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Secretariat of the Basel Committee
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Dear Basel Committee members

The Banking Association South Africa's Comments on the Basel Committee on Banking Supervision's (BCBS) Disclosure of Climate-Related Financial Risks

Who we are:

The Banking Association South Africa (BASA) is an industry body representing all banks registered and operating in South Africa. Currently, BASA has 36 member banks, which include both South African and International Banks. All licenced banks are members of BASA. It forges dynamic partnerships with relevant stakeholders to influence an environment in which banks can do profitable business in a way that promotes international best practice and sustainable socio-economic growth and development. Our vision and role, together with our areas of focus and a list of our members, may be found on our website, www.banking.org.za.

Context:

South Africa is an emerging economy with a just transition pathway in scope. It does mean that a period of transition is required, and immense amounts of capital is required to realise the transition in estimated financed emissions. It should be avoided that banks are hesitant to invest in transition assets during the transition period due to adverse risk perception or exposure. It should be noted that the implementation of climate risk methodologies at the same maturity level of European banks will place an enormous talent and capacity burden on banks in emerging markets. However, careful implantation of the Pillar 3 framework for climate-related financial risks in manner that is manageable will help market participants to understand the climate-related financial risk exposures of banks and how banks are managing these risks.

Feedback on Consultation Questions:

Question	Bank Comment
Q1. What would be the benefits of a Pillar 3 disclosure framework for climate-related financial risks in terms of promoting comparability of banks' risk profiles within and across jurisdictions and promoting	BASA is also supportive, for the most part, of the risk-based approach that is followed in the proposed framework. However, it is agreed that full integration of other international standards like the International Sustainability Standards Board (ISSB) S2 climate-

market discipline? What other benefits have been identified?	related disclosure is important, not only to avoid duplication, but to streamline the reporting process. Thus, BASA is concerned around significant duplicative of the BCBS proposals compared with disclosures that meet ISSB requirements. It is recommended that the committee considers financial materiality assessment to any Pillar 3 disclosures and not be prescriptive about asset classes and sectors that must be included. Significant work will be required to achieve the granularity of data reporting required.
Q2. What are the risks of a Pillar 3 disclosure framework for climate-related financial risks not being introduced?	BASA anticipate that this risk will be low, as the ISSB S1 and S2 disclosures will encapsulate stakeholder requirements in the short-term. It may be argued that the risks of implementation are greater than non-implementation (i.e., Pillar 3's diversion from banks real risk management activities, additional cost, dilution repetition of disclosure (and associated reader confusion)).
Q3. Would the Pillar 3 framework for climate-related financial risks help market participants understand the climate-related financial risk exposures of banks and how banks are managing these risks?	Yes, climate risk disclosure can be beneficial, especially if it aligns with a unified framework like ISSB. However, it's important to recognise that traditional financial risk management already covers some climate-related impacts, and overemphasising climate could divert resources from other pressing issues like geopolitical risks, particularly if timelines are aggressive. Nonetheless, clear, and comparable standards can enhance transparency and usefulness for market participants.
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?	Yes, it would be interoperable with other standard-setting bodies such as the Task Force on Climate-Related Financial Disclosures (TCFD) and ISSB S1 and S2. This is because the framework builds on the TFCD recommendations and ISSB S1 and S2 standards. However, inconsistencies between other standard-setting bodies like specified sector classification in domestic regulation, can result in additional effort to address variances in reporting requirements.
Q5. Would there be any unintended consequences of a Pillar 3 framework for climate-related financial risks? If so, how could these be overcome?	There is a risk of unintended consequences. Notably, the disclosure of commercially sensitive information. In line with the ISSB standards, the framework should consider including a relief permitting an entity to omit such data in line with the ISSB S1 requirements (par B34-B37). Sensitive information would include budgets and strategic growth disclosure, etc. Additionally, data availability. Especially in emerging economies, comparability will be limited, and no

