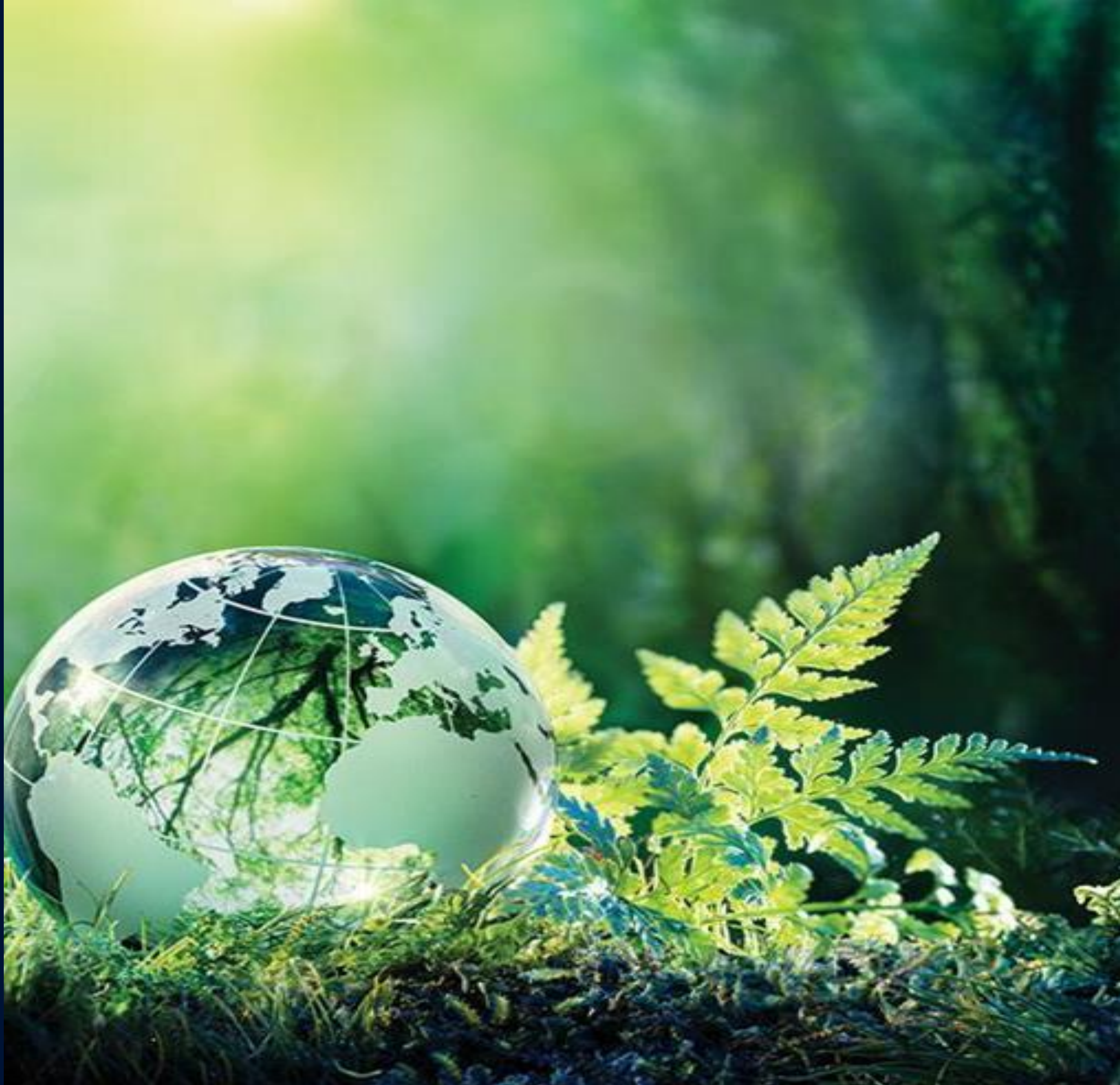
Disclosure of climate-related financial risks

