March 14, 2024

Secretariat of the Basel Committee on Banking Supervision
Bank for International Settlements
CH-4002 Basel, Switzerland

Japanese Bankers Association

JBA comments on the BCBS Consultative Document: "*Disclosure of climate-related financial risks*"

Dear Basel Committee members:

The Japanese Bankers Association[1] (JBA) appreciates the opportunity to provide our comments on the Basel Committee on Banking Supervision's (BCBS) Consultative Document: "*Disclosure of climate-related financial risks*"[2] (hereafter "the consultation") released on November 29, 2023. We hope the following will contribute to further consideration in the BCBS.

General comments

- **In responding to the consultation proposals, we have revisited the objectives of Pillar 3 of the Basel Framework.**
  - According to the Basel II framework, **the purpose of Pillar 3 of the Basel Framework is to provide a market discipline and complement to minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2).**
  - Also, **the BCBS standards include the following guiding principles for Pillar 3 which we understand it is important when introducing new standards: Clarity, Comprehensiveness, Meaningfulness, Consistency over time, and Comparability across banks.**

- **The consultation proposals do not indicate its relevance with the objectives of Pillar 3 and are inconsistent with the above BCBS guiding principles.**
  - The Pillar 3 framework should enhance a market discipline and transparency regarding any material risk-related information relevant to the market participants to reduce information inequality and ensure comparability of the data disclosed among banks and jurisdictions.
  - The proposal does not explain how the proposed disclosure requirements and/or templates are related to the objectives of the Pillar 3 framework: providing a market discipline about the impact of climate-related financial risks on bank capital adequacy and risk exposure.
  - Also, the proposal contains numerous requirements beyond BCBS member's core mandates or beyond the objectives of Pillar 3. For example, it proposes banks to disclosure their "strategies" with respect to climate change and the net zero transition.

- **The proposed Pillar 3 standards for climate-related financial risks are inconsistent with the BCBS's "Principles for the effective management and supervision of climate-related financial risks" (hereafter "BCBS Climate Principles") published in June 2022. It is important to approach climate-related financial risks as a risk driver of traditional financial risks instead of newly added standalone risk in line with the BCBS Climate Principles.**
  - The BCBS Climate Principles concluded that climate-related financial risks can be a driver of traditional financial risks (such as credit, market, or operational, etc.), rather than a new risk category of its own.

[1] The Japanese Bankers Association is the leading trade association for banks, bank holding companies, and bankers associations in Japan. As of March 14, 2024, the JBA has 114 Full Members (banks), 3 Bank Holding Company Members (bank holding companies), 76 Associate Members (banks & bank holding companies), 50 Special Members (regionally-based bankers associations), and one Sub-Associate Member for a total of 244 members.
[2] https://www.bis.org/bcbs/publ/d560.pdf

- Nevertheless, this consultation proposes to introduce a several new, standalone templates for banks to disclose climate-related financial risks apart from the context of the transitional financial risk types, which contradicts with the BCBS Climate Principles.
- Before imposing new Pillar 3 requirements on banks, the BCBS should substantiate how the proposed disclosure will contribute to achieve the Pillar 3 objectives and clearly explain how the BCBS views this disclosure is related to a driver of the traditional risk types with respect to capital adequacy.

● **It is extremely important for the BCBS to consider in specific terms that the transmission mechanisms from climate-related risks factors which affect the real economy to the impact on financial risks facing a bank. Not limited to Pillar 3, the BCBS should be mindful not to hinder transition finance to certain sectors or regions under the guise of "risk management" throughout the entire prudential framework. This is not about a micro question of which items should be included or should not be included in the BCBS's climate-related disclosure framework, but a more fundamental matter of underlying philosophy for the BCBS and regulators should have as they develop, implement, and operate the prudential frameworks.**

- While climate-related risks (physical and transition risk) for banks' customers may be one of the elements to be captured in banks' risk management frameworks, not all these risks will materialise as financial losses for banks.
- When and how much such risks will materialise as banks' financial risks depend on numerous factors, including, customers' footprints and business models, maturity dates of such risks in banks' balance sheets, risk mitigation measures such as collateral or insurance, etc. the BCBS should not ignore or oversimplify these complex dependencies.
- For example, in the proposal, the BCBS insists that financed emissions can be seen as proxy of banks' transition risk. **Financed emission is not a tool to measure or evaluate banks' transition risks**, though it can be useful for banks' target-setting and understanding where banks stand in the context of net-zero transition.
- This is because financed emissions are calculated by multiplying the actual GHG emissions in the real economy and attribution factors (i.e., Debt/Equity Ratio and bank share), and so decrease of financed emissions does not necessarily mean decrease of actual emissions in the real economy (i.e., fundamental risk factor for climate change).
- Similarly, facilitated emissions may not represent banks' transition risk. Based on the PCAF standard, the formula for facilitated emissions for a listed company is "GHG emissions of issuer × (facilitated amount / (market capitalization+ total debt)) ×33％ ". Therefore, facilitated emissions can fluctuate by market factors such as changes in market capitalisation and the momentum of the primary market, which may not be necessarily relevant to decrease or increase of actual GHG emissions in the real economy.
- Even if financed emissions or facilitated emissions precisely mirror actual GHG emissions in the real economy, just because customer A and B populates produce same amount of GHG emissions does not mean that the climate-related risks for those customers will materialise as financial risks for banks in the same way or at the same time.
- The BCBS should well note that overly simplifying the issue of comparability may end up in misinterpretation and misuse of information disclosed by banks, but also in ineffective or inappropriate risk management.

● **The prudential framework should be risk-based and evidence-based. The scope of disclosure requirements in the prudential framework should be limited to items strictly tied with the Pillar 3 objectives of market discipline with respect to capital adequacy and risk exposures.**

- The objectives of corporate disclosure frameworks (such as the ISSB) will not be the same as disclosure frameworks in the prudential framework. Therefore, the BCBS does not need to duplicate the corporate disclosure requirements in a Pillar 3 context.
- As concluded in the NGFS's report "Capturing risk differentials from climate-related risks", the relationship between exposure to green or non-green assets and banks' financial risk remain unproved. In this situation, it is inappropriate to request banks to disclose financed emissions/facilitated as proxy of banks' transition risk.

- Also, we would like to recall the role of banks in addressing climate change and purpose of transition planning for banks.
- **Banks play a critical role in engaging with customers' (i.e., the real-economy companies') transition to more sustainable future.**
  - Unless GHG emissions in the real economy reach net-zero, the climate-related financial risk for banks will not disappear.
  - Banks will not drive the transition of the real-economy, however, will facilitate it through providing transition finance, and as a result, they can fundamentally reduce their climate-related financial risks.
  - Therefore, the prudential frameworks should not hinder such banks' efforts to mitigate the climate-related financial risks.

- **The transition plan for banks is a strategic exercise to realise sustainable future through supporting the real-economy companies, not solely developed for risk management purpose.**
  - Internationally, many banks have already voluntarily committed to net zero and are developing or have developed transition plans.
  - The transition plan is an initiative to achieve its own net zero by 2050, including sector-specific emission reduction targets, and is a tool for stakeholders to understand its net zero strategy and approach, as well as a tool to engage with customers.
  - In order to understand the risks for banks, it is necessary to consider the status and progress of global and national transition plans, the outlook for future achievements, as well as the possibility of losses in each bank's portfolio. **It does not simply capture risk from the bank's transition plan. The proposal could be misleading that it may sound the bank's transition plan will measure risk directly.**
  - Transition plans and net zero targets do not guarantee results, but the implementation of the plan determines the results.
  - **By actively engaging with the customers' transition while also managing risks appropriately based on their transition plan, banks can contribute to the realisation of a sustainable real economy and, as a result, contribute to the reduction of long-term climate-related financial risks.**

- **In order to essentially reduce climate risk, the BCBS is expected to create an environment where banks can support the transition of the real economy without being caught up in the increase or decrease of financed emissions. Specifically, we expect efforts to dispatch the right signals about how to capture financed emissions, improve the availability and reliability of data, and avoid fragmentation between jurisdictions regarding the framework for transition plans.**
  - The areas and sectors with high emissions, including Asia and the power and steel industries, are the ones that need transition finance the most. Also, because the transition to green takes time, providing **transition finance may increase the bank's financed emissions in the short term.**
  - While a large amount of funds are said to be needed for the transition, **the banks may not be able to provide funds to the places that need transition finance if financed emissions are simply considered as a risk within prudential regulation framework.**

- **As an alternative to the proposal or as the next step, we strongly recommend the BSBS to start with researching and analysing the data to identify truly beneficial and relevant elements for banks' financial risk in collaboration with banks, just like the Qualitative Impact Study.**
  - The BCBS should not view specific elements (e.g., financed emissions or facilitated emissions) as proxy of banks' transition risks and mandate banks to disclose them without conducting objective research and analysis. Omitting such processes are not only inappropriate, but also may undermine the core credibility of the prudential frameworks.
  - Banks are ready to pursue effective climate-related financial risk management with the BCBS, and in fact, many banks globally are already voluntarily disclosing their efforts on climate change, including risk management.
  - First and foremost, we strongly recommend the BCBS to start with identifying elements truly meaningful and relevant for risk management in collaboration with banks.

