

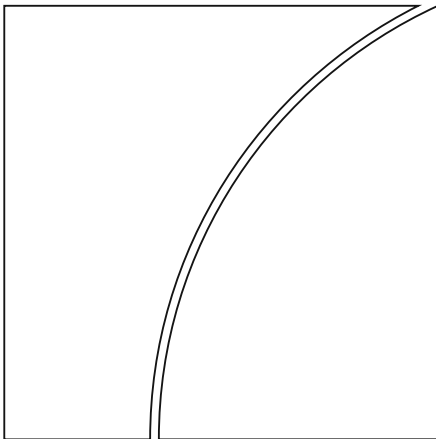
Basel Committee on Banking Supervision

Consultative document

Disclosure of climate- related financial risks

Issued for comment by 14 March 2024

29 November 2023



This publication is available on the BIS website (www.bis.org).

© *Bank for International Settlements 2023. All rights reserved. Brief excerpts may be reproduced or translated provided the source is stated.*

ISBN 978-92-9259-700-9 (online)

Contents

- 1. Introduction..... 1
- 2. Rationale for a potential Pillar 3 disclosure framework on climate-related financial risks..... 2
- 3. Disclosure of climate-related financial risks..... 3
 - 3.1 Qualitative disclosure requirements..... 3
 - Governance 3
 - Strategy..... 3
 - Risk management 4
 - Concentration risk 4
 - 3.2 Quantitative disclosure requirements..... 4
 - Exposure by sector 5
 - Financed emissions 5
 - Exposures subject to physical risk by geographical area..... 5
 - 3.3 Bank-specific metrics for quantitative climate disclosures..... 6
 - 3.4 Forecasts..... 6
 - 3.5 Quantitative disclosure requirements subject to jurisdictional discretion..... 7
 - Real estate exposures in the mortgage portfolio by energy efficiency level..... 7
 - Emission intensity per physical output..... 8
 - Facilitated emissions..... 8
 - 3.6 Tables and templates 9
- 4. Effective date 9
- 5. Consultation questions 9
 - 5.1 General..... 9
 - 5.2 Qualitative disclosure requirements..... 10
 - 5.3 Quantitative disclosure requirements..... 10
 - 5.4 Quantitative disclosure requirements subject to jurisdictional discretion..... 12
 - 5.5 Effective date 13
 - 5.6 Liquidity risk..... 13
- 6. Next steps 13
- Annex – Draft Pillar 3 text for climate-related financial risks..... 14
- Illustrative tables..... 15
- Illustrative templates..... ~~2019~~

1. Introduction

The Basel Committee continues to pursue a holistic approach to address climate-related financial risks to the global banking system, which includes work across all three pillars of regulation, supervision and disclosure. In 2021, the Basel Committee published two analytical reports: *Climate-related risk drivers and their transmission channels*¹ and *Climate-related financial risks – measurement methodologies*.² Taken together, the reports concluded that climate risk drivers can be captured in traditional financial risk categories. Building on this analytical work, the Committee is investigating the extent to which climate-related financial risks can be addressed within the existing Basel Framework, identifying potential gaps in the current framework and considering possible measures to address them. The Committee published *Principles for the effective management and supervision of climate-related financial risks* (Principles) in June 2022 to improve banks' risk management practices as well as supervisory practices related to climate-related financial risks.³ In December 2022, the Committee issued *Frequently asked questions on climate-related financial risks* to clarify how climate-related financial risks may be captured in existing Pillar 1 standards.⁴

In terms of the disclosure of climate-related financial risks, the Committee has been closely monitoring the development of global frameworks to improve the consistency, comparability and reliability of climate disclosures. It has also been coordinating with other international bodies and standard setters, including the International Sustainability Standards Board (ISSB), as it explores use of Pillar 3 of the Basel Framework to promote a common disclosure baseline for climate-related financial risks across internationally active banks. Disclosure requirements are a fundamental component of a sound banking system, as providing market participants with meaningful information, such as key risk metrics, reduces information asymmetry and promotes comparability of banks' risk profiles within and across jurisdictions.

As part of this work, the Committee is analysing how a Pillar 3 disclosure framework for climate-related financial risks would further its mandate to strengthen the regulation, supervision and practices of banks worldwide with the purpose of enhancing financial stability, and the potential design of such a framework. It is publishing this consultation paper to seek the views of stakeholders on the outcome of its initial work and its preliminary proposal for bank-specific Pillar 3 disclosure requirements that would complement the ISSB framework and provide a common disclosure baseline for internationally active banks.

The Committee recognises that the accuracy, consistency and quality of climate-related data is still evolving, but at the same time, disclosure requirements will accelerate the availability of such information and facilitate forward-looking risk assessments by banks. For this reason, the Committee aims to incorporate a reasonable level of flexibility into a future framework. In particular, and based on feedback through the consultation process, the Committee will consider which elements would be mandatory and which subject to national discretion. More generally, the Committee notes that the development of a meaningful and robust Pillar 3 framework for climate-related financial risks is likely to be an iterative process. To that end, the Committee will take stock of any Pillar 3 disclosures over time and consider whether any revisions are warranted.

¹ Basel Committee on Banking Supervision, *Climate-related risk drivers and their transmission channels*, April 2021, www.bis.org/bcbs/publ/d517.pdf.

² Basel Committee on Banking Supervision, *Climate-related financial risks – measurement methodologies*, April 2021, www.bis.org/bcbs/publ/d518.pdf.

³ Basel Committee on Banking Supervision, *Principles for the effective management and supervision of climate-related financial risks*, June 2022, www.bis.org/bcbs/publ/d532.pdf.

⁴ Basel Committee on Banking Supervision, *Frequently asked questions on climate-related financial risks*, December 2022, www.bis.org/bcbs/publ/d543.pdf.

This consultation paper summarises the Committee's work to assess the prudential rationale for potential disclosure requirements. For each area under consideration, the Committee has included draft disclosure tables and templates for illustrative purposes and to solicit stakeholder feedback on the meaningfulness and comparability of potential future disclosures.

The responses to this consultation paper will inform the Committee's development of a Pillar 3 disclosure framework for climate-related financial risks. In parallel, the Committee will continue to coordinate with other international bodies and jurisdictional authorities that are developing their approaches to disclosure requirements for climate-related financial risks in order to ensure interoperability of future frameworks.

The Committee is seeking views on all aspects of this consultation paper, including the importance, feasibility and features of a Pillar 3 framework for climate-related financial risks, and prudential metrics that would most effectively support the Committee's mandate.

2. Rationale for a potential Pillar 3 disclosure framework on climate-related financial risks

The Committee's analytical work provided an important foundation in terms of how climate-related risk drivers, including physical risks and transition risks, can arise and affect both banks and the banking system. Banks may be exposed to both physical and transition risks. Transition risks include the societal changes arising from a transition to a low-carbon economy and arise through changes in public sector policies, innovation and changes in the affordability of existing technologies or investor and consumer sentiment towards sustainable consumption and production practices. Physical risks result from acute and/or chronic climatic trends or events, such as rising sea levels, wildfires, storms, floods and droughts.

Physical and transition risks can have wide-ranging impacts across sectors and geographies that result in financial risks to banks via micro- and macroeconomic transmission channels, potentially affecting the safety and soundness of banks and the stability of the broader banking system.

These risks may materialise through the traditional risk categories of credit, market, liquidity, operational and other risks for banks but have distinct risk drivers.⁵ In assessing the impact of the magnitude and timing of climate risk drivers on banks' exposures to climate-related financial risks, little reliance can be placed upon historical events, giving rise to a high level of uncertainty. In addition, climate-related financial risks have unique characteristics relating to the complex interlinkages between transmission channels, longer time horizons, uncertainty and the non-linear nature of climate effects, as well as the feedback loops between physical and transition risks.

Climate-related financial risks impact banks' credit, market, liquidity, operational and other risks based on the physical locations of banks' operations and through the counterparties and other stakeholders with whom they interact or invest in. To the extent that banks transact with counterparties exposed to transition and physical climate-related financial risks, part of these risks will pass on to the bank.

As a result, climate-related financial risks need to be assessed and considered in a forward-looking manner, as they may materialise over a longer time horizon, with currently limited but evolving data to predict future impacts.

⁵ See Basel Committee on Banking Supervision, *Climate-related risk drivers and their transmission channels*, April 2021, www.bis.org/bcbs/publ/d517.pdf.