	other Pillar 3 disclosures require forward looking projections – this is a far-reaching deviation. The lack of consensus with respect to how climate risks should be captured within capital frameworks would limit consistency and therefore value. We also note the confidential submission by firms of capital and liquidity assessments (ICAAP/ILAAP) to national supervisors and highlight the market sensitive and confidential nature of elements of firms' capital requirements will further limit consistency and compromise the value of such reporting. It is recommended that Pillar 3 climate risk disclosures, should they be implemented, align with ISSB S2 frequency requirements so as not to undermine the primary climate risk disclosures in banks annual reports and also to avoid operational burden for banks.
Q6. What are your views on potentially extending a Pillar 3 framework for climate-related financial risks to the trading book?	Climate risks manifest in traditional risk categories and thus banks should disclose how these risks are currently managed. This approach results in the climate risk, risk driver receiving much more focus than other risks with possible larger impacts. Based on this, the bank's view is that it is currently not possible but can be considered at a future stage. Moreover, it would also depend on the exact metrics being disclosed and the alignment with a unified climate disclosure body/ framework such as ISSB.
Q7. What are your views on the proposed methodology of allocating exposures to sectors and geographical locations subject to climate-related financial risks?	While the proposed methodology for climate risk disclosure is valuable, concerns exist regarding feasibility and practicality due to data limitations: • Banks currently report on entire portfolios, not geographically. Developing systems to consolidate data specifically for this reporting could be challenging. • Restrictions on financing sectors based on climate risk may conflict with competition regulations in certain regions. • Sector and location-specific requirements differ from other risk drivers (e.g., geopolitical) and create a high reporting burden for teams. • Disclosing commercially sensitive data raises concerns. • Limited data availability might distort results. A phased approach is recommended, starting with readily available data. For example, "Template

	CRFR3: Transition risk – real estate exposures in the mortgage portfolio by energy efficiency level" could be a first step.
Q8. What are your views on which elements should be made subject to national discretion and which should be mandatory? Why?	While aligning with international standards is crucial, tailoring climate risk disclosure requirements to national contexts is essential. This allows for flexibility considering factors like: • Different economies face varying economic pressures. • Countries experience climate change differently. • Developing nations may require different approaches. • Aligning with existing legislative and policy frameworks is important. Given varying levels of industry maturity, requiring fully quantitative and comparable data immediately might be premature. A phased approach could be beneficial, starting with: • Leveraging existing datasets - Utilise existing data for geolocation definitions and sector allocation methodologies. • Adapting to local practices - Consider existing practices and data availability in each jurisdiction. To ensure comparability and transparency, mandatory minimum disclosures could include: • Scenario analysis, • Governance, strategy, and risk management, • Standardised sector definitions.
Q9. What are your views on whether potential legal risks for banks could emanate from, or be mitigated by, their disclosures as proposed in this consultation, and why?	It is possible that some information will be very strategic and competitive which companies would generally not be comfortable with publishing in the public domain. Legal liability is a reality and banks would be very careful about what they publish especially regarding the possible prosecution and/or litigation against banks by civil society or other non-governmental organisations (NGO).
Q10. Would the qualitative and quantitative requirements under consideration need to be assured in order to be meaningful? If so, what challenges are foreseen?	Yes, assurance can enhance the quality and meaningfulness of climate risk disclosures. However, there are several challenges that need careful consideration: • External assurance can be expensive, especially for smaller institutions.

	• The ISSA 5000 standard for sustainability auditing is still under development, potentially impacting comparability and independence. • Tight implementation timelines and limited data at present may make assurance impractical initially. • No other Pillar 3 disclosures currently require assurance, raising concerns about consistency and fairness. • Internal assurance options necessitate staff training and capacity building.
Q11. What are the benefits of the proposed qualitative Pillar 3 climate-related financial risk disclosure requirements?	Creating a standardised climate disclosure that elevates climate risk as a principal risk for banks as well as progressing the assessment of existing Pillar 1 risks in the context of how climate risk transmits through them. Currently the proposed disclosures extract physical and transition risk metrics linked to the largest impacted risk type (credit and operational risk); however, the reality is that the existing risk types should have extensions in their metrics that consider climate transmission. Otherwise, the currently proposed tables are heavily focussed on credit given the financed emissions. Whilst this is a large component of climate risk given banks' role in financing, there are many other products and services that banks are facilitating and offering in the market; this may in the long run re-enforce and limit the full view of banks' engagements in climate related commitments towards net zero targets holistically.
Q12. Should the proposed qualitative Pillar 3 climate-related financial risk disclosure requirements be on a mandatory basis to facilitate comparability across banks?	Yes, qualitative disclosures that speak to general governance and embedment of climate risk management into organisational risk governance structures and frameworks should be mandatory. This ensures that there is sufficient information or incentives to measure, monitor, and mitigate climate-related financial risks across banks.
Q13. What key challenges would exist for preparers or users of the proposed qualitative Pillar 3 climate related financial risk disclosure requirements? How could these be overcome?	While transparency in climate risk disclosure is crucial, protecting commercially sensitive information, particularly changes in business models and forecasts, is equally important. Balancing these competing interests is key. Data quality and availability for detailed disclosures may pose challenges. To address this, a phased approach could be implemented, gradually increasing the level of detail required over time as data becomes more robust. This allows for initial