Our responses to the questions

<table>
<tr><th>Questions</th><th>Comments</th></tr>
<tr><td colspan="2">General</td></tr>
<tr><td>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?</td><td>(Benefits)
● As recognised in this consultation paper and in the existing reports published by the BCBS's Task Force on Climate-related Financial Risks (TFCR), the quantification of climate-related financial risks and its measurement methodologies are at a development stage. The NGFS report (Capturing risk differentials from climate-related risks, 29 May, 2022) also concluded that there is still limited evidence of ex-post risk differentials between green and non-green assets or activities. In this context, it is of some significance that the BCBS starts with identifying the effective disclosure requirements for risk management in a manner that supplements the disclosure under the ISSB Standards to enhance the availability and comparability of data required for the analysis of forward-looking data.
● Given that climate-related financial risks may have a significant impact on banks' business, there is some benefits for the BCBS to develop a disclosure framework on climate-related financial risks from a perspective specific to the prudential framework for banks, which is not necessarily covered by the ISSB standards, to promote comparability of banks' risk profiles and help banks improve their analytical skills for such climate-related financial risks and improve the soundness of business within and across jurisdictions, from a market participants' perspective.

(Challenges)
● It is essential that the disclosure framework is appropriately designed after explaining the relationship between each metric required to be disclosed and risks such as credit and market. In particular, the relationship between quantitative metrics and climate-related financial risks is unclear and therefore may cause confusion. We understand that this proposal is made separately from the Pillar 1 and Pillar 2 frameworks. If so, the BCBS should specify in advance how supervisors will use the disclosed data. In a situation where the specific method of using data by supervisors is not clearly stated, it is unclear for banks what data should be collected and disclosed.
● Despite the lack of established measurement methodologies for climate-related financial risks and the lack of established relationship between green and non-green exposures and risks, the proposed quantitative disclosure requirements are based on the assumption that financed emissions are a risk proxy (the BCBS's quantitative templates rely on financed emissions as a measure of transition risk: "Emissions by obligors could be considered an indicator of their transition risk" page 5). This may create unintended consequences and undue burdens for banks.
· Impeding the understanding that a shortage of transition finance itself is a risk
· Banks' temporary increase in financed emissions due to transition finance may be deemed "high risk" and may hinder transition finance
· An increase in banks' reputational risks</td></tr>
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Questions	Comments
	・ Adverse impact on supervisory evaluation of banks ● **As an alternative to the proposal or as the next step, we strongly recommend the BSBS to start with researching and analysing the data to identify truly beneficial and relevant elements for banks' financial risk in collaboration with banks, just like the Qualitative Impact Study.** ● **Pillar 3 disclosure requirements should be limited to "where it is clear that the requirements are necessary to achieve the objectives of Pillar 3 and where disclosure under ISSB standards is insufficient". The BCBS should focus on identifying relevant data and developing data measurement methodologies.** ● Many banks currently measure and disclose emissions in line with guidance issued by private initiatives such as the Glasgow Financial Alliance for Net Zero (GFANZ) and Net-Zero Banking Alliance (NZBA), but only in priority sectors. **When supervisors request banks to measure emissions and their forecasts, if set, across all sectors, we believe that the framework is valuable if supervisors themselves sort out the relationship between emissions and climate-related financial risks firstly and then identify and collect data necessary to measure emissions and forecasts and provide banks with detailed guidance on measurement methodologies.** On the other hand, **if all data identification, collection, and measurement methodologies are left to individual banks, it is inevitable that disclosures across banks will vary,** and it will be effort-consuming and less meaningful. ・ From the perspective of international consistency and comparability in assessing materiality, a definition of material climate-related financial risks should be provided, including common assumptions such as perspectives of risk assessment and assumed scenarios.
Q2. What are the risks of a Pillar 3 disclosure framework for climate-related financial risks not being introduced?	● The ISSB has finalised its IFRS sustainability disclosure standards (IFRS S2 Climate-related Disclosures), including industrial guidance for commercial banks. Japan has been working on the development of their standards based on the ISSB standards. **Applying the ISSB standards will enable banks to identify data on customers' transition risks for their own risk management to a certain degree. Therefore, it is not considered that the lack of a Pillar 3 disclosure framework will lead to immediate risk.** ● If "data required for forward-looking analysis" is not included in the Pillar 3 disclosure requirements even disclosure under the ISSB standards is insufficient, the issue of availability and comparability of such data will remain unresolved. ● This framework may also increase market uncertainty and reduce the quality of investment decisions, making it difficult for supervisors to properly assess a bank's risk profile and risk management practices, which can hinder effective supervision and regulation.
Q3. Would the Pillar 3 framework for climate-related financial risks help market participants understand the climate-related	● While we consider that the Pillar 3 framework will help market participants understand the status of banks' management of climate-related financial risks, there are many items that overlap with existing disclosure items under the TCFD Recommendations. Further, **with the recent legislative development of the ISSB standards based on**

Questions	Comments
financial risk exposures of banks and how banks are managing these risks?	**the TCFD Recommendations, the benefit of mandatory disclosure under the Pillar 3 is not significant from a perspective of comparability across banks.** ● At this stage where **no measurement methodologies for climate-related financial risks have been established and the relationship between green and non-green exposure and risk has not been established, the proposed disclosure requirements are based on the assumption that the risk is equivalent to financed emissions, which may cause unintended consequences and undue burden on financial institutions, such as:** ・ Impeding the understanding that a shortage of transition finance itself is a risk ・ Banks' temporary increase in financed emissions due to transition finance may be deemed "high risk" and **may hinder transition finance** ・ An increase in banks' reputational risks ・ Adverse impact on supervisory evaluation of banks ● If information to be disclosed is too technical, it may be difficult for market participants to understand, and if data provided lacks objectivity, the effect may be limited. ● Other concerns include the possibility that banks that analyse and disclose scenarios more precisely may appear to be exposed to more risks, and that market users may make a comparison without fully understanding that calculation methods and assumptions differ among banks. It is therefore necessary to provide supplementary explanations on calculation methods and assumptions, and to improve the maturity of market users. ● While an appropriate design of the Pillar 3 framework would improve understanding, the current design may lead to further misunderstanding.
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?	● **Pillar 3 disclosure requirements should be limited to "where it is clear that the requirements are necessary to achieve the objectives of Pillar 3 and where disclosure under ISSB standards is insufficient" in a manner to avoid duplications as much as practicable.** In this regard, **the purpose of additional disclosure requirements unique to the BCBS not covered in the ISSB standards should be clarified in relation to the objectives of Pillar 3.** ・ **It should be noted that the BCBS has a different role for the ISSB, and therefore, even if the information disclosed by banks in ISSB and Pillar 3 is identical, what the disclosures imply is quite different.** ・ As expanding the scope and requirements of disclosure would be unduly burdensome for banks, each bank could identify and disclose material items based on the "comply or explain" approach as possible solution. ● In developing new climate-related financial risk disclosure standards that differ from standards established by other standard setters such as the ISSB, the BCBS should be aware that the burden of providing immaterial information and the difference between the ISSB standards and the BCBS requirements may hinder market participants' understanding of a bank's risk portfolio. It should also take into