BCBS´s voluntary framework highlights



Research & Development

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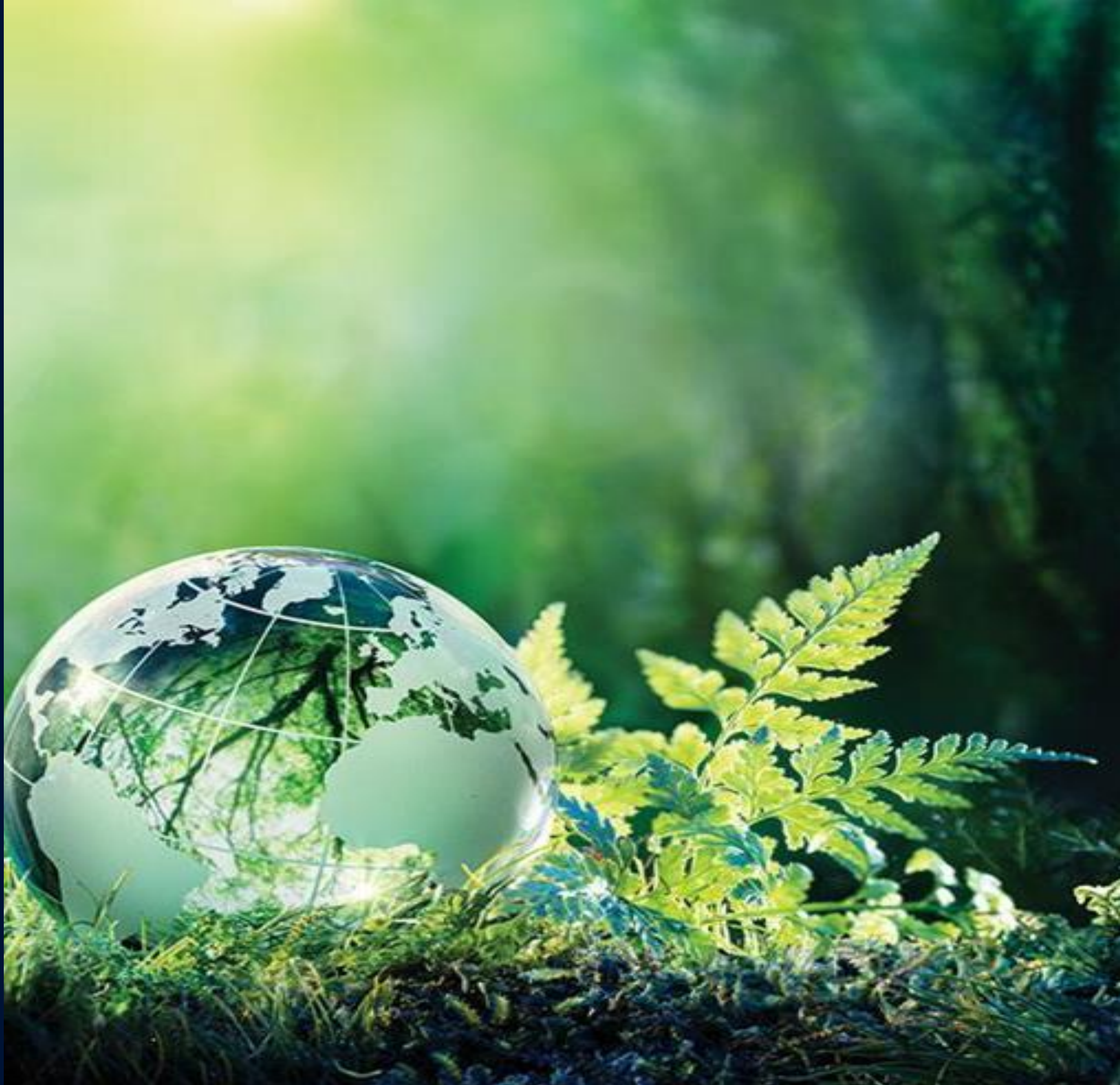

