March 14, 2024

Basel Committee on Banking Supervision
Bank for International Settlements
CH-4002 Basel
Switzerland
Via bis.org/bcbs/commentupload.htm

Re: Response to Consultation on Disclosure of Climate-Related Financial Risks

Dear Basel Committee on Banking Supervision:

It is a pleasure to submit comments on behalf of Ceres and the Ceres Accelerator for Sustainable Capital Markets. Ceres is a nonprofit organization with over 30 years of experience working on climate change with the world's leading investors and companies to drive sustainability in the bottom line and through ambitious federal and state climate and clean energy policy. Our Investor Network currently includes over 220 institutional investors that collectively manage over $46 trillion in assets. Our Company Network includes more than 50 of the largest global companies and banks with whom we work on an in-depth basis on climate strategy and disclosure, among other issues.

The Ceres Accelerator works to transform the practices and policies that govern capital markets in order to reduce the worst financial impacts of the climate crisis. It spurs capital market influencers to act on climate-related financial risk as a systemic risk, driving the large-scale behavior and systems change needed to achieve a just and sustainable future and a low carbon emissions economy. The comments provided herein represent only the opinions of Ceres, and do not necessarily infer endorsement by each member of our Investor, Company, or Policy networks.

Below, we provide our comments to the Consultation on Disclosure of Climate-Related Financial Risks. We appreciate and support the Committee's efforts to incorporate climate-related financial risk into the Pillar 3 disclosures framework.

I. INTRODUCTION

Ceres has made extensive efforts to improve climate-related financial risk (CRFR) supervision, management, and disclosure. This includes engagements with and comments to U.S. banking and securities regulators, as well as the BIS and other international organizations and governments. From 2003 to the present, Ceres has engaged with the U.S. Securities and Exchange Commission

(SEC) through formal submissions, petitions, and research reports, as well as collaboration with Ceres Investor Network members.

From 2003 to 2007, Ceres' work on climate risk disclosure in SEC filings was focused on understanding investors' use of climate risk information and their need for better disclosure; educating investors about those risks; advocating with the SEC for better enforcement of existing SEC rules; and advocating for aligned global standards for climate risk disclosure. Ceres was instrumental in garnering support from investors, asset managers, and state treasures, comptrollers, and controllers for the inception and release of the SEC's 2010 Guidance Regarding Disclosure Related to Climate Change. Ceres continued its advocacy over the next decade, which included Congressional testimony, research reports, and analysis of investor expectations.

From 2021 to present, Ceres has been a strong voice in support of the SEC's now finalized rules for the Enhancement and Standardization of Climate-Related Disclosures for Investors to strengthen climate-related disclosures for U.S. registered companies, including many large financial institutions. This included a public briefing in April 2022 on the proposed rule with Chair Gensler. Ceres responded to the SEC's public comment process and sent additional submissions including a compilation of articles demonstrating that businesses are already disclosing Scope 3 emissions, data on business support for a climate disclosure rule, investor use case studies, issuers' support for Scope 1 and Scope 2 disclosure, and evidence of increased disclosures of emissions data and TCFD-aligned information. Steven Rothstein, Managing Director of the Ceres Accelerator, also testified before the U.S. Senate Climate Change Task Force about the importance of such a rule in 2022. Last week, we welcomed the landmark SEC rule on corporate climate disclosure published on March 6, 2024.

II. RESPONSE TO REQUEST FOR COMMENT

A. General

1. *Question 1: 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 market discipline? What other benefits have been identified?*

Implementing a Pillar 3 disclosure framework for CRFR aligns with the broader objectives and principles of Pillar 3:

- **Principle 1**: Clear disclosure of CRFR ensures that information is presented in a transparent manner, which will help stakeholders understand the exposures and vulnerabilities banks face to make informed decisions.[1]

- **Principle 2**: A comprehensive disclosure framework for CRFR ensures that all relevant aspects of a bank's exposure and risk management strategies are covered, including key inputs and assumptions, providing stakeholders a holistic view of the bank's CRFR and allowing a more accurate assessment of its resilience and preparedness.