Questions	Comments
	account significant operational burden on banks in addressing different disclosure standards, and **should seek to interoperate with other standard setters where possible if the BCBS, in terms of understanding the risk profile of banks, were to set the same disclosure requirements as other standard setters**. ・ Interoperability can be ensured if the relationship between concepts and approaches used by other standard setters and those used by the banking industry and supervisors is organised and the relationship between these are clarified. ・ **The BCBS should establish a Pillar 3 disclosure framework after ensuring that it is consistent with other international standards. Disclosure requirements similar to the ISSB standards should be able to cross-reference to the disclosure under the ISSB standards.** ・ The proposal is not interoperable with disclosures related to target setting and progress management as implemented in the NZBA and TCFD frameworks.
Q5. Would there be any unintended consequences of a Pillar 3 framework for climate-related financial risks? If so, how could these be overcome?	(Potential impact on transition) ● What is important in responding to climate-related challenges is to understand the consequences of individual economic agents' behaviour on the entire economy. Unlike financial stability in the narrow sense (i.e., to ensure the stability of the entire financial system by controlling risks and maintaining soundness), this is an area in which all economic agents need to take actions proactively. In light of this, a disclosure framework giving an impression that taking actions are exposing companies to risks even for areas where taking no actions lead to risks would rather have an adverse effect. ● As it is essential for banks to properly identify and manage climate-related financial risks in order to ensure the stability of the financial system, it is appropriate for banks to disclose material risks. On the other hand, from the perspective of maintaining the stability of the financial system also in the medium to long term, it is necessary to continue to provide adequate transition finance to prevent economic disruptions caused by the emergence of corporate transition risk. **Since the disclosure of climate-related financial risks under the Pillar 3 framework has a strong impact on the behaviour of banks, which are the main providers of transition finance, caution should be exercised against disclosure that may lead to a shrinking supply of transition finance.** ・ In particular, among the quantitative indicators proposed in this consultation paper, disclosure of exposures by sector, financed emissions, emission intensity by sector, facilitated emissions, real estate exposures in the mortgage portfolio by energy efficiency level, and trading book **could trigger divestments aimed at shot-term indicator improvement**. It could also be expected that excessive detail in disclosure of concentration risk could raise credit concerns through the bank's assessment of risks to a particular sector, company, country, or region. ・ Climate-related financial risks are not simply comparable across banks because the assumptions of each bank such as the scenario selection and sectors covered are different and there are no uniformed standards. If the BCBS framework focuses only on the aspect of "risk" management, this may lead to an undesirable situation where improving indicators becomes a short-term goal

Questions	Comments
	for banks. We are concerned that this incentive to improve indicators to be disclosed may give rise to problems associated with rejecting loan applications, the occurrence of bankruptcy of individual companies, and reputational risk arising from individual loans. ● In addition, **exposures by sector and financed emissions are indicators that are also required to be disclosed by the ISSB standards. However, it is necessary to take into account the size of the announcement effect on banks and market participants by regarding them as indicators that represent transition risk of banks by the BCBS.** ● To address these challenges, it is **necessary to have a mechanism to communicate to market participants without misunderstanding, for example, by clearly stating in the disclosure the structural issue that the provision of transition finance to reduce the occurrence of medium- to long-term transition risk may temporarily worsen the indicators, and the required disclosure items should be limited to those related to truly material risks.** ● As transition efforts of customers result in mitigation of medium-to long-term risks, **the disclosure of future risk mitigation prospect may provide a more accurate understanding of future transition risk**, and control hasty divestments aimed at a short-term indicator improvement.
Q6. What are your views on potentially extending a Pillar 3 framework for climate-related financial risks to the trading book?	● If the BCBC presents its approach on how climate-related financial risks should be monitored and assessed for assets held in the trading book that has different characteristics from the banking book and necessary data, and **the impact of climate change-related risks on market risks could be assessed, it would be meaningful to expand to the trading book**. Since, however, such approach is not presented, we consider that extending to the trading book is premature, and has little significance at this stage. ● The **trading book seeks for short-term trading profits from changes in interest rates and, due to its operational nature, has limited exposures to climate-related financial risks which are, by their nature, long-term risks.** ● If the Pillar 3 framework is extended to the trading book, there could be a significant loss of liquidity in markets such as government bonds, which could destabilise prices and run counter to the BCBC's financial stability objectives. **Therefore, it is not appropriate to include the trading book in the scope of this framework.** ● The expected role of banks is to utilise relatively long-term relationships with customers and encourage reductions of emissions through engagement. From this point of view, it is natural to target the banking book. However, including the trading book in the scope will complicate management and therefore should be avoided.
Q7. What are your views on the proposed methodology of allocating exposures to sectors and geographical locations subject to climate-related financial risks?	(General) ● Classifying exposures by sector and geographical region or location will help the identification and assessment of climate-related financial risks, but this may complicate the classification approach of sectors and regions and definitions. Given the situation where specific data and information may be insufficient and data and measurement methodologies have not been established, the classification of

Questions	Comments
	exposures used as a starting point of climate-related financial risks may have many challenges. It is therefore important to adopt an approach that fully considers the characteristics of each sector and region. ● If “a sector is classified by the GICS code" and "geographic location is determined by national regulators," we believe that comparability across banks in the same jurisdiction would be enhanced. However, to ensure comparability between different jurisdictions (e.g., EU and Asia), climate-related financial risks should be assessed on a uniform scale across jurisdictions. Disclosure without a uniform scale may unfairly under/overstate certain jurisdictions. (Classification by sector) ● As some banks do not aggregate and manage their exposures by sector according to the GICS codes, disclosures by other industry categories should be allowed. In particular, if industry codes other than GICS codes are permitted based on regionality in the disclosure of statutory disclosures that reflect the requirements of the ISSB standards and in the disclosure of industry indicators in the existing Pillar3 framework, it is requested that similar measures be taken. If disclosure is permitted in other sector classifications, since other disclosure standards, such as the ISSB standards and the CSRD, also require exposures by industry, the BCBS should coordinate with other standard setters to allow disclosure in other sector classifications under other disclosure standards, in order to avoid excessive disclosure burden on the banking industry. (Classification by geographical region or location) ● With respect to classification by geographical region or location, it should also be noted that the types and impacts of climate-related financial risks faced even within the same region vary. Data on the location of the principal business is not always available, particularly for holding companies, and it is reasonable to assume that there may be vulnerable areas for physical risks other than the location of the principal place of business for suppliers with dispersed operations. We therefore request that a sufficient transition period be provided for the implementation.
Q8. What are your views on which elements should be made subject to national discretion and which should be mandatory? Why?	(General) ● **It is understandable that disclosure is mandatory for areas with an established methodology, as comparability is considered to be ensured.** ・ In such cases, however, the level of disclosure requirements should be within a reasonable extent. ● However, **elements for which the current methodology has not been established and therefore to be disclosed based on each bank's interpretation and definition or those whose materiality varies across jurisdictions are not necessarily comparable, and should be determined based on factors such as the significance of disclosure in each country, availability of data and burden on banks.** In particular, **with regard to the quantitative elements,** the availability of data differs from country to country (mandatory corporate disclosure on climate change, as in Europe, has not been standardized globally), **so at this point, some aspects must be left to the discretion of each country. However, given that each bank**

Questions	Comments
	manages climate-related financial risks on a group-wide basis, including overseas subsidiaries and branches, variations among countries should be kept to a minimum. It is not desirable to have subtly different templates for each country as a result of allowing national discretion. (Specific requirements) ● For example, energy efficiency level information is not standardised and widely available to source in Japan as opposed to in other jurisdictions such as Europe. Further, it is considered appropriate to allow national discretion for the energy efficiency of real estate collateral, as the likelihood of a direct impact on real estate values is not necessarily high at this stage.
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?	● Mandatory disclosure without an organised climate change-related transition plan and a relationship between targets and risks may cause misunderstanding by market participants, which may lead to litigation risks due to the content of the disclosures. ● As GHG emissions data are not uniformly accurate, it is important to recognise that banks may be required to make disclosure based on such uncertain data. If new disclosure requirements are established based on such uncertain data, potential ESG legal risks may increase as factors which may lead to lawsuits increase.
Q10. Would the qualitative and quantitative requirements under consideration need to be assured in order to be meaningful? If so, what challenges are foreseen?	● While we recognise the growing importance of disclosing non-financial information, including sustainability, **details of assurance standards, such as reasons for requiring assurance and the scope, should be clarified. Since currently there are no established standards, it is premature to require banks to obtain third-party assurance, and non-financial disclosures should be reviewed in banks' internal management process** (for example, requiring the signature of a director included in disclosure documents after a decision by an appropriate body). ● While we recognise that, for some disclosures, obtaining assurance may be preferable for both market participants and disclosing entities, data on non-financial disclosures are more difficult to collect than those of financial disclosures because the process for obtaining assurance is not well established and it takes a long time to obtain assurance. (For example, with respect to the actual figures of exposures and financed emissions, we believe that third-party assurance is meaningful. On the other hand, for disclosure elements that require judgment by banks, such as forward-looking statements, we think it is not meaningful because it depends on how assumptions are made, and the appropriateness of the assumptions is assumed to be difficult for third parties to assess.). In addition, obtaining third-party assurance for each disclosure would place a heavy burden on banks, and may cause delays in terms of timely information disclosure because obtaining assurance at the same time as financial information is extremely difficult due to the resource constraints of third-party assurance providers. **Therefore, sufficient time should be allowed to obtain assurance, and limited assurance, rather than reasonable assurance, should be allowed after limiting the items for which assurance is required.**