General aspects

The final BCBS framework provides a flexible and materiality-based structure for banks to voluntarily disclose both qualitative and quantitative information on climate-related financial risks. While voluntary, the framework may serve as a foundation for national supervisors, promoting global comparability and risk-sensitive disclosure practices across jurisdictions

Context

- The BCBS explored using **Pillar 3** to promote **consistent climate risk disclosures** across internationally active banks. As part of this work, in November 2023, the BCBS published the **Consultative Document on the Disclosure of Climate-related Financial Risks**, as part of its efforts to explore how a Pillar 3 disclosure framework could strengthen the regulation, supervision and practices of banks worldwide, with the ultimate goal of enhancing financial stability.
- In June 2025, the BCBS published the **final version** of the **voluntary framework** for the **disclosure of climate-related financial risks by banks**, reflecting input received during the consultation process.

Main content

Disclosure of qualitative information

The BCBS is seeking input on the disclosure of qualitative information by banks regarding their **governance, strategy, risk management and concentration risk management** regarding climate-related financial risks.

Disclosure of quantitative information

The BCBS proposes the **disclosure** of a **number of metrics** in the form of **templates**, such as exposures and finance emissions by sector, exposures subject to physical risk by geographical area, mortgage exposures by energy efficiency level and emissions intensity per physical output and sector.

Qualitative information on climate-related financial risks

Table CRFRA

Qualitative info. on governance, strategy and risk management

Table CRFRB

Qualitative info. on transition, physical and concentration risk management

Quantitative information on climate-related financial risks

Transition risk

Template CRFR1

Exposures and financed emissions by sector

Template CRFR3

Real estate exposures in the mortgage portfolio by energy efficiency level

Template CRFR4

Emission intensity per physical output and by sector

Physical risk

Template CRFR2

Exposures subject to physical risks

Scope

- **Mandatory** when **required** by **CAs** (Competent Authorities. National supervisors at jurisdictional level).

Next Steps

- Although the **framework** is **not binding** and **no specific implementation date** has been set, the **BCBS** will monitor **relevant developments**, including **implementation** of other **reporting frameworks** and **disclosure practices** by internationally active banks in member jurisdictions, and consider whether any revisions to the framework would be warranted in future.

Access to Document

2 Disclosure requirements
Table CRFRA

Long name: 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.

Content | Qualitative information	**Frequency |** Annual	**Format |** Flexible

Banks must describe:

Governance	Strategy and risk management[1]
• Governance structure responsible for **oversight**, including a breakdown of responsibilities as reflected in policies. • Board ensuring of appropriate **skills and competencies** to oversee related strategies. • **Board reporting**: How and how often • How climate-related financial risks are **considered** when overseeing the bank's **strategy**, its decisions on major transactions, and its risk **management processes** and related **policies** • **Management's role** in the governance processes, controls and procedures used to monitor, manage and oversee climate-related financial risks (delegated vs supporting functions).	• Climate-related financial risks that could **reasonably be expected to affect the bank's prospects** should be identified and classified as physical or transition risks, specifying whether they are expected to materialise in the short, medium or long term, based on the bank's internal planning horizons. • **Current and anticipated effects on business model and value chain**: description and concentrations • **Effects** of **material climate-related financial risks** on the **bank's strategy** and decision-making and plans to respond to material climate-related financial risks • Current and anticipated effects on **financial position, financial performance and cash flows**. • **Climate resilience** of strategy and business model to climate-related changes, developments and uncertainties. • **Processes and related policies used to identify, assess, prioritise and monitor climate risks** (data sources, climate scenario analysis, materiality criteria). • The extent to which and how the processes for identifying, assessing, prioritising and monitoring climate-related financial risks are **integrated into and inform the overall risk management process**.

1. Strategy and Risk Management were previously addressed as separate areas; in the final version they are combined, but this change does not affect the substance of the requirement.