Pillar 3 disclosures aim to promote market discipline and enable market participants to access key information relating to a bank's regulatory capital and risk exposures in order to increase transparency and confidence about a bank's exposure to risk and the overall adequacy of its regulatory capital.⁶

The existing Pillar 3 framework does not provide distinct or comparable information as to how climate risk drivers could impact a bank or the banking sector. Consequently, the Committee is seeking views on whether the introduction of a Pillar 3 framework would help to promote comparability of banks' risk profiles and enable market participants to access key information relating to a bank's risk exposures in relation to climate-related financial risks.

3. Disclosure of climate-related financial risks

The Committee is exploring both qualitative and quantitative disclosure requirements for climate-related financial risks in the banking book and would welcome feedback on the meaningfulness and feasibility of these proposals. Beyond those outlined below, the Committee would invite feedback on other potential metrics that would enable market participants to assess climate-related financial risks at banks. In order to solicit feedback on how this information may be disclosed in accordance with a future Pillar 3 framework and the feasibility of disclosing specific information, this consultative document includes illustrative tables and templates.

3.1 Qualitative disclosure requirements

Disclosure of qualitative information relating to banks' exposures to climate-related financial risks may help to ensure that bank disclosures are sufficiently comprehensive and meaningful. Such disclosure provides a more forward-looking perspective and reduces the risk of potential unintended consequences of proposed quantitative disclosures being considered in isolation.

The Committee is therefore seeking input on the disclosure of qualitative information by banks regarding their: (i) governance; (ii) strategy; (iii) risk management; and (iv) concentration risk management in relation to climate-related financial risks. For illustrative purposes, these are presented in Table CRFRA.

Governance

Consistent with the governance expectations contained in the Principles, the Committee is considering whether banks should disclose information about their governance structure with specific reference to the oversight of climate-related risks and a description of management's role regarding climate-related risks.⁷

Feedback is welcome on whether this information would assist market participants in understanding a bank's governance processes and organisation to monitor and manage climate-related financial risks and potential impacts on its operations, risk management, profits and costs.

Strategy

The Principles contain expectations in relation to the strategy of a bank. The Committee is therefore exploring whether banks should disclose information regarding their strategy for reducing and/or

⁶ Basel Committee on Banking Supervision, *The Basel Framework*, DIS10.1, www.bis.org/basel_framework/chapter/DIS/10.htm.

⁷ The Principles require banks' board and senior management to assign climate-related responsibilities to members and/or committees, and exercise effective oversight of climate-related financial risks. Further, the board and senior management should identify responsibilities for climate-related risk management throughout the organisational structure.

mitigating climate-related financial risks to which they are exposed, including through the disclosure of forward-looking quantitative metrics comprising forecasts and transition plans.⁸

Feedback is welcome on whether these disclosures would provide market participants with sufficient information to understand and evaluate a bank's business model over the short, medium and longer term in relation to climate-related financial risks.

Risk management

The Principles contain requirements in relation to banks' management of climate-related financial risks.⁹ The Committee is therefore considering whether banks should disclose their risk management organisation, processes and procedures. This could be complemented by information regarding the manner in which they identify, assess and manage climate-related financial risks – including those posed by concentrations – that could impair their financial condition, including capital resources and liquidity positions.

Concentration risk

Concentration risk arises as climate-related physical or transition risk drivers may impact a bank's exposures through micro- and macroeconomic transmission channels, potentially leading to material financial losses, eg droughts affecting all loans to farmers in a specific region.¹⁰ The Principles clarify that climate-related financial risks may include those posed by concentrations, in particular those related to industry, economic sectors and geographical regions.

To enable market participants to assess and compare banks' risk profiles regarding concentration risk, the Committee is considering whether banks should disclose material exposures to transition and physical risks. In addition, the Committee would welcome stakeholders' views on complementing the indicators with the disclosure of contextual and forward-looking information on a bank's strategy and approaches to managing climate-related concentration risk. For illustrative purposes, this proposal is presented in Table CRFRB.

3.2 Quantitative disclosure requirements

In addition to qualitative disclosures, the Committee is exploring potential quantitative requirements for banks. The metrics described below are intended to be indicative of the types of metrics that are under consideration. The Committee welcomes feedback on the meaningfulness and feasibility of these metrics, particularly if disclosed on a mandatory basis, to enable comparability across banks. In addition, views are welcome on other potential metrics that would enable market participants to assess climate-related financial risks at banks.

⁸ The Principles require banks to develop and implement a sound process for understanding and assessing the potential impacts of climate-related risk drivers on their businesses and on the environments in which they operate. Further, banks are required to consider material climate-related financial risks that could materialise over various time horizons and incorporate these risks into their overall business strategies and risk management frameworks.

⁹ Principle 3 requires banks to adopt appropriate policies, procedures and controls that are implemented across the entire organisation to ensure effective management of climate-related financial risks. Further, Principle 6 requires banks to identify, monitor and manage all climate-related financial risks that could materially impair their financial condition, including their capital resources and liquidity positions.

¹⁰ See Basel Committee on Banking Supervision, *Climate-related risk drivers and their transmission channels*, April 2021, www.bis.org/bcbs/publ/d517.htm.

Exposure by sector

The Committee's analytical reports highlighted that the economic and financial impacts of transition risks can vary according to the sector in which an obligor is operating, as certain sectors will have greater sensitivity to the transition to a low-carbon economy driven by changes in government policies, technology and market sentiment. These could impact a bank's profitability – for example, through lower revenue, higher credit losses, and increased operational, legal and regulatory costs – and have implications for its overall risk profile and credit worthiness.

The Committee is therefore considering whether banks should disclose exposures to non-financial corporates according to standardised sectors of economic activity. This would provide greater transparency into a bank's concentration of exposures across sectors and help users make an assessment of the bank's sensitivity to the transition to a low-carbon economy. The Committee is exploring an approach whereby counterparties would be classified by sector according to the Global Industry Classification Standard (GICS) with a six- or eight-digit industry-level code, while immaterial exposures to any sector would be aggregated as part of "other sectors" except for exposures to the 18 sub-sectors as defined by the Task Force on Climate-related Financial Disclosures (TCFD).

For illustrative purposes, this is presented in Template CRFR1: Transition risk – exposures and financed emissions by sector. To facilitate comparability across internationally active banks, the Committee is considering whether a sectoral breakdown of exposures should be undertaken on a mandatory basis.

Financed emissions

Financed emissions commonly refer to the greenhouse gas (GHG) emissions associated, in the case of banks, with loans and investments, and that are part of their Scope 3 emissions. For banks, financed emissions are often the most significant part of their total GHG emissions.

Emissions by obligors could be considered an indicator of their transition risk, particularly when examined alongside appropriate supporting context. Consequently, disclosure of Scope 1, Scope 2 and Scope 3 financed emissions by banks could provide market participants with an indication of banks' exposure to climate-related transition risks and the related impact on their risk profiles. The Committee is considering whether this indicator would assist market participants in assessing whether a bank adequately identifies, manages and monitors risks that may result from its financed emissions, and how it could be calculated.

Template CRFR1 provides illustrative examples of how banks could potentially disclose financed emissions by sector, based on metric tons of carbon dioxide equivalent (MtCO₂e). Views are welcome on the usefulness of this metric for assessing transition risk and whether there are other metrics that would be more useful.

Exposures subject to physical risk by geographical area

The Committee's analytical reports define physical risks as economic costs and financial losses resulting from the increasing severity and frequency of: (i) extreme climate change-related weather events; (ii) longer-term gradual shifts of the climate; and (iii) indirect effects of climate change.

The Committee is considering whether banks should disclose their exposures by geographical region or locations, subject to climate change physical risk, to enable market participants to better understand a bank's risk profile based on the geographical split of exposures.¹¹ For illustrative purposes, this is presented in Template CRFR2: Physical risk – exposures subject to physical risks.

¹¹ As determined by jurisdictions.

As part of its work in this area, the Committee is considering whether allowing jurisdictional supervisors to determine geographical regions or locations subject to physical risk would lead to inconsistent practices and inhibit the comparability of results across banks. Views would therefore be welcome on the appropriate approach to defining geographical region or locations subject to climate change physical risk.

3.3 Bank-specific metrics for quantitative climate disclosures

The Committee is of the view that a future Pillar 3 framework should complement parallel disclosure initiatives under way by other standard-setting bodies and jurisdictional authorities. In accordance with the role of the Basel Committee as the international standard setter for banking regulation and supervision, the Committee is exploring the introduction of bank-specific risk metrics that would enable market participants to better assess the potential impact of climate-related financial risks on the safety and soundness of banks. The Committee would welcome feedback on the meaningfulness of the metrics under consideration as well as other possible metrics that would meet this objective.

The analytical reports noted that climate risk drivers could increase banks' credit risk. The Committee is therefore consulting on whether disclosure of exposures by credit quality, specifically non-performing loans and allowances, could help market participants understand the credit quality of exposures based on their sectoral and geographical location. This is not intended to signal that higher credit risk can be solely attributed to climate risk factors, nor it is intended to influence banks' strategies or decisions to lend to certain sectors.