	transparency without overburdening institutions with unrealistic demands. Specific disclosure requirements should carefully consider the potential for harm to a company's competitive advantage. Alternatives, such as aggregated data or qualitative assessments, may provide valuable insights without compromising confidentiality.
Q14. What additional qualitative Pillar 3 climate-related financial risk disclosure requirements should the Committee consider?	We require confirmation that "forecasts" is synonymous with "targets" (under Strategy).
Q15. How could the proposed qualitative Pillar 3 climate-related financial risk disclosure requirements be enhanced or modified to provide more meaningful and comparable information?	The proposed requirements align with ISSB S2 (June 2023), consider standardising them further, potentially through a phased approach. This would enhance comparability and reduce reporting burdens. Provide clear explanations for defining "short-term," "medium-term," and "long-term" in relation to climate risk disclosures. These definitions should be linked to the planning horizons used for strategic decision-making to ensure consistency and relevance. Shift the focus from long-term outlooks, which can be influenced by economic factors, to demonstrating progress against prior year and committed targets. This provides a clearer picture of the bank's climate action and commitment. Clearly outline data limitations, the use of proxy data, and general assumptions utilised in climate-related calculations, such as climate risk assessments and financed emissions. This transparency helps stakeholders understand the potential uncertainties and limitations of the reported information. Additional considerations: • Explore the feasibility of a phased approach for implementing more detailed disclosures. • Advocate for clear and consistent guidance on terminology and definitions. • Encourage the use of standardised methodologies and metrics for climate-related calculations.
Q16. What are your views on the relevance of the proposed qualitative Pillar 3 climate-	Generally, speaking climate-related financial risk disclosure requirements to understand climate-

related financial risk disclosure requirements to understand climate-related financial risks to which banks are exposed?	related financial risks to which banks are exposed may be highly relevant as it assists in understanding the risk exposure of a bank to a greater extent if climate related risks are considered. There is a concern that it may be duplications of what is already disclosed in other reporting and thus may not add much value for an investor. E.g., standalone climate/ ESG/ Sustainability reports published as part of Integrated Reporting. However, mandatory disclosures can increase market efficiency and transparency by reducing information asymmetry between entities and investors. It can also create a level playing field and incentivize entities to improve their climate performance.
Q17. What are the benefits of the proposed quantitative Pillar 3 climate-related financial risk disclosure requirements?	While there may be value in the BCBS quantitative Pillar 3 suggestions, such as increased transparency and conformity on banks' exposure to climate risk in particular nations that have not embraced ISSB or equivalent standards for climate risk, the drawbacks tend to outweigh the advantages. Even in countries that forgo ISSB or similar standards for climate risk, a broader application of both qualitative and quantitative climate risk disclosures is necessary across various sectors to effectively support the transition to net zero, not just within the banking sector. Additionally, in these countries, banks may find it challenging to comply with certain BCBS disclosure requirements, like sector and facilitation disclosures, if corporate entities are not also mandated to provide similar information. In regions that have adopted or are moving towards ISSB standards, duplicating disclosures appears to offer no benefit and, from a cost-benefit standpoint, presents more drawbacks. The perceived disadvantages extend beyond the banking sector to include national regulators, who would bear substantial responsibility and accountability for providing precise definitions and detailed guidance to comply with various quantitative templates.
Q18. Should the proposed quantitative Pillar 3 climate-related financial risk disclosure requirements be on a mandatory	While disclosure of this nature would facilitate comparability, should data not be available at a meaningful level, making this mandatory at this point