Questions	Comments
	● While establishing an internal control system and maximising the use of internal auditors may be a solution, capacity building is likely to take time due to limited experience compared to conventional risks and therefore the scope of assurance should be expanded in phases in the future.
Qualitative disclosure requirements	
Q11. What are the benefits of the proposed qualitative Pillar 3 climate-related financial risk disclosure requirements?	● **The qualitative disclosure will clarify risks that cannot be captured solely by figures and can address the issues in the quantitative risk measurement, such as data availability and comparability.** Since there is no established assessment methodology, in particular for physical risk, there is more concern that standardising quantitative disclosures will lead to comparisons between those that deviate from the actual state of risks. The stable supply of funds to high-risk regions and sectors is an important role of banks, and quantitative disclosure of "concentration risk" in particular should avoid impeding this role. In this sense, **the role of qualitative disclosures is very important in terms of minimising the risk of misinterpretation by quantitative disclosures**. ● Further, the qualitative disclosure will enable the disclosure of qualitative aspects of risks, such as how banks forecast impacts of future climate change and what uncertainties they face, and disclosing their risk management initiatives to the market can enhance the reliability of such information.
Q12. Should the proposed qualitative Pillar 3 climate-related financial risk disclosure requirements be on a mandatory basis to facilitate comparability across banks?	(General) ● Among the qualitative requirements proposed in this consultation paper, **the governance, strategy, and risk management items required to be disclosed by the ISSB standards are expected to be included in mandatory disclosure in the future in many jurisdictions. It is therefore not meaningful to mandate them in the Pillar 3 framework. Should the BCBS decide to mandate them, from the perspective of reducing the burden on banks due to duplication of work, it is recommended that the disclosure of the above items in this framework be optional for those items that are already required to be disclosed.** ● While requiring specific disclosures to facilitate comparability would be reasonable, we recognise that **the measurement methodologies of climate-related financial risks, including the measurement method of future projections, has not been established. Therefore, flexibility should be allowed in the level of disclosure based on the status of responses by each company**. It is desirable to ensure a certain degree of flexibility through qualitative disclosures, as practices for managing and disclosing climate-related financial risks are still developing, and from the perspective of being able to reflect the diverse responses to climate change due to possible differences in climate change impacts in different jurisdictions and business models of different banks. On the other hand, guidance should be provided to ensure comparability when it is proposed as mandatory. (Specific requirements) ● **There is no established concept of the relationship between emissions and transition risk, or of concentration risk**, and it is difficult to sufficiently perform analyses due to data availability.

Questions	Comments
	Therefore, the impact of mandatory disclosure of such matters is unclear. Thus, **it should not be mandatory**.
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?	● We understand that both Table CRFRA and Table CRFRB include forecast data. Since strategies are based on the ability to forecast the future, there is a challenge in developing strategies to the same extent for all sectors and regions. As we recognise that **the measurement methodologies of climate-related financial risks, including the measurement method of future projections, has not been established, flexibility should be allowed in the level of disclosure based on the status of responses by each company**.
Q14. What additional qualitative Pillar 3 climate-related financial risk disclosure requirements should the Committee consider?	● There are no disclosure items to be added at this time, but opinions from users should be considered in considering any additional disclosure requirements. ● After the introduction of the ISSB standards, if there is a lack of information in the practice of bank supervision, the BCBS should consider any additional requirements. The BCBS should also consider approaches other than requiring disclosures, such as collecting individual data.
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?	(General) ● While we understand the need for certain qualitative disclosures at this stage, where there is no unified measurement methodologies for climate-related financial risks and where the relationship between green and non-green exposures and risks has not been established, we should ensure the timeliness and reliability of disclosure information by periodically reviewing the content of the qualitative disclosure requirements as the information necessary for forward-looking analysis is identified in the future. ・ Since the assessment of climate-related financial risks by banks is extremely difficult, the BCBS should consider measures to inform information users that the accuracy and appropriateness of such disclosures is limited to avoid the risk of future litigation arising from misstatements. ● The ISSB standards should be implemented first, and the enhancement or modification should be considered in the bank supervisory practice. The BCBS should also consider approaches other than requiring disclosures, such as collecting individual data. ● To provide market participants with a concrete understanding of banks' risk management practices, it may be useful to provide case studies and examples that illustrate banks' climate-related financial risk management approaches and outcomes. (Transition plan) ● Banks and companies should not be required to disclose information which is broader than that required under the ISSB standards as transition planning serves as a strategy to achieve goals of net zero which are voluntarily set and its purpose is not risk management. (Concentration risk) ● We understand that concentration risk is important in understanding a bank's climate-related financial risk profile. However, it is necessary to also discuss the possibility that the avoidance of concentration by all banks may result in increased climate-related risks. ● Further, if the methodologies and criteria for determining exposures

Questions	Comments
	differ across jurisdictions and banks, the methodologies and criteria need to be clearly defined, not only because comparability across banks cannot be ensured, but also because disclosure of this item may impede market participants' proper understanding of a bank's risk profile.
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?	● If the Pillar 3 framework requires the disclosure of the data that is not required by the ISSB standards or that is of a higher granularity than the ISSB standards, the BCBS needs to more clearly explain the reasonableness of such requirements.
Quantitative disclosure requirement	
General	
Q17. What are the benefits of the proposed quantitative Pillar 3 climate-related financial risk disclosure requirements?	● So long as there is an understanding by users of the prerequisites and calculation methodologies are unified, quantitative disclosures can be useful to market participants because they enhance comparability and can be used to estimate financial impacts. ● However, to avoid misuse through misinterpretation of numerical values, **the intent and positioning of information disclosed should be clarified**, including whether the items are simply comparable across banks.
Q18. Should the proposed quantitative Pillar 3 climate-related financial risk disclosure requirements be on a mandatory basis to facilitate comparability across banks?	● **We strongly oppose making quantitative requirements mandatory in the absence of evidence of a link between the proposed disclosure requirements and the objectives of the prudential framework.** ● **In practice, it is difficult to make all quantitative disclosure requirements mandatory in the absence of a clear link between the proposed disclosure requirements and risks**. ● Currently, data availability is limited, and poor disclosure may lead to misleading and, in some cases, error and litigation risks. ● The cost of compliance with disclosure is very high. Banks would **need considerable time and workload to establish a mechanism to measure and collect necessary data** to meet the proposed quantitative disclosure requirements and **to disclose information by ensuring reliability and completeness**. Further, it is difficult for all banks to take actions uniformly for compliance with the requirements, **such as the establishment of an organisational structure and system development.** ● Therefore, the BCBS should **implement the proposed quantitative disclosure requirements on a voluntary basis for the time being, and when disclosure practices under the ISSB standards have developed, the BCBS should perform a cost-benefit analysis of disclosure and decide whether to make it mandatory**. ● When doing so, the BCBS **should not uniformly make all items mandatory, and instead should only mandate those disclosure items that are recognised as comparable and useful (e.g. disclosure items that leave little room for judgmental intervention, such as actual values) and make other disclosure items voluntary**.