In addition, the Committee is exploring the prudential value of disclosing the maturity profile of exposures subject to climate-related transition and physical risks over varying time frames, including the longer term where there is potentially greater impact and uncertainty based on sector and geographical location.

The Committee would welcome views regarding whether including information about credit quality and maturity ladder on banks' disclosures of: (i) exposures and financed emissions by sector; and (ii) exposures subject to physical risks would provide meaningful information. For illustrative purposes, these are reflected in CRFR1: Transition risk – exposures and financed emissions by sector and Template CRFR2: Physical risk – exposures subject to physical risks.

3.4 Forecasts

The Principles recommend that supervisors develop an understanding of, and assess the bank's long-term approach to, addressing climate-related financial risks in a forward-looking manner, and that supervisors assess the resilience of banks' business models to any material climate-related financial risks over various time horizons.^{12 13}

The Committee is considering whether banks should disclose forward-looking information, such as forecasts, to allow market participants to assess banks' exposure to the transitioning activities of their counterparties in certain sectors.

¹² DIS10.18 states: "Disclosures should highlight a bank's most significant current and emerging risks and how those risks are managed, including information that is likely to receive market attention. Where meaningful, linkages must be provided to line items on the balance sheet or the income statement. Disclosures that do not add value to users' understanding or do not communicate useful information should be avoided. Furthermore, information which is no longer meaningful or relevant to users should be removed."

¹³ Principle 6 and Principle 13.

The Committee understands that banks are continuously developing their data, systems and forward-looking models related to climate-related financial risks. In this regard, the Committee proposes that disclosure of forward-looking forecasts would not be compulsory and would only be required in instances where banks have established such forecasts.

The Committee is consulting on whether complementing the proposed disclosure of historic information (relating to the period under review), with forecasts for: (i) quantitative disclosure requirements for financed emissions by sector; (ii) qualitative disclosure requirements, specifically in respect of strategy and risk management; (iii) emission intensity per physical output; and (iv) facilitated emissions related to capital markets and financial advisory activities would provide useful information to market participants regarding a bank's climate-related financial risk profile.¹⁴ For illustrative purposes, these are reflected in Template CRFR1: Transition risk – exposures and financed emissions by sector, Template CRFR4: Transition risk – emission intensity per physical output and by sector and Template CRFR5: Transition risk – facilitated emissions related to capital markets and financial advisory activities by sector.

3.5 Quantitative disclosure requirements subject to jurisdictional discretion

Climate-related financial risk analysis is an evolving discipline with globally disparate levels of technical expertise, data and a lack of internationally agreed terms and methodologies necessary to facilitate consistency and comparability of disclosures.

The Committee would welcome feedback on the meaningfulness and feasibility of three additional quantitative metrics that it proposes would be subject to jurisdictional discretion: (i) real estate exposures in the mortgage portfolio by energy efficiency level; (ii) emission intensity per physical output; and (iii) facilitated emissions related to capital markets and financial advisory activities.

Real estate exposures in the mortgage portfolio by energy efficiency level

Bank real estate exposures and collateral in the mortgage portfolio may be subject to transition risk as jurisdictions implement legislation to reduce real estate GHG emissions.

According to the United Nations, real estate properties represent a significant proportion of GHG emissions (close to 20% of global GHG emissions and up to 36% of these emissions in Europe).¹⁵

The Committee is exploring whether disclosure of this metric could provide market participants with information on the energy efficiency level of a portfolio's collateral to assist in assessing, at a high level, the extent to which the value of the underlying collateral may be negatively affected due to high emissions linked to low energy efficiency and if mortgage-backed borrowers may be obliged to invest in their real estate assets to make them less carbon-intensive or more energy efficient, depending on jurisdictional requirements. This in turn may assist market participants in assessing the risk profile and returns of a bank's mortgage-backed real estate portfolio in the context of jurisdictional energy efficiency regulations.

As this metric may not be relevant in all jurisdictions, the Committee proposes that this metric would be subject to jurisdictional discretion. For illustrative purposes, this is presented in Template CRFR3: Transition risk – real estate exposures in the mortgage portfolio by energy efficiency level.

¹⁴ Financed emissions and qualitative disclosure requirements, specifically in respect of strategy and risk management are part of the quantitative disclosure requirements. Meanwhile, emission intensity per physical output metrics and facilitated emissions related to capital markets and financial advisory activities are part of the disclosure requirements subject to jurisdictional discretion.

¹⁵ United Nations Environment Programme Finance Initiative, *Climate risks in the real estate sector*, March 2023.

Emission intensity per physical output

The Committee is exploring whether financed emission intensity metrics per physical output by sector (MtCO₂e per physical output) could be a reasonable proxy for the transition risk that may be transmitted to banks by their counterparties. If so, a higher emission-intensity loan portfolio in sectors that may be exposed to transition risks, *ceteris paribus*, could have a higher climate-related financial risk from changes to, among other things, carbon taxes and other policies, technology, market and investor preferences/exclusions etc, especially if such a high intensity is associated with low business income.

Physical activity emission intensity metrics could provide market participants with useful context and comparability of emission intensity as opposed to consideration of only absolute emissions, which may lack context based on the nature and size of the bank's exposures to objectively assess the financed emissions of a bank.

The Committee is therefore consulting on a proposal that, subject to jurisdictional adoption, may require banks to disclose physical activity emission intensity metrics (Scope 1, Scope 2 and Scope 3 emissions as MtCO₂e of the counterparty) per unit of physical activity (relevant to the counterparty's sector). The Committee recognizes this metric may pose challenges where banks have difficulty in obtaining this data from their counterparties.

This metric would be subject to jurisdictional discretion. For illustrative purposes, it is presented in Template CRFR4: Transition risk – emission intensity per physical output and by sector.

Facilitated emissions

Facilitated emissions refers to the gross emissions of a counterparty that is attributed to the bank providing capital markets and financial advisory services (eg equity underwriting, securitisation, etc) to that counterparty. Generally, these activities are fee-generating and do not provide direct financing, and therefore are not recognised on the entity's statement of financial position (ie they are off-balance sheet) but these facilitation services may generate material revenue for some banks.

The Committee notes that the Partnership for Carbon Accounting Financials is still in the process of developing a calculation method for facilitated emissions in respect of capital markets activities.¹⁶ Further, the Committee has noted the potential complexity involved in the disclosure of facilitated emissions and invites views from market participants and banks on the practicality of such disclosures and possible alternatives to capture the climate-related financial risks associated with these types of activities. The Committee also recognizes this metric may pose challenges where banks have difficulty in obtaining this data from their counterparties.

The Committee is seeking views on a proposal that, subject to jurisdictional adoption, banks would disclose their facilitated emissions (Scope 1, Scope 2 and Scope 3 emissions) by capital markets and financial advisory activities (eg equity underwriting, securitisation etc). In addition, market participants are requested to provide feedback on proposals for the calculation of facilitated emissions and whether it is feasible to disclose facilitated emissions for activities other than underwriting.

This metric would be subject to jurisdictional discretion. For illustrative purposes, it is presented in Template CRFR5: Transition risk: Facilitated emissions related to capital markets activities by sector.

¹⁶ Public consultation on Capital Markets Facilitated Emissions methodology at <https://carbonaccountingfinancials.com>.

3.6 Tables and templates

As described above, the Committee has developed for consultation two illustrative tables on the qualitative disclosures comprising: (i) Table CRFRA on governance, strategy and risk management; and (ii) Table CRFRB on additional proposed disclosures relating to transition risk, physical risk and concentration risk.

In addition, the Committee has developed two illustrative templates outlining a potential format for banks' quantitative disclosures for consultation: (i) Template CRFR1: Transition risk – exposures and financed emissions by sector; and (ii) Template CRFR2: Physical risk – exposures subject to physical risks.

Finally, the Committee has developed three illustrative templates for consultation outlining the potential format for items that would be subject to jurisdictional discretion, namely banks' quantitative disclosure of: (i) Template CRFR3: Transition risk – real estate exposures in the mortgage portfolio by energy efficiency level; (ii) Template CRFR4: Transition risk – emission intensity per physical output and by sector; and (iii) Template CRFR5: Transition risk – facilitated emissions related to capital markets and financial advisory activities by sector.

4. Effective date

The Committee is monitoring the implementation of other global and jurisdictional frameworks in considering a potential implementation date of a future Pillar 3 disclosure framework. The Committee is also considering the time that would be required for jurisdictions and banks to prepare for the incorporation of a future Pillar 3 framework into their frameworks.