- **Principle 3**: Disclosure of a bank's CRFR is meaningful for stakeholders, providing them decision-useful information and insights to help assess the impact of those risks on a bank's financial position, and allowing them to make informed decisions on the potential risks and opportunities CRFR presents.

- **Principle 4**: Consistency in CRFR disclosures over time ensures that users can track changes and developments in a bank's approach to those risks. Trend analysis helps stakeholders understand how risk profiles evolve in response to changing climate and market dynamics and regulatory developments, and may help reduce the likelihood of sudden market disruptions due to the impacts of unforeseen climate-related events.

- **Principle 5**: Standardized and comparable CRFR disclosures across banks facilitate benchmarking and comparisons, allowing stakeholders to assess how different banks are exposed to and managing those risks, which enables informed decision making and reduces uncertainty while increasing accountability throughout the market. Establishment of an international standardized disclosure framework also promotes uniformity across jurisdictions, supporting and reducing compliance and knowledge burdens for financial institutions, their regulators, and all other stakeholders.

Further, a Pillar 3 framework for CRFR will incentivize banks to improve their risk management practices by explicitly addressing and disclosing those risks. This will support more robust risk identification, assessment, and mitigation strategies. Encouraging banks to disclose their CRFR

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[1] *See, e.g.*, 2021 GLOBAL INVESTOR STATEMENT TO GOVERNMENTS ON THE CLIMATE CRISIS, THE INVESTOR AGENDA (Sept.14, 2021), https://theinvestoragenda.org/focus-areas/policy-advocacy-2021-gis/ (statement "signed by 733 investors representing over USD $52 trillion in assets" calling on governments to "[c]ommit to implementing mandatory climate risk disclosure requirements aligned [TCFD] recommendations, ensuring comprehensive disclosures that are consistent, comparable, and decision-useful"); Chris Flood, *Heavyweight Investors Demand More Disclosure of Environmental Risks*, FINANCIAL TIMES (June 21, 2021), https://www.ft.com/content/7d23ef7f-33ba-4466-b2f1-2a5dfeba1e33 (describing how "168 asset managers and financial institutions from 28 countries, which together represent more than $17tn in combined assets" are "demanding that 1,320 companies should make clearer disclosures about environmental risks").

also promotes long-term resilience. Considering the evolving nature of CRFR, this is important for both the stability of individual financial institutions and the overall financial system.[2]

2. *Question 2: What are the risks of a Pillar 3 disclosure framework for climate-related financial risks not being introduced?*

Currently, without a Pillar 3 framework for CRFR, there is limited transparency regarding how financial institutions are exposed to or managing their financial risks and a lack of consistency and comparability in how those that do provide this information publicly disclose it. This results in inadequate risk assessments and an incomplete understanding of the potential financial impacts of CRFR on both individual institutions as well as the broader financial system, hindering effective risk management practices and supervision.

Likewise, financial assets may not be priced correctly, which may lead to misallocation of capital or market volatility. The lack of a standardized framework also makes it more difficult for investors, regulators, and other stakeholders to hold financial institutions accountable for managing their CRFR, due to the absence of incentives to proactively and accurately manage and disclose those risks.

3. *Question 3: 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?*

A Pillar 3 framework for CRFR would help market participants understand bank exposure and management by significantly improving the quality of data for investors, regulators, and other stakeholders. Research shows that bank exposure to climate-related risks like storms, flooding, wildfires, and labor productivity loss will increase bank VaR, even with an orderly transition and adaptation measures. Market participants use CRFR information such as GHG emissions data, fossil fuel reserves, and geolocation data to evaluate potential risks to a company's assets or exposure to policy and technological changes.

A standardized framework – particularly one that is consistent with other international standards – will provide better access to comparable information, while decreasing underreporting, misreporting, and misleading information. It would also help ameliorate the uncertainty and expense of using risk models that are based on incomplete or unverified data, allowing stakeholders to measure and address material risks across sectors.

[2] In the U.S., over 80% of the insurance market responded to the National Association of Insurance Commissioners' (NAIC) 2022 Climate Risk Disclosure Survey, which has considerable overlap with the TCFD framework. The NAIC notes that alignment with the TCFD framework provides a baseline supervisory tool to assess how CRFR impacts the insurance sector, while creating a consistent approach that reduces redundancy in reporting and promotes strategic management as well as collaboration among regulators and interested parties.