Questions	Comments
	● If the BCBS is to decide to mandate the quantitative disclosure, the disclosure requirements should be aligned with the minimum line of disclosure requirements on a global basis since the level of disclosure requirements may differ across jurisdictions. Also, guidance on matters such as the definition of classification, assumptions, and calculation methods needs to be provided.
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?	(General) ● **The main problem is that, as stated in the general comments above, it is not shown how this disclosure framework contributes to the achievement of the objective of Pillar 3, and there is no way to determine whether this disclosure framework is a meaningful exercise in terms of the prudential framework.** ● **The relationship between the proposed quantitative indicators and climate-related financial risks is unclear**. **First of all, the appropriateness of their assumptions should be demonstrated and then adjustments should be made to the disclosure requirements so that they will accurately reflect the banks' risk profile**. ● We believe that **the lack of established criteria and assessment methodologies is an important issue, in particular for quantitative disclosure.** Regarding climate-related financial risks, there are many items that are calculated by each bank under certain assumption and some items that are difficult to compare horizontally due to high uncertainty. To overcome this, **it is necessary to for standard setters and national supervisory bodies to provide some benchmarks, such as common methodologies and identification of high-risk sectors/high-risk regions.** It is also important to provide education or guidance to support the interpretation and use of quantitative information. ● It is expected that the BCBS will provide clear policies etc. to be applied when assumptions are used. ● Since the new rules require responses to be made within a very short time frame (from the end of the fiscal year to disclosure), there is an issue with the accuracy of the figures. Since banks will also need to strengthen their systems and processes for data collection and management, **it is also necessary to establish unified rules and frameworks for data collection**. In some cases, banks have no choice but to disclose data using provisional values (e.g., emissions of a customer one year ago). In such cases, it is necessary to devise a way to avoid misinterpretation by users of the fact that the base year of data differs from the disclosure period. Also, the base year may differ from bank to bank, making side-by-side comparisons difficult. (Scope of disclosure) ● **Aggregation at the highest level of consolidation is a challenge. We request that the scope of disclosure be limited to major banks under the consolidation.** (Financed emissions) ● In the proposal, the BCBS insists that financed emissions can be seen as proxy of banks' transition risk. **Financed emission is not a tool to measure or evaluate banks' transition risks**, though it is an indicator that can represent the efforts to decarbonise associated with banks' investments and loans. **We expect the BCBS to dispatch the right signals about how to capture financed emissions.**

Questions	Comments
	● Even if financed emissions were to be used as one of the reference indicators, the accuracy of the measurement of financed emissions needs to be improved. Currently, the disclosure of emissions data by companies is inadequate and the workload for banks to collect data is very high. It is also difficult for obligors to collect emissions data in a consistent manner, and it is currently impossible to obtain highly accurate data. The current financed emissions estimation has some limitations in accuracy and may be misleading to users. There are limits to what can be requested from the banks in promoting disclosure, and we believe that it is necessary to promote it as a national system/regulation. ・ Data availability and speedy disclosure are important. Mandatory disclosure of emissions to companies for speedy collection of information on emissions by obligors is necessary (Disclosure at the same timing as financial results is desirable). In particular, since measurement of emissions is voluntary for non-listed companies, there is a limit to the efforts of a single bank in requiring disclosure. ・ Disclosure of emissions intensity by material and product for each company is important. In some cases, emission intensity is not disclosed. It is difficult to calculate emission intensity particularly for companies that handle multiple materials and products. Examples: Automobiles (in a few cases, specific energy consumption per mileage is disclosed), materials (companies that handle steel and nonferrous metals, etc.). (Treatment of funds) ● Exposures through investment vehicles such as funds may differ from those of loans and direct investments in bonds and stocks in terms of risk management methods, given the limits of controllability associated with indirect investments and the fact that the allocation is based on the investment strategy of each vehicle. It is questionable whether disclosure of such exposures by sector would be decision useful information for disclosure users.
Q20. What additional quantitative Pillar 3 climate-related financial risk disclosure requirements should the Committee consider?	● **Before the BCBS considers additional requirements, we strongly recommend the BSBS to start with researching and analysing the data to identify truly beneficial and relevant elements for banks' financial risk in collaboration with banks, just like the Qualitative Impact Study.** ● There are no disclosure items to be added at this time, but opinions from users should be considered in considering any additional disclosure requirements. ● After the introduction of the ISSB standards, if there is a lack of information in the practice of bank supervision, the BCBS should consider any additional requirements. The BCBS should also consider approaches other than requiring disclosures, such as collecting individual data.
Q21. How could the proposed quantitative Pillar 3 climate-related financial risk disclosure	● We believe that **comparability and information availability could be improved if standard setters and national supervisors provide benchmarks, such as standardising methodologies and identifying high-risk sectors/high-risk regions, and the BCBS provides**

Questions	Comments
requirements be enhanced or modified to provide more meaningful and comparable information?	**specific disclosure requirements guidelines**. ● Future review of disclosure requirements should take into account i) data identified as "necessary for forward-looking analysis of climate-related financial risks" and ii) data that are found to be insufficient for disclosure under the ISSB standards.
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?	● We do not believe that **the emissions of individual customers or their aggregate financed emissions are indicators that directly represent high or low transition risk**. Specific cases where emissions do not correlate with transition risk could include the following. ・ If an automaker produces storage batteries to replace engine-powered vehicles in order to produce electric vehicles, the automaker's Scope 1 and 2 may increase due to the burden of producing storage batteries, which have high emissions. On the other hand, transition risk will start to decrease with the production of electric vehicles. ・ In a case where manufacturing and selling heat pumps that significantly reduce the environmental impact of product use significantly increases sales and profits, Scope 1, 2, and 3 also increase significantly. ・ When a business expands the Scope 1, 2, and 3 measurement from a stand-alone company to a consolidated group through corporate efforts, the numerical value of the company's Scope 1, 2, and 3 increases significantly. In reality, the company's response to climate change has become more sophisticated, but it is not reflected in the Scope 1, 2, and 3. ● The BCBS should note that there is not necessarily a correlation between emissions and the creditworthiness of an obligor, and the pros and cons of disclosure and the method of disclosure should be carefully considered, taking into account the possibility of unintended consequences. ● **If the Pillar 3 framework requires the disclosure of data that is not required by the ISSB standards or that is of a higher granularity than the ISSB standards, the BCBS needs to more clearly explain the reasonableness of such requirements.**
Q23. What are your views on the calculations required to disclose the proposed quantitative Pillar 3 climate-related financial risk disclosure requirements?	● We believe that disclosing climate change-related financial risks inherent in exposures using uniform measures would be beneficial in terms of increasing comparability and assessing the magnitude of potential risks. However, **clarification of detailed requirements for calculation methods is required** and **it is necessary for standard setters and national supervisors to indicate benchmarks (e.g., common methodologies and specific areas of high-risk sectors/high-risk regions) to enhance comparability and information usefulness**. ● Further, to establish the calculation methods for quantifying climate-related financial risks, relevant classification, such as Green/Brown, need to be defined and historical data are also necessary. ● Also, it is necessary to appropriately assess whether internal controls are functioning over processes and calculation methods for preparing disclosure information based on underlying data.
Transition risk: exposures and financed emissions by sector (CRFR1)	
Q24.	(Exposures by sector)

Questions	Comments
Would exposures and financed emissions by sector be a useful metric for assessing banks' exposure to transition risk?	● **Exposure by sector is useful in assessing a bank's exposures to transition risk**, but **transition risk is medium- to long-term risks that do not necessarily materialise and can be reduced if the transition of obligors proceeds appropriately**. From the perspective of preventing unintended consequences, the characteristics of these indicators should be clearly indicated so that market participants are not misled. (Financed emissions) ● As for the following sentence in page 5: "Emissions by obligors could be considered an indicator of their transition risk, particularly when examined alongside appropriate supporting context."; **we disagree that the consultation paper proposes quantitative disclosure requirements based on the assumption that finance emissions are a risk proxy**. **Financed emissions are an indicator that can represent the efforts to decarbonise associated with banks' investments and loans**. However, **it cannot accurately capture the level of transition risk of banks** because it is calculated based on multiple variables, including corporate value as well as the emissions of customers, and it relies on the disclosure of emissions by customers, which makes data imprecise. ● For example, a bank may reduce the amount of loans to Obligor A who has been assessed as having a high transition risk as a result of appropriate risk management and may increase the amount of loans to Obligor B who has been assessed as being capable of smooth transition and hence a low transition risk. In this case, B may have more financed emissions but less transition risk than A. Further, additional loans (= increased financed emissions) may be effective to reduce transition risk, or termination of loans (= decreased financed emissions) may increase transition risk. In this view, financed emissions would not be a useful metric for assessing banks' exposures to transition risk. ● In addition, **the BCBS's positioning of financed emissions as a transitional risk management indicator** may have a significant impact on banks and market participants, **potentially leading banks to divest** in order to improve the indicator in the short term. **The pros and cons of disclosure should be carefully considered**. ● The role of banks in economy-wide decarbonisation is to support corporate transitions through financing. **Exposures and financed emissions are expected to temporarily increase as a result of efforts to support transitions of investees and obligors. However, they are also efforts to reduce future transition risk, and are not appropriate as indicators to assess a bank's current transition risk**. **A comprehensive assessment should be made, including additional qualitative information** such as a framework for managing financed emissions and the availability of financing that contributes to transition, **so that a substantive assessment of transition risk can be made**. ● **As uniform measurement standards and calculation methods for emissions are not established, methodologies vary across entities**. In many cases, SMEs, etc. do not identify and disclose their own emissions and use many estimates (their data quality score is low). Currently, banks also do not disclose financed emissions and