The Committee would therefore welcome views on the feasibility of a potential implementation date of 1 January 2026, one year after the effective date proposed by the ISSB and after the expiration of the ISSB's proposed transitional arrangements. In addition, the Committee would welcome views on whether any transitional arrangements would be required and, if so, the rationale and duration.

5. Consultation questions

Market participants and, in particular, banks and users of Pillar 3 disclosures, are welcome to provide feedback on the full content of this consultative document. In addition, the Committee has highlighted specific questions which will assist in further developing a Pillar 3 disclosure framework for climate-related financial risks, as detailed below.

5.1 General

- | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>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 market discipline? What other benefits have been identified?</p> <p>Q2. What are the risks of a Pillar 3 disclosure framework for climate-related financial risks not being introduced?</p> <p>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?</p> <p>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?</p> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

- Q5. Would there be any unintended consequences of a Pillar 3 framework for climate-related financial risks? If so, how could these be overcome?
- Q6. What are your views on potentially extending a Pillar 3 framework for climate-related financial risks to the trading book?
- Q7. What are your views on the proposed methodology of allocating exposures to sectors and geographical locations subject to climate-related financial risks?
- Q8. What are your views on which elements should be made subject to national discretion and which should be mandatory? Why?
- 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?
- Q10. Would the qualitative and quantitative requirements under consideration need to be assured in order to be meaningful? If so, what challenges are foreseen?

5.2 Qualitative disclosure requirements

- Q11. What are the benefits of the proposed qualitative Pillar 3 climate-related financial risk disclosure requirements?
- Q12. Should the proposed qualitative Pillar 3 climate-related financial risk disclosure requirements be on a mandatory basis to facilitate comparability 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?
- Q14. What additional qualitative Pillar 3 climate-related financial risk disclosure requirements should the Committee consider?
- 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?
- Q16. What are your views on the relevance of the proposed qualitative Pillar 3 climate-related financial risk disclosure requirements to understand climate-related financial risks to which banks are exposed?

5.3 Quantitative disclosure requirements

General

- Q17. What are the benefits of the proposed quantitative Pillar 3 climate-related financial risk disclosure requirements?
- Q18. Should the proposed quantitative Pillar 3 climate-related financial risk disclosure requirements be on a mandatory basis to facilitate comparability across banks?
- 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?
- Q20. What additional quantitative Pillar 3 climate-related financial risk disclosure requirements should the Committee consider?
- 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?

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?

Q23. What are your views on the calculations required to disclose the proposed quantitative Pillar 3 climate-related financial risk disclosure requirements?

Transition risk: exposures and financed emissions by sector

Q24. Would exposures and financed emissions by sector be a useful metric for assessing banks' exposure to transition risk?

Q25. What are your views on the availability and quality of data required for these metrics, including by sector, activity, region or obligor?

Q26. What key challenges would exist for preparers to disclose these metrics, including by sector, activity, region, or obligor? How could these be overcome?

Q27. What additional transition risk disclosure requirements should the Committee consider?

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?

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?

Physical risk: exposures subject to climate change physical risks

Q30. Would exposures subject to climate change physical risks be a useful metric for assessing banks' exposure to physical risk?

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?

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?

Q33. What additional physical risk disclosure requirements should the Committee consider?

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?

Q35. What challenges would exist for preparers or users of these disclosures? How could these be overcome?

Q36. What additional bank-specific disclosure requirements in respect of banks' exposure to climate-related financial risks should the Committee consider?

Forecasts

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?

- Q38. Would the proposed forecast information be a useful metric for assessing banks' exposure to climate-related financial risks?
- Q39. What type of forecasts would be most useful 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?
- 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?

Concentration risk

- 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?
- 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?
- 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?
- 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 exposures were divided into six or seven broadly defined hazards, eg heat stress, floods, droughts, storms, wildfires etc?
- Q46. What additional bank-specific disclosure elements on climate-related concentration risk should the Committee consider?

Templates

- 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?
- 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?

5.4 Quantitative disclosure requirements subject to jurisdictional discretion

- Q49. What are the benefits of the proposed quantitative Pillar 3 climate-related financial risk disclosure requirements subject to jurisdictional discretion?
- 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?
- Q51. What are your views on the feasibility, meaningfulness and practicality of banks' disclosure of facilitated emissions?

5.5 Effective date

- Q52. What are your views on the feasibility of the potential effective date of the Pillar 3 climate-related disclosure requirements?
- Q53. Would any transitional arrangements be required? If so, for which elements and why?

5.6 Liquidity risk

The Basel Committee's analytical reports note that transition and physical climate-related financial risks materialise through the traditional risk categories of credit, market, liquidity and operational risks for banks but have distinct risk drivers.

The Committee is exploring whether the disclosure of sectoral distribution of deposits/funding and liabilities would help market participants to understand potential liquidity risks posed to banks during times when providers of such deposits/fundings (counterparties) are impacted by climate-related financial risks and may require drawdown of their deposits/funding to assist their recovery.

The Committee invites views from the public and market participants regarding the necessity, applicability and relevance of extending the Committee's proposal to consider disclosure of climate-related financial risks on deposits/funding and liabilities.

- Q54. What are your views on the Committee exploring disclosure requirements for the impacts of climate-related financial risks on deposits/funding and liabilities?

6. Next steps

This consultation represents the Committee's initial step towards developing a Pillar 3 framework for the disclosure of climate-related financial risks, which it recognises is an evolving discipline.

The Committee welcomes input from all stakeholders and will review and consider the responses received and undertake further analyses as needed. It will also monitor further developments by other standard-setting bodies. The Committee will consider all feedback received through the consultation, with a view to publishing a revised or final proposal in H2 2024.

Comments should be submitted by 14 March 2024 using the following link: www.bis.org/bcbs/commentupload.htm. Comments will be published on the Bank for International Settlements website unless the respondent specifically requests confidential treatment.

Annex – Draft Pillar 3 text for climate-related financial risks

Introduction

- xx.x The disclosure requirements under this section are:
1. Table CRFRA: Qualitative information on climate-related financial risks (governance, strategy and risk management).
 2. Table CRFRB: Qualitative information on climate-related financial risks (transition risk, physical risk and concentration risk).
 3. Template CRFR1: Transition risk – exposures and financed emissions by sector.
 4. Template CRFR2: Physical risk – exposures subject to physical risks.
 5. Template CRFR3: Transition risk – real estate exposures in the mortgage portfolio by energy efficiency level.
 6. Template CRFR4: Transition risk – emission intensity per physical output and by sector.
 7. Template CRFR5: Transition risk – facilitated emissions related to capital markets and financial advisory activities by sector.

Classification by sector and geographical region or location subject to transition and physical risk

- xx.1 Sectoral split should be based on Global Industry Classification Standard (GICS) at six- or eight-digit industry-level code for classifying counterparties. Banks shall use the latest version of the GICS classification system available.¹⁷
- xx.2 Templates CRFR1, CRFR4 and CRFR5 request disclosure according to the 18 sectors defined by the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD).¹⁸ The TCFD 18 sectors are based on GICS.
- xx.3 Sectoral split should be based on the principal activity of the counterparty. When a counterparty is a holding company, banks shall consider the sector of the specific obligor under the holding company (if different than the holding company itself) which receives the funding.
- xx.4 Geographical regions or locations subject to climate change physical risks are as determined by national supervisors at a jurisdictional level.
- xx.5 Geographical split should be based on the principal activity of the counterparty. When a counterparty is a holding company, banks shall consider the geographical area of the specific obligor under the holding company (if different than the holding company itself) which receives the funding.

¹⁷ GICS classification is available at www.msci.com/our-solutions/indexes/gics.

¹⁸ Task Force on Climate-related Financial Disclosures, *Recommendations of the Task Force on Climate-related Financial Disclosures*, June 2017, <https://assets.bbhub.io/company/sites/60/2021/10/FINAL-2017-TCFD-Report.pdf>. See Box 2.

Illustrative tables

Table CRFRA: Qualitative information on climate-related financial risks (governance, strategy and risk management)

Purpose: Description of the bank's governance processes, controls and procedures used to monitor, manage and oversee climate-related financial risks, including how these identified climate-related financial risks affect the business model, strategy and decision-making of the bank.

Scope of application: To be determined.

Content: Qualitative information.

Frequency: Annual.

Format: Flexible.