basis to facilitate comparability across banks?	is not appropriate. Consideration of domestic versus international banks in emerging markets is required.
Q19. What key challenges would exist for preparers or users of the proposed quantitative Pillar 3 climate related financial risk disclosure requirements? How could these be overcome?	The proposed disclosure requirements pose significant challenges due to limitations in data availability, particularly in emerging markets. Obtaining granular, reliable, and automated data, for example regarding counterparty energy efficiency in South Africa, can be difficult due to undeveloped regulatory frameworks and lack of public data access. Implementing systems to collect, verify, and ensure the credibility of such data can be prohibitively expensive and time-consuming. Additionally, differences in data segmentation compared to existing credit reporting and potential commercial sensitivity raise concerns about reconciliation and transparency. Suggestions: • Introduce detailed requirements gradually, allowing time for data infrastructure development and regulatory advancement. • Foster collaboration among banks to collectively gather and share necessary data, reducing individual burdens and costs. • Consider using approved proxy data and internationally recognised methodologies for emissions calculations, improving comparability and reducing reliance on unavailable information. • Ensure new requirements complement existing credit disclosures, promoting consistency and reducing reporting duplication.
Q20. What additional quantitative Pillar 3 climate-related financial risk disclosure requirements should the Committee consider?	Ensuring the comparability and alignment to existing credit disclosures is proposed. However, with the expected progress of the ISSB on the integration of climate risk with financial reporting, we anticipate the emergence of interrelated disclosures. We view this as a natural progression of the ISSB's efforts and do not believe there is a need for these disclosures to be expedited or replicated within the BCBS framework for climate risk.
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?	We believe that, over time, the implementation of the ISSB standards' strategy, reporting, and metrics framework will result in risk disclosures that are more meaningful and accurately represent the banks' strategies, business models, risk preferences, and risk management practices.

Q22. What are your views on the relevance of the proposed quantitative Pillar 3 climate-related financial risk disclosure requirements to understand climate-related financial risks to which banks are exposed?	Until data availability and quality significantly improves, this level of granularity will not be accurate or complete.
Q23.What are your views on the calculations required to disclose the proposed quantitative Pillar 3 climate-related financial risk disclosure requirements?	This will be a significant burden on data teams to provide this data. The scarcity of the required skills, expertise and resources with the relevant experience also remains a challenge as regulatory requirements become more extensive. This has increased the need for full time resource allocation and a high dependency on outsourcing of work to external consultancies. For calculations which are complex, detailed guidelines on the formulas and calculations would be required to ensure consistency and comparability. This will be a significant burden on data teams to provide this data. The scarcity of the required skills, expertise and resources with the relevant experience also remains a challenge as regulatory requirements become more extensive. This has increased the need for full time resource allocation and a high dependency on outsourcing of work to external consultancies. For calculations which are complex, detailed guidelines on the formulas and calculations would be required to ensure consistency and comparability. We observe that the BCBS proposals offer a level of detail that is considerably more intricate than that required by ISSB standards. Although larger entities, including banks, have voluntarily reported on climate financial risk for several years, it is still relatively undeveloped compared to the established Pillar 3 disclosures for other financial risks like credit risk. In our opinion, given the emerging and dynamic nature of climate financial risks, it is neither suitable nor necessary to match the granularity seen in the most detailed credit risk quantitative templates. Our concerns extend to the potential BCBS disclosures that closely mirror those mandated by the ISSB in banks' annual or other concurrent reports, which could confuse investors and other stakeholders. Since the ISSB standards already address the concept of market discipline comprehensively, we question the value and rationale behind BCBS's redundant proposals.

	Should Pillar 3 become the definitive reference for climate risk, it would place the onus on national supervisors to establish undefined components and provide interpretations, such as precise definitions and clarifications for Scope 1, Scope 2, and Scope 3 emissions. The BCBS proposals stipulate that climate risk disclosures should be presented alongside credit risk templates. This could lead to misinterpretations, conflating climate risk with credit risk, or assumptions that the metrics for measuring exposure are identical.
Q24. Would exposures and financed emissions by sector be a useful metric for assessing banks' exposure to transition risk?	Yes. The bank could apply a double materiality lens and only report on material exposure sectors. The requirement to use the Global Industry Classification Standard (GICS) may not be appropriate and it will create many complications for organisations that do not use the GICS either.
Q25. What are your views on the availability and quality of data required for these metrics, including by sector, activity, region or obligor?	• Many companies lack legal requirements to measure and disclose emissions, making data acquisition difficult. • Company adherence to CDP or other reporting frameworks, external assurance, and emissions reduction targets vary significantly across sectors. • Granular, reliable, and automated data may be scarce, potentially scattered across different systems and incompatible with metrics calculations. • Inconsistency in sector definitions between risk management and reporting standards poses a major challenge.
Q26. What key challenges would exist for preparers to disclose these metrics, including by sector, activity, region, or obligor? How could these be overcome?	Note that the biggest challenge is relating to data availability and quality. Industry collaboration and data storage: • Common sector classification for large corporates. • Consistent assumptions on emissions factors. This can be overcome through additional investment in data systems. Additionally, sector definitions are different across regulatory reporting frameworks which is resulting in the maintenance of multiple definitions for obligors. Capturing the geographies of operations for obligors is challenging for internationally active clients. A recommendation is that the disclosure by obligor may be considered sensitive/ proprietary (possibly better suited to disclosure