Questions	Comments
	exposures of all sectors, which may indicate the lack of comparability and reliability. Considering the **current circumstances, disclosure should not be uniformly mandated.** Entities would **need considerable time and workload to establish a mechanism to measure and collect necessary data to disclose financed emissions and to disclose information by ensuring the reliability and completeness**. ● In addition, climate change has already progressed to a certain degree, and the need for adaptive finance has been stated. It may be necessary to organise the concept from the viewpoint that exposures and financed emissions include the results of efforts to adapt to climate change.
Q25. What are your views on the availability and quality of data required for these metrics, including by sector, activity, region or obligor?	(Scope of disclosure) ● It is not realistic from the standpoint of data availability to assume the same scope of consolidation in the disclosure of climate-related financial risks as in the existing Pillar 3 disclosure. **Aggregation at the highest level of consolidation is challenging** due to data collection constraints and **we request that the scope of disclosure be limited to major banks under the consolidation.** Given that proposed data will be aggregated in accordance with the new standards, it will require a considerable amount of workload and time to establish aggregation processes and procedures, including consolidated subsidiaries. ・ If financed emissions are used as the main risk indicator, it should be clarified whether the entities that should be aggregated on a consolidated basis are only consolidated group companies that provide financial services for which financed emissions can be measured, or whether they include group companies for which financed emissions are not applicable. In the calculation of emissions of consolidated entities, especially in cases where a common emissions database is not used in the calculation of financed emissions, it should be defined whether the consolidated emissions should be calculated by multiplying the equity emissions of the consolidated entities by the consolidation ratio, and how the method of calculation should be used. It would be desirable to define the calculation method. While consistency with the existing Pillar 3 disclosure is not ensured, **measures should be taken to phase-in arrangements for consolidated-based disclosure, such as allowing only non-consolidated disclosure for the time being for the disclosure of this climate-related financial risks**. (Financed emissions) ● As for financed emissions, even Scope 1 and 2 emissions data still use estimated data for some exposures, which presents data availability/quality challenges. For Scope 3, data deficiencies are more pronounced, and it is difficult to compensate for them through estimation. **The BCBS should provide guidance on data availability, quality, and estimation methods** if the BCBS requires the disclosure of financed emissions. ● **It is difficult at this stage to aggregate emissions for the most recent fiscal year for credit portfolio companies immediately after the end of the fiscal year**. The figures are highly accurate for sectors

Questions	Comments
	with a large number of listed companies, while the figures are estimates for sectors with a large number of unlisted companies and project finance and are less accurate. (Disclosure by classification) ● As for the disclosure by sector, it will be difficult to compare as some sectors do not have an established sector-wide financed emissions measurement methodology (e.g., corporate loans), which may lead to variation in calculation methods. The availability and quality of data differs as well. Therefore, it is desirable to introduce this disclosure in conjunction with measures to mandate corporate disclosure by national governments. ● **As for the disclosure by sector, region, or obligor, it depends on the definition and granularity. However, given that a considerable amount of workload will be required and quality will not be able to be ensured, the BCBS is requested not to include these disclosure requirements.** ● Many of the data would be available if the definition is determined. However, if the granularity is fine, there is a high possibility that data will not be available in existing databases or cannot be obtained from external information, and it will be necessary to establish an internal data collection flow, which may be difficult to work on. In addition, if the company aims for 100% coverage, it will need to look through fund investments and other investments to classify them, which is considered to be very challenging.
Q26. What key challenges would exist for preparers to disclose these metrics, including by sector, activity, region, or obligor? How could these be overcome?	(Financed emissions) ● As noted above, it is not appropriate to use financed emissions as an indicator of transition risk, but even if financed emissions were to be used as one of the reference indicators, the following issues exist. ・ Financed emissions will increase by addressing transition finance to customers actively working on decarbonisation. As currently being discussed in the Partnership for Carbon Accounting Financials (PCAF) and other related organisations, a separate listing of financed emissions excluding transition finance could be considered. ・ There is a difficult issue in the calculation method of financed emissions because fluctuations in the balance sheet of investees and obligors may result in a significant change in the attribution factor regardless of actual emission reduction. ・ Disclosure of customers is not yet mature (especially for Scope 3), and comparisons over time are currently difficult, which may lead to misleading results. We expect disclosure in accordance with the ISSB standards to spread widely in the future, but it is difficult for non-listed companies. This challenge could be overcome by making the measurement and disclosure of emissions mandatory for non-listed companies. ・ While detailed disclosure cannot be achieved without obtaining information from customers, there is a time lag of six months to a year in obtaining disclosure information. If accuracy is given priority, timeliness cannot be ensured, and if timeliness is given priority, accuracy cannot be ensured. We believe that disclosure standards should be clarified. ・ Further, the currently calculable financed emissions include some estimated data, and banks are in the process of improving

Questions	Comments
	date quality from estimates to actual measurements as soon as primary data become available. Many banks have started disclosing financed emissions of their portfolio, and as data availability improves, it is expected that banks will revise actual figures in their voluntary disclosures for prior periods. The BCBS should present its approach on whether or not prior period adjustments are necessary or acceptable in this climate-related financial risk disclosures given its current approach for other Pillar 3 disclosures. (Disclosure by sector) ● For sectors, it is desirable that the various industry classifications in each country be flexibly applied according to the jurisdiction or have an integrated reading table.
Q27. What additional transition risk disclosure requirements should the Committee consider?	(General) ● Future review of disclosure requirements should take into account i) data identified as "necessary for forward-looking analysis of climate-related financial risks" and ii) data that are found to be insufficient for disclosure under the ISSB standards, and should consider science-based transition risk disclosure requirements. ● Banks should assess and disclose how transition risk are transmitted in each sector or across sectors. This would help investors understand transition risk perceived by banks, and would also enhance banks' ability to assess transition risk. (Status of transition readiness) ● **In assessing a bank's transition risk, it is essential to consider whether customers are making progress towards transition.** While there is currently no unified standard for measuring transition readiness; for example, GFANZ proposes categorising transition finance into four classes, such as 1.5C Aligned, 1.5C Aligning, Climate Solution, and Managed Phaseout. Transition finance is an indicator of how seriously banks are takes their efforts on their exposures contributing to the decarbonisation of the real economy in the long term, **any additional disclosure of these customers' transition response status could portray a bank's transition risk and should be considered by the BCBS**.
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?	● Given that the TCFD's sector classification is also based on the GICS codes, we believe that **it would be useful to establish a unified sector classification through the GICS codes in order to enhance comparability**. ・ However, there are cases where the GICS codes differ from Japanese industry standards (e.g., there are cases where a construction company becomes a real estate company). The rules that allow the industry codes to be adjusted according to the actual situation are needed. ・ As many large companies are spread across variety of industry sectors, they may not be able to classify all of them according to the GICS codes. Therefore, if the GICS codes to be used, the BCBS needs to recognise in advance a certain level of such potential imperfections. ・ In addition, when assessing climate-related financial risks, its outputs will vary depending on whether sectors should be

Questions	Comments
	classified by entity or by use of funds. It is desirable to establish a uniform definition by taking into account that output is different. ● On the other hand, **the BCBS should not require banks to perform classification and disclosure according to the GICS codes developed by specific private-sector companies**. Since some banks do not aggregate and manage exposures by industry on a GICS basis, disclosure by other industry categories should also be permitted. Particularly, if industry codes other than GICS codes are permitted based on regionality in the disclosure of statutory disclosures that reflect the requirements of the ISSB standards and in the disclosure of industry indicators in the Pillar 3 framework, it is requested that similar measures be taken.
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?	(General) ● We believe that it is useful for banks to disclose their particularly important ideas, from the perspective of being able to review the assumptions of each bank's approach. Also from the comparability perspective, disclosure of the specific methodology would be useful to a certain extent. Nevertheless, it is desirable to unify measurement methodologies. （PCAF） ● As for the specific methodology for the calculation of financed emissions, the PCAF is the substantive international standard-setting body on methodologies for measuring emissions from financing, and we believe it is appropriate to require disclosure in accordance with the PCAF standards. ● However, the PCAF standards are high-level in content, and in practice it is necessary to define more detailed methods. Even if the BCBS follows the PCAF methodology, it is not a perfect indicator of changes in emissions or risks of banks. The PCAF measurement methodology can be biased due to the significant impact of market fluctuations in corporate value. Therefore, the limitations of the methodology should be clearly stated. ● In addition, in most cases, data input to the PCAF measurement methodology itself is not customer-disclosed data. Therefore, even if the methodology is appropriate, calculated figures will be the same for companies in the same country and sector if estimates are used.
Physical risk: exposures subject to climate change physical risks (CRFR2)	
Q30. Would exposures subject to climate change physical risks be a useful metric for assessing banks’ exposure to physical risk?	(General) ● **Exposures are not** considered to be **an adequate metric for assessing physical risks**. **Given the highly regional nature of physical risks, if exposures of assumed affected parties are calculated without taking into account the likelihood of being subject to physical risks, physical risks may be overestimated.** Further, as banks define the likelihood of being subject to physical risks in detail by disaster and by location and **their assumptions of analysis differ significantly**, it would be **difficult to ensure comparability**. Exposures subject to climate change physical risks would be a useful metric if banks can specifically disclose a potential impact on their assets or performance caused by physical risks (e.g., extreme climate conditions, sea level rise).