Banks must describe:

1. Governance

- (a) The governance structure responsible for oversight of climate-related financial risks, including a breakdown of responsibilities as reflected in the terms of reference, mandates, role descriptions and other related policies.
- (b) How the board ensures that the appropriate skills and competencies are available to oversee strategies designed to respond to climate-related financial risks.
- (c) How and how often the board and its committees are informed about climate-related financial risks.
- (d) How the board and its committees consider climate-related financial risks when overseeing the bank's strategy, its decisions on major transactions, and its risk management processes and related policies, including whether the board has considered trade-offs associated with those risks.
- (e) How the board oversees the setting of forecasts related to climate-related financial risks and monitors progress towards those forecasts, including whether and how related performance metrics are included in remuneration policies.
- (f) Management's role in the governance processes, controls and procedures used to monitor, manage and oversee climate-related financial risks, including information about:
 - whether that role is delegated to a specific management-level position or management-level committee and how oversight is exercised over that position or committee; and
 - whether management uses controls and procedures to support the oversight of climate-related risks and, if so, how these controls and procedures are integrated with other internal functions.

2. Strategy

- (a) The climate-related financial risks that could reasonably be expected to affect the bank's prospects. Specifically, the bank shall:
 - explain for each climate-related financial risk that the bank has identified whether the bank considers the risk to be a climate-related physical risk or a climate-related transition risk;
 - specify the time horizons in which short-, medium- or long-term effects of each climate-related financial risk that the bank has identified could reasonably be expected to occur; and
 - explain how the bank defines "short term", "medium term" and "long term", and how these definitions are linked to the planning horizons used for strategic decision-making.
- (b) The current and anticipated effects of those climate-related financial risks on the bank's business model and value chain. Specifically, the bank shall provide:
 - a description of the current and anticipated effects of climate-related financial risks on the bank's business model and value chain; and
 - a description of where in the bank's business model and value chain climate-related risks are concentrated (for example, geographical areas, facilities and types of assets).
- (c) The effects of material climate-related financial risks on its strategy and decision-making, including its climate-related transition plan. Specifically, the bank shall disclose:
 - Information about how the bank has responded to, and plans to respond to, climate-related financial risks in its strategy and decision-making, including how the bank plans to achieve any climate-related forecasts, including greenhouse gas emission forecasts, it has set and any forecasts it is required to meet by law or regulation. The bank shall disclose information about:
 - current and anticipated changes to the bank's business model, including its resource allocation, to address climate-related financial risks;
 - current and anticipated indirect mitigation and adaptation efforts;
 - any climate-related transition plans the bank has, including information about key assumptions used in developing its transition plan and dependencies on which the transition plan relies; and

- o information regarding climate-related forecasts for these plans including the processes in place for review of the forecasts, the amount of the bank's emission forecast to be achieved through emission reductions within the bank's value chain and the intended use of carbon offsets in achieving emissions forecasts.
 - How the bank is resourcing and plans to resource the activities disclosed.
 - Quantitative and qualitative information about the progress of plans disclosed in prior reporting periods.
- (d) The effects of those climate-related financial risks on the bank's financial position, financial performance and cash flows for the reporting period, and their anticipated effects on the bank's financial position, financial performance and cash flows over the short, medium and long term, taking into consideration how those climate-related financial risks have been factored into the bank's financial planning.
- (e) The climate resilience of the bank's strategy and its business model to climate-related changes, developments and uncertainties, taking into consideration the identified climate-related financial risks.
-
- 3. Risk management**
- (a) The processes and related policies the bank uses to identify, assess, prioritise and monitor climate-related financial risks, including information about:
- the input parameters the bank uses (for example, data sources and the scope of operations covered in the processes);
 - whether and how the bank uses climate-related scenario analysis to inform its identification of climate-related financial risks;
 - how the bank assesses the nature, likelihood and magnitude of the effects of those risks (for example, whether the bank considers qualitative factors, quantitative thresholds or other criteria);
 - whether and how the bank prioritises climate-related financial risks relative to other types of risks;
 - how the bank monitors climate-related financial risks; and
 - whether the bank has changed the processes it uses from the previous reporting period.
- (b) The extent to which and how the processes for identifying, assessing, prioritising and monitoring climate-related financial risks are integrated into and inform the bank's overall risk management process.

Definitions:

- 1(a) Governance structure – can include a board, individual member(s), committee or equivalent body charged with governance.
- 2(a) Prospects – shall mean, inter alia, the bank's cash flows, its access to finance and its cost of capital.

Instructions:

- 2(a) In identifying climate-related risks that could reasonably be expected to affect a bank's prospects, the bank shall use all reasonable and supportable information that is available to the bank at the reporting date without undue cost or effort, including information about past events, current conditions and forecasts of future conditions.
- 2(b) Transition plans: an aspect of a bank's overall strategy that lays out the bank's forecasts and actions for its transition towards a lower carbon economy, including actions such as reducing its greenhouse gas emissions.
- 2(c) In disclosing how it plans to achieve any climate-related forecasts, including any greenhouse gas emissions forecasts, a bank should disclose, for each forecast:
- (i) the metric used to set the forecast;
 - (ii) the objective of the forecast (for example, mitigation, adaptation or conformance with science-based initiatives);
 - (iii) the part of the bank to which the forecast applies (for example, whether the forecast applies to the bank in its entirety or only to a part of the bank, such as a specific business unit or specific geographical region);
 - (iv) the period over which the forecast applies;
 - (v) the base period from which progress is measured;
 - (vi) any milestones and interim forecasts;
 - (vii) if the forecast is quantitative, whether it is an absolute forecast or an intensity forecast; and
 - (viii) how the latest international agreement on climate change, including jurisdictional commitments that arise from that agreement, has informed the forecast.
- 2(c) In setting and reviewing each forecast, and how it monitors progress against each forecast, banks shall disclose:
- (i) whether the forecast and the methodology for setting the forecast has been validated by a third party;
 - (ii) the bank's processes for reviewing the forecast;

- (iii) the metrics used to monitor progress towards reaching the forecast; and
 - (iv) any revisions to the forecast and an explanation of those revisions.
- 2(c) A bank shall disclose information about its performance against each climate-related forecast and an analysis of trends or changes in the bank's performance.
- 2(c) For each greenhouse gas emissions forecast disclosed, a bank shall, in addition, disclose:
- (i) which greenhouse gases are covered by the forecast;
 - (ii) whether Scope 1, Scope 2 or Scope 3 greenhouse gas emissions are covered by the forecast;
 - (iii) whether the forecast is a gross greenhouse gas emissions forecast or net greenhouse gas emissions forecast. If the bank discloses a net greenhouse gas emissions forecast, the bank is also required to separately disclose its associated gross greenhouse gas emissions forecast;
 - (iv) whether the forecast was derived using a sectoral decarbonisation approach;
 - (v) the bank's planned use of carbon credits to offset greenhouse gas emissions to achieve any net greenhouse gas emissions forecast;
 - (vi) the extent to which, and how, achieving any net greenhouse gas emissions forecast relies on the use of carbon credits;
 - (vii) which third-party scheme(s) will verify or certify the carbon credits;
 - (viii) the type of carbon credit, including whether the underlying offset will be nature-based or based on technological carbon removals, and whether the underlying offset is achieved through carbon reduction or removal; and
 - (ix) any other factors necessary for users of general-purpose financial reports to understand the credibility and integrity of the carbon credits the bank plans to use (for example, assumptions regarding the permanence of the carbon offset).
- 2(e) In disclosing its climate resilience, a bank shall disclose:
- (i) the bank's assessment of its climate resilience as at the reporting date, which shall enable users of Pillar 3 reports to understand:
 - the implications, if any, of the bank's assessment for its strategy and business model, including how the bank would need to respond to the effects identified in the climate-related scenario analysis;
 - the significant areas of uncertainty considered in the bank's assessment of its climate resilience;
 - the bank's capacity to adjust or adapt its strategy and business model to climate change over the short, medium and long terms, including:
 - the availability of, and flexibility in, the bank's existing financial resources to respond to the effects identified in the climate-related scenario analysis, including to address climate-related risks;
 - the bank's ability to redeploy, repurpose, upgrade or decommission existing assets;
 - the effect of the bank's current and planned investments in climate-related mitigation and adaptation for climate resilience; and
 - how and when the climate-related scenario analysis was carried out, including:
 - information about the inputs the bank used, including:
 - which climate-related scenarios the bank used for the analysis and the sources of those scenarios;
 - whether the analysis included a diverse range of climate-related scenarios;
 - whether the climate-related scenarios used for the analysis are associated with climate-related transition risks or climate-related physical risks;
 - whether the bank used, among its scenarios, a climate-related scenario aligned with the latest international agreement on climate change;
 - why the bank decided that its chosen climate-related scenarios are relevant to assessing its resilience to climate-related changes, developments or uncertainties;
 - the time horizons the bank used in the analysis; and
 - what scope of operations the bank used in the analysis (for example, the operating locations and business units used in the analysis).
 - the key assumptions the bank made in the analysis, including assumptions about:
 - climate-related policies in the jurisdictions in which the bank operates;
 - macroeconomic trends;

- national- or regional-level variables (for example, local weather patterns, demographics, land use, infrastructure and availability of natural resources);
 - energy usage and mix; and
 - developments in technology.
- the reporting period in which the climate-related scenario analysis was carried out.