2 Disclosure requirements
Table CRFRB

Long name: 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.

Content | Qualitative information	**Frequency |** Annual	**Format |** Flexible

Banks must describe:

Transition risk[1]	Physical risk	Climate-related concentration risk
• **Details** of the **methodology** used to determine which **exposures** are subject to the **impact** of **material transition risk** comprising: • The **underlying criteria** used to determine the impact of the transition across sectors; • The **time horizons** and approaches such as **scenario analysis** used to assess transition risks; • **Qualitative information** that reflects the extent to which the bank's financing is supporting clients in climate change mitigation and adaptation.	• Details of the methodology used to determine exposures subject to physical risk impacts: • Selected climate-related **chronic and acute events** • Criteria to determine the **geographical breakdown/ granularity** to assess the physical risk stemming from each climate-related event • **Sectoral considerations** made in line with the bank's portfolio • **Time horizons and scenarios** • Exposure subject to physical risk assignment, based on the **geographical location of the activity** of the counterparty	• Potential effects of exposures to counterparties associated with **high transition or physical risks** on the bank's overall risk and financial performance; • Process(es) in place to identify **vulnerable concentrated exposures** and assess the likelihood and effects associated with such risks; • Monitoring of exposures concentrated within sectors or geolocations • Effects on **strategy and decision-making**, including how the bank is responding to and mitigating climate-related concentration risks.

1. The final version replaces the previous focus on instruments and types of financed project with a description of the methodology used to identify exposures subject to material transition risk (criteria, time horizons, scenario analysis), while retaining the qualitative disclosure on support for clients' mitigation and adaptation efforts.

2 Disclosure requirements
Table CRFR1

Long name: 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.

Perimeter | Corporates and retail SMEs; loans, debt securities and equity instruments in the banking book

Accompaning narrative | Qualitative information about sectors materiality assessment; non-performing exposure criterion; finance emissions methodology and sources; any significant changes over the reporting period and the key drivers of that changes.

Content | Quantitative information

Frequency | Annual

Format | Fixed (columns) & flexible (rows)

Classification by sector according to the **Global Industry Classification Standard (GICS) with a 6 or 8-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).

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o
		On-balance sheet items														Off-balance sheet items
		Gross carrying amount			Allowances		Maturity					GHG financed emissions				
		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	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
1	**Sector**															
2	**Industry group**															
3	**Industry**															
4	Sub-industry															
...	...															
	Other sectors															
TOTAL			100													

2 Disclosure requirements

Table CRFR2

Long name: 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.

Perimeter | Corporates and retail SMEs; loans, debt securities and equity instruments, as well as loans collateralised by residential or commercial immovable property in the banking book

Accompaning narrative | Details of the methodology used to determine which exposures are subject to the impact of climate change physical risk; any significant changes over the reporting period and the key drivers of that changes

Content | Quantitative information

Frequency | Annual

Format | Fixed (columns) & flexible (rows)

		a	b	c	d	e	f	g	h	i	j
		Gross carrying values			Allowances/impairments		Residual maturity				
		Total	%	Of which: non-performing exposures	Total	Of which: non-performing exposures	<= 5 years	> 5 years <= 10 years	> 10 years <= 20 years	> 20 years	Average weighted residual 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								

2 Disclosure requirements
Table CRFR3

Long name: Transition risk – real estate exposures in the mortgage portfolio by energy efficiency level

Purpose | To break down banks' gross carrying amount by **level of energy efficiency** of the underlying collateral.

Perimeter | Loans collateralised by residential or inmovable property, and collaterals obtained by taking possession.

Accompaning narrative | 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; any significant change over the reporting period and the key drivers of such changes.

Content | Quantitative information

Frequency | Annual

Format | Fixed (rows) & flexible (columns)

Real estate (RE) exposures and collateral in the mortgage portfolio may be **subject to transition risk as jurisdictions implement legislation to reduce RE greenhouse gas (GHG) emissions**.