Questions	Comments
	(Specific requirements) ● There are many challenges with regard to corporate finance. Corporate physical risks are classified into direct damages, damages caused by the supply chain, and damages caused by macroeconomic impacts, which have very different outcomes depending on scenarios and models, and many companies have manufacturing sites and sales markets that span multiple regions, which need to be accurately allocated. Therefore, we believe that poor disclosure will be misleading. ● As for residential real estate exposures, given the wide variation in the vulnerability of residential real estate to physical risks in each jurisdiction, such as housing structure and availability of insurance, we believe that their disclosure should be subject to the national discretion given the importance of risk management.
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?	● As physical risks encompass a wide range of risk events, from floods to heat waves, sea level rise, and the impact of such risks varies depending on the type of business and the area of activity of each obligor, it is difficult to uniquely define a geographical category that represents the actual physical risks of each obligor. In addition, even if each bank were able to aggregate and disclose data, there is a high possibility that the definition of geographical categories for each obligor would be different across banks. Further, if assumptions for aggregation (e.g., whether to assess regions based on each asset held by the company, whether to include only the location of the head office for aggregation, whether data necessary for such aggregation are available) are not aligned across banks, it would not be possible to ensure comparability. ● Currently, there is not sufficient data available to appropriately assess physical risks faced by companies whose supply chains and markets are dispersed across multiple countries, and the most serious limitation is that many companies have to be assessed by country based on the location of their head office. ● Moreover, it is necessary for national authorities to set assessment criteria (e.g., physical risk levels by country, to ensure comparability). In addition, in assessing risk levels, it is necessary to have an assessment axis that reflects not only the risk of disaster, but also differences in the post-disaster economic and social response capabilities of the affected country. ● Presumably, some countries will apply limitations on disclosure information. However, **when national supervisors determine the geographical region subject to physical risks, the criteria or level of selecting regions should be aligned from the comparability perspective**. It is expected that national supervisors will make different judgments on regional allocations, which will lead to a loss of comparability across countries and regions for investors. ● However, **given the current limitation for national supervisors at a jurisdictional level to determine geographical regions or locations subject to climate change physical risks, the BCBS should also allow banks to determine such "regions" or "locations"**.

Questions	Comments
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?	● For example, the following classification approaches could be introduced: ・ Classification based on the Climate Risk Index: Classified using an index that assesses climate risks in each region. ・ Classification based on climate zones: Divide the globe into different climate zones and classify each zone based on the specific climate risks it faces. ・ Classification based on disaster risk: Classification based on specific disasters (e.g., floods, droughts, typhoons) that each region may face. ● For each hazard, a "coefficient" could be set to reflect the degree of impact by sector and property use (e.g., factories, offices, sales office) to refine corporate risk assessment.
Q33. What additional physical risk disclosure requirements should the Committee consider?	● There are no disclosure items to be added at this stage, but opinions from users should be considered when discussing additional disclosure requirements.
Bank-specific metrics for quantitative climate disclosures (CRFR1 & 2)	
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?	(General) ● **The proposed disclosure requirements for asset quality and maturity analysis are more granular than the ISSB standards, giving rise to a concern regarding their feasibility in practice. The BCBS should not require the disclosure uniformly under the current circumstances and should carefully consider it after assessing the development of calculation methods and the usefulness of the disclosure.** (Asset quality (non-performing exposures and total allowances)) ● **There is not necessarily a correlation between asset quality (amount of non-performing loans) and financed emissions**, and it is considered that the parallel disclosure of asset quality may lead to misunderstanding by users. The allowance for loan losses represents the portion of uncollectible loans that have a higher probability of occurrence, but **the methodology for assessing the portion of uncollectible loans due to climate-related financial risks is not yet established**. Therefore, we are concerned that by presenting this separately, **users may be misled into believing that the allowance represents the portion of uncollectible loan due to climate-related financial risks**. ● As for physical risks, it should be noted that there is a risk of erroneous analysis that compares the amount of NPLs by region, classified by physical risks at the time of assessment. ● As for transition risk, they are presented in many sectors over the medium to long term, and disclosure of current non-performing exposures and total allowances will not contribute to investors' accurate understanding of the concentration risk of transition risk at each bank. (Maturity analysis) ● **As for the disclosure of maturity, we believe that it will make a certain contribution in terms of soundness assessment as unlike other traditional risks, climate-related financial risks materialise over a medium to long term.**

<table>
<tr><th>Questions</th><th>Comments</th></tr>
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- To be able to understand the level of exposures at the timing when climate change-related financial risks are deemed to materialise
- To assess the potential risks inherent in exposures

● On the other hand, we believe that disclosing risk exposures based on maturity length may discourage banks from providing stable funding to help decarbonise high-risk areas and respond to disasters.</td></tr>
<tr><td>Q35.
What challenges would exist for preparers or users of these disclosures? How could these be overcome?</td><td>

● **Allowances for loan losses include elements other than climate-related risks. In order for the gross allowance for loan losses to be useful, it must be "assessable as the uncollectible portion due to climate change".** To this end, it is necessary to be able to appropriately reflect the financial impact of climate change in the evaluation of credit ratings and borrower classification, or in parameter estimations such as PD and LGD.

- Taking country risk as an example, currently, its classification is usually managed in terms of the country where the head office is located or where the parent company is located, and only one country is assigned per customer. As for domestic customers, they can only be identified by the location of their head office (one prefecture), and there is no data available to properly allocate physical risks of a company and assess the amount of such risk.

● However, this is an extremely challenging task because no methodology has been established at this stage. **If total disclosure is to be mandated, the methodology should be defined by the standard setters and national regulators**, as it is difficult to be resolved by individual banks.

● **Disclosure should be avoided if the calculation basis cannot be disclosed**. **The disclosure of total allowances should be removed** as they could give market participants the wrong message if stated in parallel with climate-related financial risks.

● If such disclosures are to be required, in order to aggregate data for a new disclosure framework, it is necessary to establish a system for aggregating data including consolidated subsidiaries, which requires a significant burden and time.</td></tr>
<tr><td>Q36.
What additional bank-specific disclosure requirements in respect of banks' exposure to climate related financial risks should the Committee consider?</td><td>

● There are no disclosure items to be added at this stage, but opinions from users should be considered when discussing additional disclosure requirements.</td></tr>
<tr><td colspan="2">Forecasts (CRFR1, 4, 5)</td></tr>
<tr><td>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?</td><td>

● Transition risk typically arises over the medium to long term, and the impact of transition efforts can be delayed. Therefore, sharing forecast of future risk reductions along with actual results can provide a clearer understanding of a bank's risk profile and future climate-related financial risks.

● Many Paris Agreement alignment indicators, targets, and goals set by banks disclosing under the TCFD are often ambitiously established</td></tr>
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Questions	Comments
	top-down and do not necessarily predict future risk reductions for the banks. **Also, forecasts are not included in disclosures under the ISSB standards.** ● Further, given that there are limitations on data obtainable from customers for forecasting purposes and that climate-related transition risk fluctuates over time, it is difficult to identify and analyse its impact. Even if we are to calculate forecast information, a slight change to assumptions is expected to derive very different outcomes. Therefore, it may be difficult to disclose reliable and objective quantitative data for forecast information. **Including forecast information in the disclosure requirements may give rise to unintended consequences in terms of uncertainty, comparability, and data availability**. It is premature at this stage to require the disclosure of forecasts and therefore **they should not be included in the disclosure requirements** to avoid potential unnecessary confusion and misunderstanding. ● Many financial institutions currently measure and disclose emissions in line with guidance issued by private initiatives such as GFANZ and NZBA, but only in priority sectors. **When supervisors ask banks to measure emissions and their forecasts** (if set) **across all sectors**, we believe **the framework is valuable if supervisors themselves sort out the relationship between emissions and climate-related financial risks firstly and then identify and collect the necessary to measure them and provide banks with detailed guidance on measurement methodologies**. On the other hand, if all data identification, collection, and measurement methodologies are left to individual banks, it is inevitable that disclosures among banks will vary, and it will be a labour-intensive and less meaningful. ● Disclosure would be mandatory if a forecast is made, but the BCBS should ensure that banks that disclose it are not disadvantaged more than those that do not, so as not to discourage forward-looking risk management by banks. If the disclosure of this information is to be required, **the BCBS should be more specific about the nature of the forecast** specified in this consultation paper. **Even when the forecast is to be included, it will be important to clarify its basis, assumptions, and methodologies used as it gives rise to uncertainty.**
Q38. Would the proposed forecast information be a useful metric for assessing banks' exposure to climate-related financial risks?	(General) ● While it depends on the definition of the forecast to be disclosed, the definition should be clearly defined to avoid unintended consequences due to interpretation by users. ・ For example, if the forecast of total emissions is an increase in the process of banks supporting the decarbonisation of their investees, such as transition finance, or if it reflects an increase in demand due to the decarbonisation of the economy, then total emissions should not be recognised as a proportionate risk. (Specific requirements) ● Currently, among the proposed items, financed emissions, sectoral emissions intensity, and facilitated emissions are composed of many variables and the amount or increase or decrease of these variables is