2(e) The bank shall use climate-related scenario analysis to assess its climate resilience using an approach that is commensurate with the entity's circumstances.

Table CRFRB: Qualitative information on climate-related financial risks (transition risk, physical risk and concentration risk)

Purpose: Description of the bank's governance processes, controls and procedures used to monitor, manage and oversee climate-related financial risks.

Scope of application: To be determined.

Content: Qualitative information.

Frequency: Annual.

Format: Flexible.

Banks must describe:

1. Transition risk

- (a) Banks are expected to provide qualitative information that reflects the extent to which their financing is supporting their counterparts in climate change mitigation and adaptation. Detailed information should be provided on the types of instruments used, nature and type of projects financed as well as any other relevant information that will help users understand the bank's climate risk management framework.
- (b) Where banks are not yet estimating their counterparties' emissions associated with their financing activities they shall disclose information on their plans to implement methodologies to estimate and disclose this information.
-

2. Physical risk

- (a) Banks are expected to provide details of the methodology used to determine which exposures are subject to the impact of physical risk comprising:
- a description of selected climate-related chronic and acute events, together with the motivation that led to selecting those particular events (ie instances of flooding, subsidence, coastal erosion, rising sea levels, hurricanes and wildfires) based on the bank's business model;
 - the underlying criteria used to determine the geographical breakdown/granularity to assess the physical risk stemming from each climate-related event;
 - the sectoral considerations made in line with the bank's portfolio;
 - the time horizons and scenarios used to assess the physical risks; and
 - the considerations undertaken to assign the exposure subject to physical risk based on the geographical location of the activity of the counterparty.
-

3. Concentration risk

- (a) Banks are expected to disclose:
- the potential effects of exposures to counterparties associated with high transition or physical risks on the bank's overall risk and financial performance;
 - the process(es) to identify vulnerable concentrated exposures and assess the likelihood and effects associated with such risks (such as the qualitative factors, quantitative indicators and other criteria used);
 - whether and how they are monitoring concentration of exposures within sectors or geolocations; and
 - the effects of climate-related concentration risks on a bank's strategy and decision-making, including how the bank is responding to and mitigating climate-related concentration risks.
-

Illustrative templates

Template CRFR1: Transition risk – exposures and financed emissions by sector

Purpose: Provide an overview of a banks' gross carrying amount by sector together with associated financed emissions, credit quality and maturity ladder. Provide supplementary information on off-balance sheet items by sector.

Scope of application: To be determined.

Content: Quantitative information.

Frequency: Annual.

Format: Fixed for columns. Flexible for rows that will vary based on each bank's sectoral materiality assessment. The 18 TCFD sectors (see [DISxx.1] and [DISxx.2]) should be disclosed regardless of materiality assessment. Banks are encouraged to disclose further disaggregated information if needed (following the respective materiality assessment).

Accompanying narrative: Banks are expected to supplement the template with a narrative commentary to:

- sectors: provide qualitative information on the materiality assessment of the sector exposures;
- non-performing exposures: explain if they are using a definition consistent with Table CRB-A;
- financed emissions: provide qualitative information on the methodology and sources used for the calculation of financed emissions; and
- explain any significant change, inter alia, in scope, sector classifications or calculation methods over the reporting period and the key drivers of such changes.

1	2	3	4	...	Other sectors	On-balance sheet items											Off-balance sheet items			
						a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
Amount	%	Of which: non-performing exposures	Total allowances	Of which: non-performing exposures	<= 5 years	> 5 <= 10 years	> 10 <= 20 years	> 20 years	Average weighted maturity	Scope 1, Scope 2 and Scope 3 (MtCO2e)	Of which: Scope 3 (MtCO2e)	GHG forecast Scope 1, 2 and 3 (MtCO2e)	GHG forecast – reference year	Amount						
Sector																				
Industry group																				
Industry																				
Sub-industry																				
...																				
Other sectors																				
TOTAL		100																		

Instructions:

- Banks shall disclose information on their exposures towards non-financial corporates as per [CRE20.41]-[CRE20.62], and retail exposures to small and medium-sized enterprises (SMEs) that meet the regulatory retail criteria as per [CRE20.63(2)], including loans, debt securities and equity instruments, classified in the banking book by sector of economic activity (see [DISxx.1]).
- Banks are expected to disclose material sectors. The 18 TCFD sectors (see [DISxx.1] and [DISxx.2]) should be disclosed regardless of materiality assessment. When banks have exposures that are immaterial in any sector, banks can aggregate these exposures under "other sectors".
- Columns (m) and (n) related to GHG forecast – Scope 1, 2 and 3 (MtCO2e) and the reference year (n), should be disclosed only for those sectors where the bank is setting forecasts based on sector-specific policies.

Columns:

- (a) **Gross carrying amount:** carrying amount of loans, debt securities and equity before subtracting the loss allowances, when applicable, expressed in the presentation currency of the bank's financial statements whether prepared in accordance with IFRS Accounting Standards or other GAAP.
- (b) **Gross carrying amount – %:** column (a) expressed as a percentage of the total row under column (a).
- (c) **Of which: non-performing exposures:** gross carrying amount of non-performing exposures using the bank's own definition of non-performing exposures, expressed in the presentation currency of the bank's financial statements whether prepared in accordance with IFRS Accounting Standards or other GAAP.
- (d) **Allowances: total on-balance accumulated impairment amount recognised under the applicable accounting framework.**
- (e) **Of which: non-performing exposures:** accumulated impairment amount associated only with non-performing exposures, defined under the same approach in column (c).

- (f) to (i) Maturity:** banks shall allocate the exposures to the relevant bucket depending on the remaining maturity of the financial instrument, taking into account the following: (i) where the amount is repaid in instalments, the exposure shall be allocated in the maturity bucket corresponding to the last instalment; (ii) where an exposure has no stated maturity or in the case of equity holdings the amount of this exposure shall be disclosed in the largest maturity bucket “> 20 years”.
- (j) Average weighted maturity:** banks shall weigh the maturity of each exposure by the gross carrying amount of the exposures.
- (k) to (l) Greenhouse gas financed emissions – Scope 1, 2 and 3:** aggregated counterparties’ Scope 1, 2 and 3 financed emissions associated with banks’ lending and investment activities in column (k) and separately counterparties’ Scope 3 financed emissions under column (l). These financed emissions should relate exclusively to the on-balance sheet exposures reported in column (a) and could include counterparty-reported emissions and proxy measures (based on physical activity-based emissions or economic activity-based emissions). The absolute gross greenhouse gas emissions (GHG) generated during the reporting period, shall be measured in accordance with the Greenhouse Gas Protocol Corporate Standard and should be expressed as metric tonnes of CO₂ equivalent. Banks are expected to disclose greenhouse gas financed emissions for all material sectors. The 18 TCFD sectors (see DISxx.1 and DISxx.2) should be disclosed regardless of materiality. In instances where this information is not available for a particular sector, banks shall disclose information on their plans to implement methodologies to estimate and disclose GHG financed emissions as part of Table CRFRB.
- (m) GHG forecast – Scope 1, 2 and 3 (MtCO₂e):** banks should disclose forward-looking GHG absolute emission forecasts (Scope 1, Scope 2 and Scope 3) only for those sectors where the bank is setting forecasts based on sector-specific policies.
- (n) GHG forecast – reference year:** reference year being the year in which the bank has committed to achieve its forecast (forward-looking) for the forecast disclosed in column (m).
- (o) Off-balance sheet items:** full amount of the commitment expressed in the presentation currency of the bank’s financial statements.

Template CRFR2: Physical risk – exposures subject to physical risks

Purpose: Provide an overview of a bank's gross carrying amount subject to climate change physical risks including both chronic and acute events split by geographical region or location subject to climate change physical risk.

Scope of application: To be determined.

Content: Quantitative information.

Frequency: Annual.

Format: Fixed for columns. Flexible for rows.

