to 'substance over form' to ensure that greater climate-related disclosures don't overburden lesser evolved jurisdictions. It would be particularly helpful for internationally active banks operating in different jurisdictions with varying regulatory requirements.

2. **Section 2. Introduction – Proportionality:** While the proposed disclosures are supportive of the overall ESG agenda, we would recommend applying proportionality to take account of the size and importance of a bank to the local economy.

3. **Section 4. Effective date:** We suggest that additional lead time is built into the proposed implementation date of 1st January 2026. The banking industry is at different stages of transitioning to the new disclosure requirements with potentially multiple workstreams already underway. To meet the BCBS's climate-related disclosure requirements greater lead time is likely to be required to enhance the infrastructure and capability of banks. Alternatively, the timelines for implementation could be left to national supervisory authorities.

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Bank ABC (Arab Banking Corporation B.S.C.) is licensed as
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We once again thank the CBB for providing Bank ABC with the opportunity to comment on the BCBS Consultative Document on Disclosures of climate-related financial risks. The Bank ABC Team will remain at your kind disposal for any further elaboration on any of the foregoing or specific comments in Annexure A.

With kindest regards,

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Topic	BCBS Consultation: Pillar 3 Climate-Related Risks	Bank ABC comment
Section 3.1: Qualitative disclosure requirements		
Governance	The BCBS is considering whether banks should disclose information about their governance structure with specific reference to the oversight of climate-related risks. Illustrative disclosures are set out in Table CFRA.	1. Nil comments. We note that governance is an important lead indicator of a bank's commitment and effectiveness in managing their climate related risks.
Strategy	The BCBS is exploring whether banks should disclose information regarding their strategy for reducing &/or mitigating their climate-related risks through the disclosure of forward-looking quantitative metrics such as forecasts and transition plans. Illustrative disclosures are set out in Table CFRA.	1. While the proposed disclosures are supportive of the overall ESG agenda, we would recommend applying proportionality to ensure greater climate-related disclosures don't overburden lesser evolved jurisdictions. The level of disclosures should also bear in mind the size and importance of a bank to the local economy. 2. We would also suggest greater lead time is built into the implementation timeline. This would allow banks to enhance the required infrastructure and capability to support the additional disclosures.
Risk management	The BCBS is exploring whether banks should disclose their risk management approach, processes and procedures by which they identify, assess and manage climate-related risks. Illustrative disclosures are set out in Table CFRA.	1. Similarly, we would suggest that the issue of proportionality be applied to ensure the greater disclosures with respect to risk management don't overburden lesser evolved jurisdictions. It should also bear in mind the size and importance of the bank to the local economy. 2. As noted above, greater lead time would allow banks to enhance the required infrastructure and capability to support the additional disclosures.
Concentration risk	1. The BCBS is considering whether banks should disclose material exposures to transition and physical risk through concentration risk at the sector and geographical level. 2. The BCBS is also welcoming views on complementing that with the disclosure of forward-looking information on the bank's strategy and approach to managing climate-related risks as illustrated in Table CRFRB	1. The ability to provide the qualitative information set out in Table CRFRB will be constrained by data availability that will vary greatly between countries, particularly for the MENA region We would suggest that this data is not mandatory and recognises significant national divergences in data availability. 2. We would suggest that external guidance on the following be provided to ensure comparability and standardisation between banks: (i) what is deemed to be material, (ii) what sectors are materially exposed to transition risk, (iii) geographies materially exposed to physical risk.
Section 3.2: Quantitative disclosure requirements		
Exposure by sector	The BCBS is considering whether banks should disclose exposures to non-financial corporates according to GICS. This is presented in Template CRFR1.	1. While the suggested disclosures in columns a to j of Template CRFR1 would seem reasonable the issue of proportionality should be applied to ensure the

