Associazione Bancaria Italiana

ABI Response to the Basel Committee's consultation on a Pillar 3 disclosure framework for climate-related financial risk

March 2024

POSITION PAPER

2024

General remarks

The ABI offices through the competent working groups contributed to the drafting of the Position Paper which was prepared within the European Banking Federation. This document only reports some peculiar position of the Italian Banking Association.

Q4. Would the Pillar 3 framework for climate-related financial risks be sufficiently interoperable with the requirements of other standard-setting bodies? If not, how could this best be achieved?

In EU there is a ESG P3 framework that is partially interoperable with the Efrag Standards. In your proposal the main issue is related to T5 (Template CRFR5: Transition risk – facilitated emissions related to capital markets and financial advisory activities by sector) that has been recently eliminated from the ISSB standard. We ask for the deletion of this template from the Basel P3 ESG framework.

Q8. What are your views on which elements should be made subject to national discretion and which should be mandatory? Why?

In order to avoid an unduly effort we ask **T3** (Template CRFR3: Transition risk – real estate exposures in the mortgage portfolio by energy efficiency level) and **T4** (Template CRFR4: Transition risk – emission intensity per physical output and by sector) **to be not compulsory in EU** (and as for Q4 we ask in any case the **deletion of T5** - Template CRFR5: Transition risk – facilitated emissions related to capital markets and financial advisory activities by sector).

Q14 (new). What additional qualitative Pillar 3 climate-related financial risk disclosure requirements should the Committee consider?

The Risk management section of the qualitative information table could be enriched with the request of:

- description of activities, commitments and exposures contributing to mitigate climate-related financial risks

- information on limits that are set to avoid or mitigate climate-related financial risks and limits that indicate when a specific exposure would trigger corrective actions, further investigation, internal escalation, or exclusion from portfolio
- description of the link (transmission channels) between climate-related financial risks with credit risk, liquidity and funding risk, market risk, operational risk and reputational risk in the risk management framework.

Q18. Should the proposed quantitative Pillar 3 climate-related financial risk disclosure requirements be on a mandatory basis to facilitate comparability across banks?

We agree to identify **only some mandatory** templates **for all jurisdictions** (T1 and T2, see Q8).

Q21. How could the proposed quantitative Pillar 3 climate-related financial risk disclosure requirements be enhanced or modified to provide more meaningful and comparable information?

There is a heavy ESG data gap in respect to banks' counterparties (concentrated mainly on SMEs and on counterparties not in scope of ESG disclosure regulation) and banks worldwide are investing to close this gap but it will take time.
Each data provider and each bank tries to identify proxies as a turnaround of the data gap.
In order to increase comparability of the P3 templates (but not limited to them), we underline the importance of the **definition of institutional common proxies** (some worldwide other at jurisdictional level) to be used in case ESG data are not yet available.
In addition regulators and supervisors could make available to the banking sector aggregated information gathered through different initiatives, like for EU Fit for 55 (emissions), Anacredit (statistics of losses), data from ECB economy-wide stress test etc .