Accompanying narrative: Banks are expected to supplement the template with a narrative commentary to explain:

- details of the methodology used to determine which exposures are subject to the impact of climate change physical risk; and
- any significant change over the reporting period and the key drivers of such changes.

	a	b	c	d	e	f	g	h	i	j
	Amount	%	Of which: non-performing exposures	Total allowances	Of which: non-performing exposures	<= 5 years	> 5 years <= 10 years	> 10 years <= 20 years	> 20 years	Average weighted maturity
1	Geographical region or location subject to climate change physical risk									
2	Of which: corporates									
3	Of which: loans collateralised with residential or commercial immovable property									
...										
X	Total geographical regions or locations subject to climate change physical risks									
Y	Total geographical regions or locations not subject to climate change physical risks									

Z	Total geographical regions or locations where the bank is unable to judge whether or not they are subject to climate change physical risks																
	TOTAL										100						

Instructions:

- Banks shall disclose information on their exposures towards (a) non-financial corporates as per [CRE20.41] to [CRE20.62], and retail exposures to SMEs that meet the regulatory retail criteria as per [CRE20.63(2)], including loans, debt securities and equity instruments in the banking book and (b) loans collateralised by residential or commercial immovable property as defined in [CRE20.77] and [CRE20.78].

Rows:

- (1) Geographical region or location subject to climate change physical risk:** as determined by national supervisors at a jurisdictional level (see [DISxx.4] and [DISxx.5]).
- (2) Of which: corporates:** exposures towards corporates located in a geographical region or location subject to climate change physical risk (both chronic and acute events) based on the geographical location of the counterparty with the exception of exposures towards corporates that are collateralised with immovable property that should be allocated to row 3 loans collateralised with residential or commercial immovable property.
- (3) Of which: loans collateralised with residential or commercial immovable property:** loans collateralised by residential or commercial immovable property and exposures towards corporates that are collateralised with immovable property located in a geographical region or location subject to physical risk (both chronic and acute events).
- (X) Total geographical regions or locations subject to climate change physical risks:** this row shall present the aggregated amounts on the banks' exposures that are subject to climate change physical risks (both chronic and acute events).
- (Y) Total geographical regions or locations not subject to climate change physical risks:** this row shall present aggregated amounts on the banks' exposures towards corporates and loans collateralised by residential or commercial immovable property that are not subject to climate change physical risks. Please note this is a total row and banks are not expected to breakdown exposures not subject to climate change physical risks by geographical region or location.
- (Z) Total geographical regions or locations where the bank is unable to judge whether or not they are subject to climate change physical risks:** this row shall present aggregated amounts on the banks' exposures towards corporates (including those to real estate investment trusts or similar) and loans collateralised by residential or commercial immovable property where the bank is unable to judge whether or not these exposures are subject to climate change physical risks. Please note this is a total row and banks are not expected to breakdown exposures where the bank is unable to judge whether or not they are subject to climate change physical risks by geographical region or location.

Columns:

- (a) Gross carrying amount - Amount:** carrying amount of loans, debt securities and equity before subtracting the loss allowances, when applicable, expressed in the presentation currency of the bank's financial statements whether prepared in accordance with IFRS Accounting Standards or other GAAP.
- (b) Gross carrying amount – %:** column (a) expressed as a percentage of the total row of column a (sum of rows X, Y and Z).
- (c) Of which: non-performing exposures:** gross carrying amount of non-performing exposures using the bank's own definition of non-performing exposures, expressed in the presentation currency of the bank's financial statements whether prepared in accordance with IFRS Accounting Standards or other GAAP.
- (d) Allowances:** total on-balance accumulated impairment amount recognised under the applicable accounting framework.
- (e) Of which: non-performing exposures:** accumulated impairment amount of non-performing exposures.

- (f) to (i) Maturity:** banks shall allocate the exposures to the relevant bucket depending on the remaining maturity of the financial instrument, taking into account the following: (i) where the amount is repaid in instalments, the exposure shall be allocated in the maturity bucket corresponding to the last instalment; and (ii) where an exposure has no stated maturity, or in the case of equity holdings the amount of this exposure, shall be disclosed in the largest maturity bucket " > 20 years".
- (j) Average weighted maturity:** banks shall weigh the maturity of each exposure by the gross carrying amount of the exposures.

Template CRFR3: Transition risk – real estate exposures in the mortgage portfolio by energy efficiency level

Purpose: To breakdown banks' gross carrying amount by level of energy efficiency of the underlying collateral.

Scope of application: The template is mandatory for banks when required by national supervisors at a jurisdictional level.

Content: Quantitative information.

Frequency: Annual.

Format: Fixed for rows. Flexible for columns.

Accompanying narrative: Banks are expected to supplement the template with a narrative commentary to explain:

- The jurisdictional coverage of the information and whether there are legal requirements to measure the energy efficiency of buildings in each of the jurisdictions in which the bank operates.
- Available information regarding the sources used. In particular, banks must disclose whether internal information, information provided by vendors and modelled information was used. For the modelled information, banks must provide a description of the variables, sources and assumptions used.
- Banks are expected to explain any significant change over the reporting period and the key drivers of such changes.

	a	b	c	d	e	f	g	h
	Total gross carrying amount	> 100; <= 200	> 200; <= 300	> 300; <= 400	> 400; <= 500	> 500		
1	Loans collateralised by residential immovable property							
2	Loans collateralised by commercial immovable property							
3	Collateral obtained by taking possession: residential and commercial immovable properties							
4	Total							
5	Of which: level of energy efficiency estimated							

Instructions:

- If necessary, banks may provide separate tables for relevant jurisdictions.

Rows:

- (1) Loans collateralised by residential immovable property:** loans that meet the definition of regulatory residential real estate exposures as per [CRE20.77].
- (2) Loans collateralised by commercial immovable property:** loans that meet the definition of regulatory commercial real estate exposures as per [CRE20.78].
- (3) Collateral obtained by taking possession: residential and commercial immovable properties:** collaterals (residential and commercial) obtained by taking possession where the bank is the owner of the foreclosed assets.

- (4) **Total:** sum of rows 1, 2 and 3.
- (5) **Of which level of energy efficiency estimated:** gross carrying amount for which the information on rows 1 to 3 is based on estimates/internal calculations but has not been collected directly from the counterparty.
- Columns:**
- (a) **Gross carrying amount:** carrying amount of loans collateralised with commercial and residential immovable property and of repossessed real estate collaterals, expressed in the presentation currency of the entity's financial statements whether prepared in accordance with IFRS Accounting Standards or other GAAP. Carrying amount means the amount before subtracting the loss allowance, when applicable. Total gross carrying amount should be split into level of energy efficiency buckets in columns (b) to (g). Where the bank is not able to collect or estimate the energy efficiency level, the corresponding gross carrying amount should be placed under column (h). Therefore, column (a) equals the sum of columns (b) to (h).
- (b) to (g) **Level of energy efficiency (eg in kWh/property area (eg m²) of collateral):** banks shall disclose the gross carrying amount by energy efficiency buckets based on the specific energy consumption of the collateral (eg kWh/property area (eg m²)). This information could be gathered from the counterparty or estimated by the bank in the absence of counterparty level information. For those exposures linked to more than one immovable property, the energy efficiency information shall be split and disclosed separately under energy efficiency levels, corresponding to the energy efficiency of each collateral. More specifically, banks shall calculate the share of each collateral in the gross carrying amount of exposure on the basis of the value of the collateral and disclose under the energy efficiency bucket linked to each collateral. For example, a bank that has a loan with a gross carrying amount of MU 100,000 collateralised by two properties: property A and property B. Property A has a collateral value of MU 80,000 and energy efficiency bucket of 0; <= 100, while property B has a collateral value of MU 70,000 and energy efficiency bucket of > 500. In this example, the bank should disclose MU 53,333 (that is MU 100,000 * [80,000 / (80,000 + 70,000)]) under the energy efficiency bucket of 0; <= 100 and MU 46,667 (that is MU 100,000 * [70,000 / (80,000 + 70,000)]) under energy efficiency bucket of > 500.
- (h) **Without energy efficiency measurement:** gross carrying amount for which the bank has not been able to collect or estimate the energy efficiency level.

Template CRFR4: Transition risk – emission intensity per physical output and by sector

Purpose: To provide information on institutions financed GHG intensity emissions per physical output for those sectors where the bank is setting forecasts based on sector-specific policies.

Scope of application: The template is mandatory for banks when required by national supervisors at a jurisdictional level.

Content: Quantitative information.

Frequency: Annual.

Format: Flexible for rows. Fixed for columns

Accompanying narrative: Banks are expected to supplement the template with a narrative commentary to explain:

- Regarding sectors: banks should explain significant sector exclusions. Those banks that are not yet estimating intensity metrics and related forward-looking information comprising forecasts shall disclose information on their plans to implement methodologies to estimate and disclose this information.
- For each intensity metric:
 - Methodology: the methodology used to attribute absolute emissions and/or emissions intensity to banks' financing. This should include specific and clear reference to which exposure amounts are used. The description should cover the scopes (Scope 1, Scope 2 and Scope 3 of the portfolio) covered by the GHG intensity metrics. Banks' chosen metrics and forecasts shall include their clients' Scope 1, Scope 2 and Scope 3 emissions, where material and data allow.
 - Geographies and subsectors: description of geographies covered by the GHG intensity metrics in columns (c), (e) and (g) and description of the sub-sectors covered by the GHG intensity metrics.
 - Benchmark considered for forecast setting: science-based benchmark considered by the bank to set forecasts.
 - Any significant change over the reporting period and the key drivers of such changes.