4. *Question 5: Would there be any unintended consequences of a Pillar 3 framework for climate-related financial risks? If so, how could these be overcome?*

A Pillar 3 CRFR framework should align as closely as possible to other international disclosure standards to ensure comparability and consistency as well as limiting compliance costs. As noted by the Committee, this most prominently includes the International Financial Reporting Standards Foundation's (IFRS) International Sustainability Standards Board (ISSB) standards. The European Banking Authority (EBA) likewise published Implementing Technical Standards (ITS) on Pillar 3 Disclosures on ESG and a Report on the Role of Environmental and Social Risks in the Prudential Framework which discuss the importance of a common, standardized framework.

Any Pillar 3 CRFR framework should also take proactive steps to prevent greenwashing through verification processes and audits to ensure that disclosed information and data are accurate and aligns with actual practices. Such a framework should also acknowledge and address the potential unintended consequences of mitigation strategies, such as divestment from certain geographies or communities, and require disclosure of those potential direct or indirect consequences. Ceres' latest report on ESG assurance found that the current model of assurance that is standard for financial reporting can be applied to climate data so that markets can operate on quality decision-useful information. Thus, we encourage the framework to consider including requirements or guidance on data assurance. If these steps are not taken, and if reasonable assurance does not ensure disclosures are high quality as addressed below, such disclosures might create a false sense of security.

5. *Question 6: What are your views on potentially extending a Pillar 3 framework for climate-related financial risks to the trading book?*

A Pillar 3 framework for CRFR should cover risks to the trading book, as the values of financial instruments are particularly sensitive to market dynamics and may be impacted by both physical and transition risk. CRFR is also a risk driver within traditional risk categories. For example, sudden changes in weather patterns or regulatory shifts can impact commodity prices or the valuation of carbon-intensive assets, or industries highly exposed to CRFR may face credit downgrades, impacting the value of associated securities.

Including the trading book in a CRFR Pillar 3 framework would provide a more holistic assessment of a bank's exposure to CRFR, and encourage banks to develop and implement effective strategies for mitigating these risks in their trading activities. Applying a consistent framework for both the banking and trading books would also facilitate easier comparisons within and across financial institutions, helping stakeholders assess overall risk profiles. Some banks have already begun incorporating the trading book into their climate scenario analysis.

6. *Question 10: Would the qualitative and quantitative requirements under consideration need to be assured in order to be meaningful? If so, what challenges are foreseen?*

Third party assurance is necessary to ensure the quality and reliability of disclosed CRFR data. At a minimum, GHG emissions/financed emissions, characterization of capital expenditures, and sustainability information should be assured at the reasonable assurance level. Assurance should be part of financial statement audits and reporting, or conducted in a manner that considers those audits, as CRFR can have a material impact on a bank's financial results and position. Many companies already obtain some level of assurance for climate-related disclosures, on average spending $82,000 annually, according a survey of 39 corporations representing a combined market capitalization of at least $3.8 trillion. Banks can also document assumptions, methodologies, and scenarios to enhance transparency, which assurers can assess for reasonableness.

We recognize that development of assurance standards may lag behind the finalization of this Pillar 3 CRFR framework and are not yet as specific as they need to be for decision making purposes. However, clearly defined industry standards and guidance currently exist that can be used by third-party assures for this purpose, and the IAASB is already moving forward with a new standard. Ceres' latest report on ESG assurance also found that the standard model of assurance for financial reporting can be applied to climate data so that markets can operate on quality decision-useful information.

B. Qualitative Disclosure Requirements

1. *Question 11: What are the benefits of the proposed qualitative Pillar 3 climate-related financial risk disclosure requirements?*

The qualitative disclosures proposed will help provide a more comprehensive and nuanced understanding of how banks manage and navigate CRFR by giving stakeholders insight into bank strategies, risk management practices, and resilience. Qualitative disclosures will encourage banks to integrate CRFR into their broader risk management frameworks, which will facilitate a better understanding of how these risks impact other financial and operational risks and align with their overall business strategy. Information regarding the governance structures in place for managing CRFR – such as roles, responsibilities, and oversight mechanisms collected under Table CRFRA – also contributes to a better understanding of whether a bank's board and senior management is adequately prepared to manage CRFR, and whether there are adequate internal controls in place to appropriately report and raise these risks with management. Further, we support requiring banks to disclose their transition plans in this narrative section, as they are a vital part of CRFR management.

