Ping An Bank's Recommendations on the Consultative Document Disclosure of Climate-related Financial Risk, Basel Committee on Banking Supervision

Basel Committee on Banking Supervision:

Following the release and public solicitation of opinions on the *Basel Committee on Banking Supervision Consultative Document Disclosure of Climate-related Financial Risks* (hereinafter referred to as the *Consultative Document*), Ping An Bank attaches great importance to it. We have organized studies and openly solicited opinions across the entire bank. The following report outlines Ping An Bank's recommendations regarding the Consultative Document.

1. Under section 3.2 quantitative disclosure requirements

1.1 Regarding the scope of financing business varieties related to financing emissions disclosure

Recommendation:

Distinguish financing business varieties and provide a transitional period for the disclosure of financing emissions for liquidity loans.

Related to Template CRFR1: Transition risk – exposures and financed emissions by sector, and Template CRFR4: Transition risk – emission intensity per physical output and by sector.

Reason:

Currently, it is so difficult to obtain financing emissions data (such as corporate carbon emissions data) .

While it is feasible to obtain financing emissions data for fixed asset loans (referred to as "FA loans") due to the completeness of project information and third-party assessment materials.The challenges associated with liquidity loans, including the large number of transactions, insufficient means and capabilities of financial institutions to calculate financing emissions data, and limited cooperation from enterprises, make it difficult for financial institutions to obtain financing emissions data for liquidity loans. It is recommended to provide a disclosure transitional period and incorporate liquidity loans into the scope of "financing emissions" disclosure when conditions are mature.

1.2 Regarding the statistical classification of physical risk exposure by geographic region

Recommendation: Differentiate the classification by categorizing projects in the same geographic region based on whether physical risk mitigation measures have been adopted.

Related to template CRFR2: Physical risk exposure influenced by physical risks.

Reason:

The adoption or non-adoption of physical risk mitigation measures has a significant impact on the risk assessment of projects within the same geographic region. Classifying projects in this way helps reveal the true financing climate-related physical risk of projects in the same geographic region, encourages financial institutions to manage climate-related physical risks by adopting mitigation measures, allowing them to prudently support the financing needs of projects in regions with climate-related physical risks, and prevents the economic development stagnation risk greater than climate-related physical risks that may result from an “one-size-fits-all” approach of withdrawal or significant reduction in financing for projects with climate-related physical risks.

2. Under section 3.3 bank-specific metrics for quantitative climate disclosures

Regarding the credit asset quality indicators used for disclosure:

Recommendations:

2.1 It is recommended to attribute and differentiate the non-performing risk exposure indicator, listing non-performing risk exposure caused by climate-related financial risks.

2.2 The Basel Committee should formulate *Climate Risk Stress Testing Work Standards* and based on these standards, increase the disclosure of the Non-performing risk exposure under climate risk stress testing indicator.

Related to template CRFR1: Transition risk – exposures and financed emissions by sector, and template CRFR2: Physical risk – exposures subject to physical risks.

Reason:

Non-performing risk exposure reflects the adverse credit asset quality resulting from various risk factors. If not differentiated, it cannot accurately reflect and specify the impact of climate-related financial risks on the credit asset quality and the exposure of non-performing risks.

Additionally, the results of non-performing risk exposure under climate risk stress testing obtained according to certain standards can objectively forecast and reveal the future impact of climate-related financial risks on credit asset quality. Therefore, it is recommended to increase the disclosure of this indicator. To ensure the comparability and credibility of the disclosed information, it should be consistent with the climate risk stress testing work standards formulated by authoritative bodies such as the Basel Committee.

3. Under Section 3.4 forecast

Regarding the forward-looking prediction of climate-related financial risks:

Recommendation:

In the absence of predictive information, it is advisable to assess alternative information such as the historical data and climate risk stress testing results to predict financial institutions' prospective risk exposure to climate-related financial risks (answer to Q41).

Reason:

3.1 Evaluating historical data on climate-related physical financial risks can assist in predicting the prospective risk exposure to climate-related physical financial risks. Similarly, assessing historical data on financial risks associated with climate transition in regions that have already undergone low-carbon transformation can aid in predicting the prospective risk exposure to financial risks associated with climate transition in regions currently undergoing (or about to undergo) low-carbon transformation.

3.2 A comprehensive assessment combining historical data and climate risk stress testing results information can assist in predicting the forward-looking risk exposure to climate-related financial risks.

This report is hereby submitted.

Ping An Bank Co., Ltd.

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