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		disclosures don't overburden lesser developed jurisdictions and smaller banks.
Financed emissions	The BCBS is reviewing whether disclosure of Scope 1, Scope 2 and Scope 3 financed emissions would assist market participants in assessing whether a bank adequately measures and manages risks that may result from its financed emissions. An illustrative example of possible data disclosures is set out in columns k to n of template CRFR1	2. Data availability is likely to be a limiting factor, most notably Scope 3 financed emissions for both historical and forecast data as listed in columns k to n. We would recommend that the data disclosures are not mandatory and are at national discretion. We would also recommend greater lead time to ensure banks have the required infrastructure and capability to meet the disclosures in columns k to n of Template CRFR 1. 3. We would also suggest that proportionality be applied to the proposed disclosures proposed to ensure that they don't overburden smaller banks.
Exposures subject to physical risk by geographical area	The committee is considering whether banks should disclose their exposures by geography to enable market participants to better understand a bank's risk profile with respect to physical risk. Suggested data disclosures are presented in Template CRFR2	1. The data disclosures set out CRFR2 will require external specialist data providers. Data availability will be highly dependent on the country/region. We would suggest that this data is not mandatory and at national discretion. We would also recommend greater lead time is built into the implementation timeline.
Section 3.3: Bank-specific metrics for quantitative climate disclosures		
	The committee would welcome views regarding whether to including information about credit quality and maturity ladder on banks' disclosures of: (i) exposures and financed emissions by sector; and (ii) exposures subject to physical risks would provide meaningful information. Suggested data disclosures are outlined in Templates CRFR1 and CRFR2.	1. As noted above, we would recommend that disclosures set out in columns a to j of Template CRFR1 apply the principle of proportionality to ensure that smaller banks are not overburdened. 2. As noted above, the data availability related to the disclosures set out in columns k and n of Template CRFR1 will be very limited, particularly within the MENA region. We would suggest that this data is not mandatory and at national discretion. A greater lead time for implementation is also likely to be required. 3. As noted above, the data disclosures illustrated in Template CRFR2 will require external specialist data providers. We would suggest that this data is not mandatory and at national discretion. A greater lead time for implementation is also likely to be required.
Section 3.4: Forecasts		

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	The committee is considering whether banks should disclose forward-looking information, such as forecast. For illustrative purposes these are reflected in Template CRFR1, CRFR4 and CRFR5.	1. As noted above, the data availability related to the forecast disclosures set out in columns k and n of Template CRFR1 will be very limited, particularly within the MENA region. We would suggest that this data is not mandatory and at national discretion. A greater lead time for implementation is also likely to be required. 2. The availability of the forward-looking data illustrated in columns d to i of Template CRFR4 will be very limited, particularly within the MENA region. We would suggest that this data is not mandatory and at national discretion. A greater lead time for implementation is also likely to be required. 3. The availability of the forward-looking data illustrated in columns c1, d1 and c2 and d2 of Template CRFR5 will be very limited, particularly for the MEAN regions We would suggest that this data is not mandatory and at the discretion of each country. A greater lead time for implementation is also likely to be required.
Section 3.5: Quantitative disclosure requirements subject to jurisdictional discretion		
	The committee would welcome feedback on the meaningfulness and feasibility of three additional quantitative metrics which would be subject to jurisdictional discretion: (i) Real estate exposures in the mortgage portfolio by energy efficiency level; (ii) emission intensity per physical output; and (iii) facilitated emissions related to capital markets and financial advisory activities. The is illustrated in Template CRFR3, CRFR4 and CRFR5.	1. Data availability of mortgage portfolio by energy efficiency will be extremely limited in the MENA regions. We would suggest that this data disclosure is subject to national discretion. 2. Data availability of emission intensity per physical output will be very limited and tends to be more relevant for specific industries such as power generating companies. 3. Data availability of facilitated emissions related to capital markets and financial advisory will be extremely limited. We would suggest that this data disclosure is subject to national discretion.
Section 3.6: Tables and templates		
		1. See comments above regarding the illustrative tables (CRFRA and CRFRB) and templates (CRFR1, CRFR2, CRFR3, CRFR4 and CRFR5).
Section 4: Effective date		
	The committee would welcome views on the feasibility of a potential implementation date of 1st January, 2026	1. Given the comprehensive nature of the proposed disclosures we would suggest that the proposed timeline of 1st January 2026 is extended. The banking

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		industry is at different stages of transitioning to the new disclosure requirements with potentially multiple workstreams already underway. To meet the BCBS's climate-related disclosure requirements, as set out in the CD, greater lead time is likely to be required. Alternatively, the timelines for implementation could be left to national supervisory authorities.