2. *Question 14: What additional qualitative Pillar 3 climate-related financial risk disclosure requirements should the Committee consider?*

Table CRFRB could include additional forward-looking information about a bank's plans and strategies for managing their CRFR, including how the bank is preparing for future challenges and opportunities. Many financial institutions have identified specific tools and/or strategies in at least some detail in their general reporting, discussing how they integrate climate into existing risk types and systems rather than treat it as a separate risk. When banks are unable to quantify risks, they have described the risks in qualitative terms, which we would consider a minimum threshold for climate risk management.

Ceres has compiled questions, based on the CAMELS rating system, that regulators and banks should ask to assess a bank's ability to manage its CRFR. We also recommend including further questions in the transition risk section to address the potential legal, technological, and market risks a bank has identified as a result of its exposure CRFR, including the assets and portfolios that may be impacted, and what methodology the bank used to make those determinations.

Additionally, Table CRFRA's instructions on transition plans should require banks to describe in detail how they plan to decarbonize their business activities and achieve net zero emissions by no later than 2050. If this information is not incorporated into Table CRFRA, it should otherwise be captured in Table CRFRB when describing how a bank is responding to physical, transition, and concentration risk. These plans should provide practical, actionable steps for banks to create an effective net zero transition, including assessment of assets that may be exposed to climate transition risk, internal valuation tools, and disclosure of risk assessments that identify climate-relevant sectors and the percentage of at-risk assets in these sectors.

Large banks should also set detailed interim decarbonization goals (for example, 2030 or 2040 Paris-aligned goals) and provide a timeline with regular updates towards achieving them. All interim goals and 2050 net zero commitments should incorporate the latest science, use credible climate scenarios, and disclose interim decarbonization progress and challenges on a sector-by-sector basis. Banks should engage clients on their own climate strategies by, for example, requiring clients to provide data in key climate-related areas, such as energy technology and emissions profiles; aggregating those data using methods such as carbon accounting; and building climate risk into day-to-day decision-making tools, such as client earnings models. Several useful models already exist through the Net-Zero Banking Alliance, whose membership collectively represents 40% of global banking assets. Guidance for this section should provide standards for financial institutions to ascertain data on their GHG emissions to guarantee that disclosures among institutions are consistent, comparable, and reliable.

C. Quantitative Disclosure Requirements

1. *Question 17: What are the benefits of the proposed quantitative Pillar 3 climate-related financial risk disclosure requirements?*

Quantitative disclosures provide specific and measurable information about a bank's exposure to CRFR. While numerous measurement systems exist today to track and report climate-related financial information, because they are voluntary, many companies either do not utilize them or modify them in ways that reduce clarity and comparability. Templates CRFR1 and CRFR2 provide standardized metrics that enable comparability across banks and jurisdictions over four short- and long-time horizons. These disclosures can help assess the materiality of climate-related financial risks and their potential impacts on a bank's valuation, as well as the impact on the broader financial landscape when looking at disclosures across the industry. CRFR1 in particular addresses GHG financed emissions, which are critical to understanding the quality and viability of a bank's earnings in the face of both physical and transition risk. The Committee should ensure that the final quantitative tables align with their 2022 Principles for the Effective Management and Supervision of Climate-Related Financial Risks.

2. *Question 19: 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 challenges that banks face in assessing CRFR illustrate the importance of these disclosures, particularly for GHG emissions disclosures. Disclosure at the firm level is a precondition for banks to be able to conduct a CRFR assessment of their portfolio. To build climate-resilient portfolios, banks need to be able to compare firms based on their climate and sustainability risk profiles. However, the lack of comparable and consolidated information can complicate this step.