	in the Internal Capital Adequacy Assessment Process (ICAAP)).
Q27. What additional transition risk disclosure requirements should the Committee consider?	It is recommended that the availability of insurance as it pertains to collateral is considered as an additional disclosure requirement. The economic activities targeted for the proposed disclosure are not explicitly defined. Instead, reference is made to sectors defined by the TCFD, which have also been shown to lack clear delineation. It is recommended that the BCBS specify the particular sectors and their corresponding activities that should be included in the scope. If the BCBS plans to adopt a specific sector classification standard, it would be beneficial for the disclosure requirements to define the specific sector codes that are in scope.
Q28. What are your views on the appropriateness of classifying sectors according to the Global Industry Classification Standard (GICS) with a six- or eight-digit industry-level code?	The GICS methodology is widely accepted as an industry analytical framework for investment research, portfolio management, and asset allocation. There are concerns around data availability to support the four tiers of disclosure (sectors, industry groups, industries and sub-industries). Sub-industries could possibly be phased in later if considered necessary. Furthermore, the use of GICS would make the reporting process more onerous as some BASA members uses Standard Industrial Classification (SIC), International Standard Industrial Classification (ISIC) and/ or other internal sectoral classifications for reporting purposes. The guidance does not provide a mapping between GICS and existing sector classifications and further to this, any such mapping may not provide a 1-1 relationship between sector classifications. A potential recommendation would be to rather use ISIC as required per the other BCBS requirements (such as for liquidity risk). Moreover, the level of granular detail from clients especially in the retail business segment would need to be assessed to ensure that there is sufficient data to assign clients into the relevant sectors. The requirements to disclose certain data, such as carbon intensity across all 18 sectors regardless of their materiality, are at odds with the principles of materiality thresholds in annual reports and, crucially, with the principles found in ISSB Standard S2.

Q29. Would it be useful to require disclosure of the specific methodology (such as Partnership for Carbon Accounting Financials (PCAF)) used in calculating financed emissions?	Yes, including disclosure on the data quality score and assumptions on emissions factors to obtain consistent assumptions across the industry.
Q30. Would exposures subject to climate change physical risks be a useful metric for assessing banks' exposure to physical risk?	Yes, this would be a useful metric to assess exposure to physical risk. However, the ISSB stipulates disclosures regarding performance relative to targets, whether absolute or intensity based. The BIS's quantitative table, dictating emission intensity per physical output by sector, offers a degree of detail surpassing ISSB requirements. There should be the option to disclose either physical intensity or economic intensity. The ISSB does not mandate quantitative disclosure of facilitated emissions, and considering the emerging nature of this methodology, it appears premature to impose detailed requirements in this area.
Q31. Would there be any limitations in terms of comparability of information if national supervisors at a jurisdictional level determined the geographical region or location subject to climate change physical risk? How could those be overcome?	Geographical regions determined by national supervisors at a jurisdictional level should be consolidated into a global standard. Comparing past exposure assessments which used differing geographical regions to future assessment geographical regions may be a challenge. Therefore, reporting requirements requesting historic trend analysis should accommodate this challenge due to the cost implication involved in recalculating past assessments.
Q32. What alternative classification approaches could the Committee introduce for the classification of geographical region or location subject to climate change physical risk to reduce variability and enhance comparability amongst banks?	Using similar classification approaches used by the jurisdiction for environmental and climate assessments which are already well established and standardised by regional bodies/ institutions.
Q33. What additional physical risk disclosure requirements should the Committee consider?	• The Template CRFR2 appears to lack differentiation between chronic and acute physical risks. Clarity from BCBS if there would be an intention to introduce this later, would prove helpful. • Considering disclosures regarding the bank's own exposure to physical risks, specifically the impact on its owned/ leased assets or infrastructure, would provide valuable insights. • Standardised definitions for physical risk hazards would enhance clarity and ensure consistent interpretation across institutions.