Disclosure of this metric could assist market participants in assessing 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 RE assets to make them less carbon-intensive or more energy efficient, depending on jurisdictional requirements.

		a	b	c	d	e	f	g	h
		Total gross carrying amount	Level of energy efficiency						Without energy efficiency measurement
			0; <= 100	> 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								

2 Disclosure requirements
Table CRFR4

Long name: 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 targets based on sector-specific policies.

Perimeter | Corporates and retail SMEs

Accompaning narrative[1] | Qualitative information on the materiality assessment of sector exposures. For banks without targets: plans to implement estimation and disclosure methodologies. For each intensity metric: i) methodology used to attribute absolute emissions and/or emissions intensity to banks' financing, including exposure amounts and emission scopes (1, 2, 3); ii) geographies and sub-sectors covered. Significant changes over the reporting period and key drivers.

Content | Quantitative information

Frequency | Annual

Format | Fixed (columns) & flexible (rows)

Higher emission-intensity loan portfolio in sectors that may be exposed to transition risks, could have a higher climate-related financial risk from changes to, among other things, carbon taxes and other policies, technology and market and investor preferences or exclusions.

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

		Reporting year			Targets					
		a	b	c	d	e	f	g	h	i
		Gross carrying values	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 value (year A)	GHG intensity metric per physical output (year B)	GHG intensity metric per physical output value (year B)	PiT distance	PiT distance reference year
1	**Sector**									
2	**Industry group**									
3	**Industry**									
4	Sub-industry									
...	...									
	TOTAL									

1. In the consultative document, banks were expected to supplement the template with a narrative commentary explaining, for each intensity metric, the benchmark used for setting forecasts. This requirement has been removed in the final version.

3 Why Management Solutions?
Key aspects and differential value

At MS we are specialists in both Sustainability and Regulatory Reporting, with knowledge of best practices in different industries and geographies, mobilising a team with extensive experience in the field

ESG

- ✓ **Large experience in projects** developed **in the field of Sustainability**, focusing on diagnosis and development of information models supporting management and regulatory reporting, development of models, strategic plans, adaptation to regulatory requirements, etc
- ✓ **Exhaustive knowledge of ESG regulation**, with a **Regulatory Observatory** specialising in sustainability requirements, including regulatory exercises (e.g. Pillar 3 ESG, climate stress tests).
- ✓ **R&D team specialised** in the definition and implementation of **climate risk measurement solutions** in different fields (physical risk, transition risk, portfolio alignment) used as accelerators in different projects.
- ✓ **Reference consultant for the World Bank**, maintaining a partnership through the IFC-Green Banking Academy in internal training and training for financial institutions in Climate Change Risk Management.
- ✓ **Member of the Social Impact Chair of internationally renowned universities** to promote training and development of social impact measurement methodologies.

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Data Governance & Regulatory Reporting

- ✓ **Extensive experience in Data Transformation and Data Governance projects** in different industries (banking, insurance, energy, Telco, Retail, ...), considering the architecture, quality, data governance, etc.
- ✓ **Multidisciplinary team** with relevant experience in Regulatory Reporting and **Governance and Quality** projects.
- ✓ Capacity for **technical and functional challenge** through in-depth knowledge of **data management.**
- ✓ Our value proposition relies on a **specialist, cutting-edge R&D** team with centres of excellence in the field of modelling.
- ✓ **Independent view of any supplier,** collaborating with leading suppliers in these areas.

General capabilities of Management Solutions

- ✓ **Leadership in business consultancy with a presence in +50 countries, through 50 offices, which gives us a global vision at world level, fundamental in this field.**
- ✓ **Proven commitment and delivery capacity (agile but high-value deliverables) and compliance with committed deadlines.**
- ✓ **Unique partnership model which facilitates our benchmarking capability.**

Management Solutions
Making things happen

International
One Firm

Multiscope
Team

Best practice
know-how

Proven
Experience

Maximum
Commitment

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