Based on our interactions with U.S. banks, it is clear that the uses and challenges banks face regarding climate risk management varies greatly by size. Many of the largest banks currently use some form of climate-risk scenario analysis and/or climate-risk stress testing to evaluate the transition and physical risks associated with their lending portfolios. The main challenges they face in advancing their quantitative measurements and climate scenario analysis programs are technical in nature:

- Even with considerable client engagement, they face difficulty in obtaining borrower-specific climate data (for example, GHG emissions).

- In general, larger, publicly-listed borrowers are more likely to provide banks with climate data, whereas small to mid-size and privately-owned borrowers are less willing or able to generate this information.

- In some cases, large banks are unsure of which climate scenarios are most relevant for their business model or the most relevant scenarios do not provide sufficient detail in some areas critical to financial institutions.

In contrast, the use of quantitative measurement and/or CRFR scenario analysis for regional and community banks can be characterized as being in its infancy. Moreover, the main challenges they face in advancing these programs are both technical and operational in nature:

- Some regional and community banks do not yet consider climate to be a material risk factor, and so are not engaging their borrowers in obtaining climate-relevant data.
- When client engagement does occur, borrowers are unable or unwilling to provide climate data (for example, GHG emissions).
- In some cases, regional and community banks are unsure of which climate scenarios are most relevant for their business model.
- Often, banks wait for regulatory guidance before investing resources in the design of climate-risk scenario analysis and/or climate-risk stress capabilities.

3. *Question 20: What additional quantitative Pillar 3 climate-related financial risk disclosure requirements should the Committee consider?*

The Committee should consider incorporating additional requirements related to the exposure of assets, sectors, and portfolios to both physical and transition risk – separate from emissions data – similar to the data requested in CRFRA and CRFR2. Data gathered from climate-related scenario analysis exercises provide valuable insights into potential vulnerabilities, how CRFR may impact financial performance, and whether additional steps are required to manage those risks.

It is also important for banks to describe what data was used in the assessment to allow comparability across sectors, and an explanation of why information was determined material or not. Information banks should consider in making materiality assessment include context-specific metrics such as asset locations, local laws, and geographical information. Determination of whether such CRFR are material should mirror those determinations made in other risks assessments by a given financial institution.

4. *Question 24: Would exposures and financed emissions by sector be a useful metric for assessing banks' exposure to transition risk?*

Exposures and financed emissions – as well as facilitated emissions – by sector is a useful metric for assessing bank exposure to transition risk as certain sectors – such as agricultural, energy, and retail – generally have higher exposure to CRFR. Different sectors also have unique transition (including legal and reputational) and physical risks, particularly where sectors are geographically concentrated or comprise assets (including trading book assets and derivatives) that may become so illiquid that they are effectively “stranded.” We therefore support the requirement of disclosures for the 18 TCFD sectors, and further recommend a requirement to provide quantitative information on materiality assessments for additional exposed sectors in addition to qualitative information and included forecasts for all sectors included.

Care should also be taken as to how sectors are grouped and broken down into smaller buckets. For example, if a bank weighted its exposure to the utility sector heavily toward renewables and its exposure to the auto sector toward electric vehicles, some transition risk could be offset by the de-risking of green investments that would occur in a rapid transition scenario.

Ceres analysis also shows the extent to which a bank’s vulnerability to transition risk is extremely sensitive to the choice of clients in climate-relevant sectors. The availability of “investable opportunities” is an important factor in how easy it is to mitigate risk through sustainable finance. The current structure of the economy will mean that most banks, particularly the largest ones, will have a “long” exposure to the business-as-usual case and a “short” exposure to the transition scenario. However, proactive banks may be able to capture enough sustainable opportunities to adjust this balance in a way that manages their overall transition risk. But it is important to first understand those exposures in order to understand whether mitigation efforts are meaningful.

Additionally, the way Tables CRFR1, 4, and 5 define required disclosures for exposures, it appears it will exclude many exposure types including banks and securities firms. The final tables should not include exclusions for the financial sector or trading book. Likewise, none of the five quantitative tables appear to include Scopes 1 or 2 for the reporting institution itself; the final guidance should include this information in a table, potentially as part of operational risk in one of the qualitative tables.