	• Bank-specific metrics for quantitative climate disclosures.
Q34. What are your views on the prudential value and meaningfulness of the disclosure of the proposed bank-specific metrics on (i) asset quality (non-performing exposures and total allowances); and (ii) maturity analysis?	Related disclosure may be considered proprietary and is better suited for inclusion in the ICAAP (with possible phase-in to Pillar 3 later post further consideration of sensitivity). It is proposed that the maturity buckets provided in the template should align to the maturity buckets provided in the BCBS credit risk linked disclosures.
Q35. What challenges would exist for preparers or users of these disclosures? How could these be overcome?	Availability of data at a sufficient level of granularity remains a challenge for banks. Moreover, comparability amongst banks poses a concern.
Q36. What additional bank-specific disclosure requirements in respect of banks' exposure to climate related financial risks should the Committee consider?	
Q37. What are your views on the proposed inclusion of forecast information in the Pillar 3 climate-related financial risk disclosure requirements in instances where banks have established such forecasts?	Other Pillar 3 disclosures refer to 'targets' instead of 'forecasts', therefore a clear definition should be provided as the latter has strategic implications. An accurate definition of the term 'forecasting' from the BCBS would prove helpful. Forecasts are often available and disclosed in emissions intensity (decarbonisation targets) and not absolute emissions. This is inconsistent with all other Pillar 3 disclosures and care should be taken as to its meaningfulness. Targets may be a better approach. Forecasts would need to be phased in from voluntary to mandatory (while being standardised) to support comparability.
Q38. Would the proposed forecast information be a useful metric for assessing banks' exposure to climate-related financial risks?	To make the forecast information useful, clarity would be required on the scientific pathway used and the methodology used. The current guidance lacks perspective to other financial risks without other forecast information.
Q39. What type of forecasts would be most useful for assessing banks' exposure to climate-related financial risks?	Forward-looking targets, sector exposures and whether these are being achieved can be a useful forecast for assessing banks' exposure to climate-related financial risks.
Q40. What challenges would exist for preparers or users of Pillar 3 disclosures in relation to potential forecast information? How could these be overcome?	The following challenges have been identified in relation to potential forecast information: • Significant concerns relating to commercially sensitive information. • Several scenarios and approaches are being used by banks.

	It is unlikely that the forecasts would be directly comparable.
Q41. Where forecast information is not available, what alternative information might be useful to assess banks' exposure to climate-related financial risks on a forward-looking basis?	Mandating the disclosure of forecasts is neither helpful nor suitable. Sharing forecasts with national supervisors in confidence vastly differs from public market disclosures. Additionally, such a mandate could lead to inconsistencies in forecasting methods and concerns about the completeness of the information. Setting meaningful targets at the sector level may be difficult due to the unpredictable nature of capital market transactions and the limited control banks have over the timing, volume, and size of these transactions. Consequently, the usefulness of year-on-year comparative data may be undermined. It is important to acknowledge that transition plans and targets, which are in essence forecasts, are highly uncertain and will need to be continuously refined. Regulators must find a careful balance between holding banks accountable for their claims and encouraging ambitious goals in situations where information is incomplete.
Q42. What are your views on the usefulness banks' disclosure of quantitative information on their risk concentration, ie of the bank's material exposures to sectors or industries subject to transition risk or to sectors/geolocations subject to physical risk relative to its total exposure?	Very useful, as geolocations are impacted by physical risk in varying ways and similarly as sectors are impacted differently by varying transition risks. However, there is the lack of comparability to other financial risks. Moreover, consistency with other concentration risk disclosures should be ensured.
Q43. What are your views on complementing quantitative disclosure of risk concentrations with qualitative disclosure of contextual and forward-looking information on the bank's strategies and risk management framework, including risk mitigation, to manage climate-related concentration risk?	There are significant concerns relating to availability of data at the required levels of granularity and sharing commercially sensitive information. The additional information would make sense if provided in the form of qualitative disclosure or such disclosures being made confidentially with the regulator.
Q44. What challenges would exist for preparers or users of disclosures in relation to quantitative and qualitative information on climate-related risk concentrations? How could these be overcome?	Availability of data, specifically those related to the value chain of counterparties in determining exposure risk. The complexity of climate data and the ability to calculate reliable projections for concentration risk.
Q45. In relation to the disclosure of exposures subject to physical risk, would it be meaningful for assessing banks' climate-related concentration risk if these	Yes, although local contextualisation needs to be applied.