	Reporting year			Forward-looking information					
	a	b	c	d	e	f	g	h	i
	Gross carrying amount	GHG intensity metric per physical output – selected unit of reference	GHG intensity metric per physical output value	GHG intensity metric per physical output (year A)	GHG intensity metric per physical output for (year A)	GHG intensity metric per physical output (year B)	GHG intensity metric per physical output – value for (year B)	PIT distance	PIT distance reference year
1	Sector								
2	Industry group								
3	Industry								

4	Sub-industry								
...	...								
	TOTAL								

Instructions:

- Banks shall disclose information on their exposures towards non-financial corporates as per [CRE20.41]-[CRE20.62], and retail exposures to SMEs that meet the regulatory retail criteria as per [CRE20.63(2)].
- Banks are expected to disclose GHG intensity metrics for sectors within the 18 sub-industries identified by TCFD (see [DISxx.1] and [DISxx.2]), for which the bank is setting forecasts based on sector-specific policies and where data and methodology allow. Additionally, banks are expected to disclose any other relevant sector for the bank not covered within the 18 TCFD sectors, as long as it is considered material. See the illustrative example of sectors and related metrics below.
- Banks can disclose several metrics for each sector that are relevant to their financing activity. Banks shall add a row in the template for each relevant combination of sector and GHG intensity metric included in column (b).

Columns:

Reporting year

- (a) **Gross carrying amount:** carrying amount of loans, debt securities and equity before subtracting the loss allowances, when applicable, expressed in the presentation currency of the bank's financial statements whether prepared in accordance with IFRS Accounting Standards or other GAAP. For loans for which the use of proceeds is unknown, the gross carrying amount of the exposure shall be allocated to the relevant sector and alignment metric based on the counterparties' activity distribution, eg by counterparties' turnover by activity.
- (b) **GHG intensity metric per physical output – selected unit of reference:** description of the unit(s) of reference chosen for columns (c), (e) and (g), expressed in MtCO₂e per physical output relevant for the chosen sector (see examples of metrics below). The denominators for intensity metrics should be physical metrics (eg CO₂ e/kWh, CO₂ e/per passenger-km, CO₂ e/tonne of product). To allocate multiple counterparties' climate indicators at portfolio level, banks should apply a portfolio weight approach, which is an average of the counterparties' own intensity metrics weighted by their loan size.
- (c) **GHG intensity metric per physical output:** metric(s) value(s) at the year of reference. This is the weighted intensity metric per physical output for each counterparty by the gross carrying amount of the relevant sector.

Forward-looking information

- (d) **GHG intensity metric per physical output – year A:** reference year (ie 2030, 2050 or other) being the year A in which the bank has committed to achieve the tCO₂-e per physical output relevant for the chosen sector forecast/forecast disclosed in column (e).
- (e) **GHG intensity metric per physical output – value for (year A):** value of the forecast, if any, applied by the bank to be achieved before year A, expressed in tCO₂-e per physical output relevant for the chosen sector.
- (f) **GHG intensity metric per physical output – year B:** reference year (ie 2030, 2050 or other) being the year B in which the bank has committed to achieve the tCO₂-e per physical output relevant for the chosen sector forecast/forecast disclosed in column (g).
- (g) **GHG intensity metric per physical output – value for (year B):** value of the forecasts, if any, applied by the bank to be achieved before year B, expressed in tCO₂-e per physical output relevant for the chosen sector.
- (h) **PIT distance to year A or year B forecast:** the point in time distance of the column (c) metric to the year A or year B GHG intensity metric forecast expressed in percentage points. This distance shall be expressed as the difference between the indicator in column (c) and the forecast in column (e) or (g), divided by the same forecast in column (e) or (g)

$$PIT \text{ distance to target} = 100 * \frac{\text{Metric at reporting year (column c)} - \text{Forecast (column e or g)}}{\text{Forecast (column e or g)}}$$

(i) **PIT distance reference year:** reference year (column (d) or (f) for which the PIT distance is calculated.

Illustrative example of sectors and related metrics:

Oil and gas	Tons of CO _{2e} per gigajoule
Passenger air transportation	Tonnes of CO ₂ per passenger distance
Maritime transportation	Tonnes of CO ₂ per passenger distance
Chemicals	CO ₂ per tonne of output

Template CRFR5: Transition risk – facilitated emissions related to capital markets and financial advisory activities by sector

Purpose: Disclose emissions facilitated by banks related to capital markets and financial advisory activities of, inter alia, underwriting, advisory and securitisation.

Scope of application: The template is mandatory for banks when required by national supervisors at a jurisdictional level.

Content: Quantitative information.

Frequency: Annual.

Format: Flexible for rows and columns.

Accompanying narrative: Banks are expected to supplement the template with a narrative commentary to explain:

- Sectors: qualitative information on the materiality assessment of the sector exposures.
- Methodology and underlying data: methodology and sources used for the calculation of facilitated emissions.
- Banks are expected to explain any significant change over the reporting period and the key drivers of such changes.

	a1	b1	c1	d1	a2	b2	c2	d2	e	f
	Capital markets/financial advisory activity 1 (eg underwriting)			Capital markets/financial advisory activity 2 ...						
	Amount	GHG facilitated emissions – Scope 1, 2, 3 (MtCO2e)	GHG facilitated emissions forecast – Scope 1, 2, 3 (MtCO2e)	GHG facilitated emissions – forecast reference year	Amount	GHG facilitated emissions – Scope 1, 2, 3 (MtCO2e)	GHG facilitated emissions – forecast reference year	GHG facilitated emissions – forecast reference year	Amount	GHG facilitated emissions – Scope 1, 2, 3 (MtCO2e)
1	Sector									
2	Industry group									
3	Industries									
4	Sub-industry									
...	...									
	Other sectors									
TOTAL										

Instructions:

- Banks shall disclose information on their exposures towards non-financial corporates as per [CRE20.41]-[CRE20.62], and retail exposures to SMEs that meet the regulatory retail criteria as per [CRE20.63(2)] to which they are providing capital markets/financial advisory activities such as (a) underwriting, (b) advisory and (c) securitisation by sector of economic activity (see [DISxx.1]).
- Banks are expected to disclose material sectors. The 18 TCFD sectors (see [DISxx.1] and [DISxx.2]) should be disclosed regardless of materiality assessment. When banks have exposures that are immaterial in any sector, banks can aggregate these exposures under "other sectors".
- Where banks are not yet estimating their counterparties' emissions associated with their facilitating activities, they shall disclose information on their plans to implement methodologies to estimate and disclose this information.
- Columns (c1) (c2). (...) relate to GHG facilitated missions forecasts Scope 1, 2, 3 (MtCO2e) and the reference year (d1), (d2), d....), should be disclosed only for those sectors where the bank is setting forecasts based on sector-specific policies.

Columns:

For each capital markets/financial advisory activity:

Banks should include as many columns (a) to (d) as needed, to report material capital markets activities.

(a1, a2....) **Facilitated amount:** facilitated amount according to selected methodology.

(b1, b2...) **GHG facilitated emissions – Scope 1, Scope 2 and Scope 3 (MtCO2e):** absolute gross greenhouse gas emissions (GHG) facilitated during the reporting period, expressed as metric tonnes of CO₂ equivalent. Proposed methodology is that the commitment to the capital markets transaction is accounted for only in the year the facilitation occurs, using the reported or estimated emissions of the issuer in that year only. All the transactions during the year would then be aggregated over that one year to generate total facilitated emissions.

(c1, c2...) **GHG facilitated emissions forecast – Scope 1, 2 and 3 (MtCO2e):** forward-looking GHG absolute emission forecasts (Scope 1, Scope 2 and Scope 3) only for those sectors where the bank is setting forecasts based on sector-specific policies.

(d1, d2...) **GHG facilitated emissions forward-looking forecasts – reference year:** reference year is the year in which the bank has committed to achieve its forward-looking forecast as detailed in column (c).

Total:

(e) Total facilitated amount: sum of columns (a1), (a2),

(f) Total GHG facilitated emissions – Scope 1, Scope 2 and Scope 3 (MtCO2e): sum of columns (b1), (b2), (c2).