Similarly, Table CRFR2 should not exclude any real estate, financial sector, or trading book exposures, and real estate exposure types should be included as separate line items. Whether a bank’s national supervisor has identified a location as a subject to physical risk should not be the only factor in determining whether to include a geographic area. Banks should disclose information according to their own risk assessments as well as for areas identified by supervisors, as supervisors may not always have the most granular or current information. For Table CRFR3, the Committee should clarify standards for the energy efficiency buckets to ensure comparability and differentiate by jurisdiction – national as well as local – to increase the usefulness of the information. Similar to the other tables, CRFR3 excludes real estate that does not meet the BCBS definition of a regulatory real estate exposure under CRE20.77-78, which may limit the scope and usefulness of the disclosed information.

5. *Question 29: Would it be useful to require disclosure of the specific methodology (such as Partnership for Carbon Accounting Financials (PCAF)) used in calculating financed emissions?*

Requiring disclosure of the methodology used in calculating financed emissions is particularly important, as it enhances the consistency and comparability of the measurements and reported data. It would also provide a clearer understanding of how financial institutions assess and report this information, making it easier for external parties such as assurance providers to verify the accuracy and reliability of the reported financed emissions data.

6. *Question 35: What challenges would exist for preparers or users of these disclosures? How could these be overcome?*

There are several general challenges that can exist for both preparers and users of these disclosures. For preparers, issues relating to materiality can arise, including whether the materiality of an assessed item should be presented in a qualitative or quantitative format. However, as the BIS proposal indicates, having a set of standardized, decision-useful requirements will help the preparer overcome these potential challenges. For users, central issues can include location and timing and data challenges. To remedy these challenges, it is important to improve connectivity between the financial statements and information in sustainability-related disclosures and to ensure data is readily available, reliable, and that time lags do not impact the scope and extent of scenario analysis. These are general challenges that can arise for climate disclosures, but if these potential problems are taken into consideration, they can be avoided. Given the outline of the proposal, it is evident that BIS is taking these potential challenges into account and will avoid them to prevent creating more work for users of these disclosures.

There is also a risk of greenwashing for users of climate disclosures. Greenwashing refers to misleading claims about the extent to which a financial product or service is truly climate-friendly or environmentally sustainable. Standardized disclosures help prevent greenwashing by ensuring that credible data underlies sustainability claims.

7. *Question 36: What additional bank-specific disclosure requirements in respect of banks' exposure to climate-related financial risks should the Committee consider?*

The current suggested bank-specific disclosure requirements are holistic and cover critical climate-related financial risks. We do not think additional categories are needed at this time.

8. *Question 37: 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?*

If banks are already using forecast information in their own systems, including it in their climate-related financial risk disclosures should be both simple for the preparer, and beneficial for the user. Forecasts should be required even where an institution does not have a transition plan. However, the Committee should provide more prescriptive standards to ensure comparability and consistency, including by establishing common references years in Tables CRFR1 and 4.

9. *Question 38: Would the proposed forecast information be a useful metric for assessing banks' exposure to climate-related financial risks?*

The proposed forecast information would be a useful metric for assessing banks' exposure to climate-related financial risks, as well as in developing "what-if" scenario analysis assessments. As noted in Ceres' report Measuring and Addressing Climate Risk for Banks, a backward-looking approach does not capture all the risk factors. A forward-looking approach helps a bank make the most informed decisions related to their climate risk. The insurance industry likewise uses climate forecasting to make informed underwriting decisions as physical impacts continue to exacerbate climate risks.

Additionally, the Central Banks and Supervisors Network for Greening the Financial System (NGFS), the TCFD, and the World Business Council for Sustainable Development (WBCSD) have guidance that can help banks understand what kind of forecasting tools and scenario analysis models exist. A paper presented at a board meeting of the International Sustainability Standards Board (ISSB) and KPMG may provide further context for institutions just beginning to assess their CRFR.

10. *Question 39: What type of forecasts would be most useful for assessing banks' exposure to climate-related financial risks?*

As noted in Ceres' report, Measuring and Addressing Climate Risks for Banks, banks create forecasts using an earnings model through the major services banks provide to their clients. To ensure banks fully integrate climate-related financial risk into decision making, climate must be factored in to understand firm-level climate risk. This is aligned with the proposal, which proposes typical bank considerations and introduces how climate might impact each consideration.