exposures were divided into six or seven broadly defined hazards, e.g., heat stress, floods, droughts, storms, wildfires etc?	In addition, consistent definitions of each hazard should be included in the guidelines. E.g., consistent classification for physical risks would improve comparability.
Q46. What additional bank-specific disclosure elements on climate-related concentration risk should the Committee consider?	The proposed level of detail introduces complexities, such as the difficulty in distinguishing market risk from credit risk when exposed to certain companies. If emissions are already reported at a sector level, the introduction of concentration risk seems redundant. The challenges with data availability are inherent in these disclosures. Banks are required to possess an in-depth understanding of the specific locations where their clients operate, including the unique climate risk characteristics of these places. The requirement for "concentration" disclosures appears to limit the use of broader modelling or alternative approaches. It is challenging to disaggregate the Group level transition plan into separate legal entities. It would be helpful to clarify whether the BCBS Pillar 3 disclosures are intended to be at the Consolidated Group level, or a sub-consolidated level managed by the banking group. The ISSB usefully indicates that setting jurisdictional targets for reporting may lead to outcomes that do not align with global objectives and targets.
Q47. What are your views on the structure and design of the proposed templates in relation to helping market participants understand the climate-related financial risks to which banks are exposed?	Due to the current data availability and data quality concerns, the proposed reporting is too detailed and a phased approach to the reports should be considered to improve their understandability. Template CRFR2 as currently proposed is deemed to be too complex and will pose challenges if required to submit. The template/ structure would need to align to existing reporting standards (such as the ISSB). Please see additional comments in reference to specific templates.
Q48. Would the potential structure and design of the templates pose any challenges for preparers or users of Pillar 3 climate-related financial risk disclosure requirements? How could those be overcome?	It is recommended that consistency against existing reporting templates is improved as this is currently very limited.

Q49. What are the benefits of the proposed quantitative Pillar 3 climate-related financial risk disclosure requirements subject to jurisdictional discretion?	This would assist in ensuring that the nuances of various jurisdictions can be factored in to create more meaningful and higher quality disclosures as well as comparability.
Q50. What key challenges would exist for preparers or users of the proposed quantitative Pillar 3 climate related financial risk disclosure requirements subject to jurisdictional discretion? How could these be overcome?	The proposed climate disclosures overlap with ongoing BCBS III reforms, potentially creating excessive burdens for banks managing multiple reporting requirements simultaneously. Multinational banks with subsidiaries in diverse stages of climate policy and reporting maturity face additional challenges in consolidating data and ensuring consistent reporting across subsidiaries. Data availability, accuracy, and completeness are major concerns. Inconsistencies between Template CRFR3 and existing Pillar 3 reporting templates further complicate data collection and analysis. In regions like Africa, the lack of standardised labelling systems like EPC renders Template CRFR3 infeasible for comprehensive reporting. Limited data availability in certain jurisdictions could hinder cross-jurisdictional comparisons. Suggestions: • Requiring a minimum set of mandatory disclosures to ensure basic comparability. • Providing a timeline or grace period for addressing data gaps and improving reporting capabilities in data-scarce regions.
Q51. What are your views on the feasibility, meaningfulness, and practicality of banks' disclosure of facilitated emissions?	This methodology is still evolving compared to financed emissions which has been around for a few years. More time would be required to understand the required data and to put the processes in place to perform the calculations. A phased approach for the disclosure of facilitated emissions is proposed as banks require some time to calculate a robust baseline for financed emissions at the moment. It would hence be prudent to require the disclosure of facilitated emissions at a later date. Moreover, facilitated emissions provide a point in time view of how banks are financing or facilitating (through other products) and client offerings, emissions related activities. However, this on its own doesn't provide a full view of banks' commitments to net zero targets and the velocity of transition that the banks are facilitating.

