Dear Basel Committee on Banking Supervision,

Thank you for taking steps towards a more sustainable and long-term focus on banking. I read the document thoroughly and wanted to offer the following points of feedback. Although they are my personal observations, I offer them in hopes of improving the long-term outlook for us all.

**Response to Q1**, aspects that would benefit from additional guidance from the Committee:

Firstly, the report is a bit vague on what exactly constitutes of a "climate-related financial risk". Although the nature of these risks is bound to evolve over time, having a definition and some concrete examples would make the principles much easier to understand. Without a clear shared understanding of what "climate-related financial risks" mean, something like "qualitative or quantitative metrics or indicators to assess, monitor, and report climate-related financial risks" seems hopeless to standardize.

Another problem that I didn't notice being addressed is that climate risks tend to carry global costs but there is little individual payoff for mitigation effort. In the context of banking, especially the free rider problem seems troublesome. I felt the principles don't really address how individual companies should mitigate their own impact on climate risks, only to be aware of them.

My expectation is that banks should drive their economies towards investments that are sustainable in the long term, especially in the energy sector. Although the principles may guide some banks towards sustainability, the current situation is that many non-sustainable investments are also profitable. I am not confident that simply managing climate-related financial risks would cause banks to actually prioritize sustainable investments over the medium to long term.

A related issue is that as capital flows away from non-sustainable investments, those investments will become more lucrative. As long as even a single bank is willing to fund environmentally questionable actions, the core problems will remain unsolved. Thus the effective management of climate-related financial risk should also include active participation in climate-related treaties and agreements. Banks should be encouraged to collaborate on incentivizing the reduction of Scope 3 emissions (including negative impact of investments).

**Response to Q2**, comments on individual principles:

I would have wanted more commentary on Principle 11. It would be especially valuable to expand on the meaning of "liability costs associated with climate-sensitive investments and businesses"; what kind of costs are these and which types of investments should be considered climate-sensitive. Paragraph 41 was exemplary, and I would have wanted something similar for Principle 11 as well.

Paragraph 47 mentions that "supervisors should assess the effectiveness of board and senior management oversight", but it's unclear what should happen if the effectiveness is deemed inadequate. It's also unclear how to validate that the supervisors themselves are acting in the best interests of common good.

Principles 13-18 discuss the nature of supervision. However, it was unclear how the reporting of banks' management of climate-related financial risk should happen or be monitored. In my opinion, banks should transparently report about their handling of these risks, and supervisors should be able to require necessary improvements for inadequate reports or efforts. As long as banks are operating in good faith, better visibility and the ability to whistleblow is beneficial for both them and common good.

**Response to Q3**, aspects to consider:

To be honest, I did not fully understand the question; the wording seemed unclear. My interpretation is that the Committee is asking for thoughts on "how environmental risks would affect banks that would be operating under these principles".

My honest answer is that things may not be that different from the banks' perspective. Although banks would be more aware of possible risks, these risks are unlikely to materialize in the short to medium term. My assumption is that guidance and a framework for building incentives towards common good would be required. Otherwise non-sustainable investments and "business as usual" is likely to continue for the foreseeable future.

My impression is that banks will require more than simply being aware and monitoring this risk vector. Although these principles seem like a good starting point, they don't seem sufficient to truly encourage re-evaluating the strategy and nature of banks' investments and operations.

Despite the critical feedback, I would like to applaud tackling a challenge of this magnitude in a transparent manner. I imagine it must be especially challenging when offering guidance for many institutions of different scales and domains. I wish the best of luck with the improvement and incorporation of these principles, and will be keeping an eye on your progress.

With kind regards,
Esa Koskinen