11. *Question 45: In relation to the disclosure of exposures subject to physical risk, would it be meaningful for assessing banks' climate-related concentration risk if these exposures were divided into six or seven broadly defined hazards, eg heat stress, floods, droughts, storms, wildfires etc?*

Dividing exposures into broadly defined hazards could be a useful way to categorize different types of exposures to physical risk in order to assess a banks' concentration risk. However, we recommend creating space in this proposed section for qualitative information, which could be useful to capture all the physical risks the bank may consider.

12. *Question 46: What additional bank-specific disclosure elements on climate-related concentration risk should the Committee consider?*

Banks should also consider which of their climate-related risks are acute or chronic. The Task Force on Climate-Related Financial Disclosures (TCFD) defines acute physical risks as changes in the frequency and magnitude of extreme weather events and chronic physical risks as shifts in climate patterns: mean temperature, precipitation, and sea level. As outlined in Ceres' report, The Consequences of Physical Climate Risk for Banks, "every bank must take into account physical climate risks across their business, understand the impact of specific climate hazards on financial exposures and vulnerabilities, and work to mitigate the risk." To fully understand the climate-related risks that might impact a bank, thinking about CRFR holistically through both an acute and chronic lens will help banks make informed decisions about their exposure areas.

D. Quantitative Disclosure Requirements Subject to Jurisdictional Discretion

1. *Question 49: What are the benefits of the proposed quantitative Pillar 3 climate-related financial risk disclosure requirements subject to jurisdictional discretion?*

While energy efficiency level is not the only important measure of whether a mortgage portfolio is exposed to CRFR, studies show energy standards reduce risk to mortgage providers by lowering monthly costs to borrowers, thus reducing risk of default. At the same time, higher energy efficiency standards could increase costs and create barriers to borrowing. Banks should thus be required to consider and disclose potential adverse impacts on financially vulnerable communities when implementing energy efficiency improvement policies.

For disclosure of facilitated emissions, we recognize both the current difficultly in measuring and the importance of accounting for these emissions. While not all off-balance sheet activities will expose the bank directly to CRFR, some – such as underwriting an issuance or letters of credit that may require provision of future funding – may, and should thus be measured and disclosed using the best current methodologies.

Making the disclosure requirements in CRFR3, 4, and 5 subject to jurisdictional discretion would work where there is equivalence or the requirements are substantially similar to those adopted by the Committee. Pillar 3 requirements for CRFR should be mandatory to maximize consistency and comparability of disclosure across jurisdictions. If certain standards are inapplicable to a jurisdiction, the Committee can exclude those for RCPA purposes rather than leaving implementation entirely to national supervisor discretion.

E. Liquidity Risk

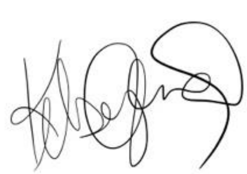
1. *Question 54: What are your views on the Committee exploring disclosure requirements for the impacts of climate-related financial risks on deposits/funding and liabilities?*

Disclosures should cover all risks, including liquidity and operational risks. In its Principles, the Committee describes how CRFR may materialize through traditional risk categories, including liquidity and operational risk. This could include drawdowns on credit lines, accelerated deposit withdrawals, decreased value of assets comprising liquidity buffers, or inability to continue serving customers during or after climate events. The Principles state that banks should consider these impacts in their liquidity and operational risk assessments, as well as their impact on other CRFR drivers such as strategic, reputational, regulatory, and liability. Because these risks also vary by sector and geography – for example, energy and agriculture, and coastal and riparian may have higher CRFR – disclosures should be bucketed similarly to the consultation's quantitative classifications. However, banks should be required to consider and disclose potential adverse impacts on financially vulnerable communities, such as disinvestment, when managing risk in geographies with higher CRFR.

III. CONCLUSION

We thank BCBS for their work on this consultative document for the disclosure of climate-related financial risks. We would be pleased to discuss any questions you may have on our feedback. In addition to the undersigned, you may also contact Kelsey Condon (kcondon@ceres.org) or Ava Gulino (agulino@ceres.org) at your convenience.

Sincerely,



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