Q52. What are your views on the feasibility of the potential effective date of the Pillar 3 climate-related disclosure requirements?	Current timelines for implementation may not be feasible due to multiple factors: • Given the timing of changes to Pillar 3 disclosures to align to the impact on reporting tables for BCBS III Post Crisis Reforms, it would be ideal that the proposed climate disclosure sections come into effect after the first cycle of BCBS III PCR reporting changes. o Banks are undergoing massive integration and reporting changes to accommodate and ensure compliance with BCBS 239 standards with this change. Additional time will allow for improved data quality and coverage on the various climate risk dimensions, such that the sequential reporting on the proposed climate risk disclosure tables does not have massive variability in the comparative annual/ biannual or quarterly tables. • Availability of data for reporting purposes across all geographies that some BASA members operates in. It is proposed that a staggered or phased implementation is considered to allow for more time to meet the framework's expectations. While not directly tied to the effective date, it's essential to contemplate whether releasing this information concurrently with the existing Pillar 3 Risk Management disclosures or other sustainability disclosures is preferable. The Pillar 3 year-end disclosures are made available on the results announcement day, while the other disclosures are typically released by the end of March.
Q53. Would any transitional arrangements be required? If so, for which elements and why?	Transitional arrangements will be required for all tables as the level of granularity of the underlying data will need to be improved with time. The availability of data in emerging markets is also an element of significant concern.
Q54. What are your views on the Committee exploring disclosure requirements for the impacts of climate-related financial risks on deposits/funding and liabilities?	There are concerns related to the disclosure of climate-related financial risks on deposits/ funding and liabilities. Such as the lack of availability of data for depositors/ funders and the use of different systems within the bank to compile the information. Importantly, we see this as a challenge within the region of emerging markets and developing countries. In addition, the impact of liquidity risk given the global focus for funding pools to focus on more

	stringent adherence to the Paris Agreement and other climate commitments, should be something that banks and other financial institutions assess.
Template CRFR1: Transition risk – exposures and financed emissions by sector	For sub-sectors data may be available, but with data limitations.
Template CRFR2: Physical risk – exposures subject to physical risks	Although physical risk data will be available for non-performing exposures, for all other classifications data may be available, but with data limitations.
Template CRFR3: Transition risk – real estate exposures in the mortgage portfolio by energy efficiency level	Energy efficiency certification is not regulated in South Africa and data may be available as the exception rather than the rule.
Template CRFR4: Transition risk – emission intensity per physical output and by sector	Data may be available, but with data limitations.
Template CRFR5: Transition risk – facilitated emissions related to capital markets and financial advisory activities by sector	Data may be available, but with data limitations.

General Comments:

Financed Emissions:

- BCBS relies heavily on financed emissions as a proxy for transition risks, but this has limitations and may be misleading in Pillar 3 disclosures.
- BCBS lacks evidence for equating scope 3 data with transition risks and ignores data challenges.
- BCBS should reconsider the central role of financed emissions-based metrics.

Geographical Locations:

- Requiring regulators to determine climate-risk locations creates consistency challenges.

Equity Positions:

- Including equity positions in the >20-year maturity bucket may disadvantage them due to transition/ physical risks. Is this intentional?

Metrics and Targets:

- Compared to TCFD and ISSB, the BCBS proposals are highly specific in quantitative requirements.
- Banks struggle with data availability and quality, raising concerns about implementation costs.
- A cost-benefit analysis is needed to ensure benefits outweigh implementation burdens.
- BCBS should map their proposals against existing standards and highlight overlaps and additions.

Flexibility:

- Allowing flexibility in disclosure requirements can improve implementation and reduce costs.
- The proposed flexibility in CRFRA and CRFRB qualitative tables is commendable.

Concentration Risks:

- The definition of concentration risks related to CRFR is missing.

Disclosure Snapshot:

- While Pillar 3 aims for a risk-capital snapshot, the proposed level of detail may hinder comparability and usefulness.
- More information isn't always better, as it can create confusion.

Forecasting Methodology:
- The proposals deviate significantly from traditional historical disclosures.
- There’s no widely accepted methodology for greenhouse gas emissions forecasting, raising questions about its informativeness.
- BCBS should clarify the scope of consolidation for reporting (group-level preferred).

Legal Risks:
- The proposals may increase legal risks for banks, contradicting the Network for Greening the Financial System’s (NGFS) warnings about climate-related litigation.

Conclusion

BASA would like to thank the Committee for allowing us to comment on the Consultation of the Disclosure of Climate-Related Financial Risks.

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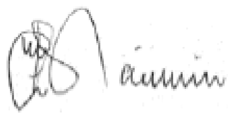

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