Questions	Comments
	not directly related to the bank's transition risk. As it is extremely difficult to compare forecasts among banks, these are not useful indicators for assessing a bank's climate change-related financial risks.
Q39. What type of forecasts would be most useful for assessing banks' exposure to climate-related financial risks?	● For example, the following types of forecasts would be useful. ・ Forecast of emissions: Companies relying on fossil fuels could be significantly affected if governments strengthen policies to reduce carbon emissions, which could affect their ability to repay. ・ Forecast of natural disasters due to climate change: An increase in natural disasters due to climate change may reduce bank asset values (especially real estate), which may affect banks' lending capacity. ・ Forecast of the economic impact of climate change: By forecasting the impact of climate change on specific industries, such as agriculture and tourism, banks can assess lending risks to these industries. ・ Measurement of financed emissions: Forecast of emission trends in each industry, including SMEs, could be useful. ・ In assessing a bank's exposure to climate-related financial risks, it would be useful to analyse, through scenario analysis, the changes in traditional risks that may occur as a result of climate change and assess the financial impact. ● Further, banks should assess and disclose how transition risk are transmitted across sectors. This would help investors understand the transition risk perceived by banks, and would also enhance banks' ability to assess transition risk.
Q40. What challenges would exist for preparers or users of Pillar 3 disclosures in relation to potential forecast information? How could these be overcome?	● **For scenario analysis, the data and analysis methodologies are not yet established** and the analytical methodologies differ across banks. It should be noted that scenario analysis does not necessarily imply a high probability that the contents of the forecasts will be realised at this point in time, nor is it comparable across banks, as each bank needs to make a forecast based on a very large number of assumptions, and uncertainty must increase. Users are required to properly understand the complex calculation assumptions of each bank. ● Due to the challenges such as forecasting scenarios, lack of data, uncertainty in forecasts, and lack of standardisation of methodologies, measures to address them such as strengthening data collection, improving prediction models based on scientific evidence, and promoting international standardisation should be enhanced. **In light of these technical limitations, the BCBS should allow flexibility in the method of disclosure and clearly state the points to be considered in using the content of the disclosures.** ● It is also necessary to define whether the forecasts should be based on the emission-reductions target of investees and obligors in the reference year, proportionally allocated to the bank's shares, or whether the emission-reductions target set by the bank itself should be used. ・ When using the projected emissions disclosed by investees and obligors, it is assumed that there may be some missing or estimated figures due to data availability, and the approach for evaluating such disclosed figures should also be clarified. ・ In addition, the fact that the practice of emission-reductions targets by banks is still developing, and that there is a mixture of

<table>
<tr><th>Questions</th><th>Comments</th></tr>
<tr><td></td><td>total emissions-based, intensity-based, and other methods, should be taken into account from the perspective of ensuring comparability and consistency.</td></tr>
<tr><td>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?</td><td>● As it is likely to take some time to establish a quantitative method for assessing exposure through scenario analysis, a method for qualitatively assessing the level of risks can be adopted first. An example of alternative information could be a method to qualitatively determine the plans and progress of each of the bank's customers in reducing transition risk and to identify high-risk entities and their changes over time.
● Further, when considering the result of scenario analysis, the following information could be useful.
・ Historical data: Estimate future risks by analysing historical climate change-related financial risk data (For example, losses from natural disasters and impacts from carbon emission reduction policies).
・ Sector analysis: Assess the risk of companies that banks lend to by analysing how specific industries and sectors are affected by climate change.
・ Geographic analysis: Analyses the extent to which the areas where bank assets and obligors are located are affected by climate change (such as sea level rise and heat waves).</td></tr>
<tr><td colspan="2">Concentration risk</td></tr>
<tr><td>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?</td><td>(General)
● Although it would be useful to disclose quantitative indicators of concentrated risk in the future, it is difficult to reflect them in concentrated risk management because the quantification of climate-related financial risks is not advanced at present. It is expected that the definition and approach of credit exposures, in which transition and physical risks are concentrated, will differ depending on banks, making it difficult and not useful to compare the risk profile of banks.
● While there is limited information even on concentration risk regarding credit risk, we do not believe that concentration risk in this area is useful.

(Physical risk)
● Regarding physical risk, there is a greater risk of misleading quantitative disclosure regarding concentration risk if disclosed in a poor manner with insufficient data. Because physical risk, in particular, affects different regions and disasters, disclosing only the exposure of "vulnerable regions" and other regions may distort market participants' understanding of a bank's risk profile. From the perspective of promoting a correct understanding among market participants, and from the perspective of not impeding the provision of funds for adaptation, it is important to select areas that are truly "vulnerable" to physical risk. Therefore, the BCBS is requested to provide clear definitions to prevent inconsistent interpretation across jurisdictions or banks.

(Transition risk)
● Also regarding transition risk, we recognise that it is important to follow how the practices of measuring and disclosing financed</td></tr>
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Questions	Comments
	emissions by sector will change in the future.
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?	● **We do not agree to the assumption that financed emissions is deemed as a risk proxy**. With regard to the concentration of credit in companies with high emissions or high physical risk, we understand that credit deterioration does not necessarily occur at the same time due to common factors, and it is not meaningful to manage and disclose the concentration. ● **In the future, it is possible to supplement qualitative indicators on concentrated risk (strategy and risk management) by disclosing quantitative indicators**. However, **it is difficult to make all quantitative indicators mandatory disclosure at present**. ● Further, it is essential to positively evaluate the provision of long-term stable funds to regions with high climate change risk for investments that mitigate such risks, and **qualitative disclosure is important in the sense that it avoids misleading quantitative disclosure (behaviour such as "simply reducing concentration in high-risk countries = reducing lending and promotion for lending to low-risk countries", or such portfolio is evaluated positively)**.
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?	● **No definition or concept has been established for climate-related concentration risk.** Therefore, it is expected that the judgment will differ depending on banks. If such judgments differ, it will be difficult to compare banks' risk profiles and may not be useful to users. Even in the case of qualitative disclosure of concentration risk, we believe that **a certain definition is necessary to ensure international consistency and comparability** as long as it contributes to the assessment of financial risks associated with concentration. ● In addition, there is a limit to how much information can be used in obligor disclosures and NGFS scenarios. Even if quantitative and qualitative information is to be included, reasonable assumptions need to be made. We believe that **disclosing concentration risk in data constraints is only misleading**. ● This is a BCBS specific additional disclosure requirement which will also have cost issues for preparers.
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?	● The impact of physical risk varies from disaster to disaster. Further, we recognise that floods and droughts, in particular, do not occur all at once in the world, and that we should look at each region and how likely they are to occur. Considerations should be made for individual projects, rather than centralised management based on uniform risk. Therefore, **it is useful to disclose each physical risk**. By defining in more detail chronic and acute risks or types of physical risk (flood, drought, forest fire, etc.) and considering these risks individually, banks may be able to plan and implement appropriate measures for each risk. This may be useful for banks to effectively manage climate-related financial risks and minimise their impact. ● On the other hand, **it is currently difficult for each bank to independently identify and measure** the direct and indirect impacts, including economic costs and financial losses, of each of the 6-7 disasters **and identify vulnerable areas**, **as it is likely to create a very high management burden**, given the limitations of data and methodology. Therefore, **it is desirable for supervisors to provide justification and determine the areas vulnerable to physical risk**.

Questions	Comments
	● Even if exposures were to be divided into defined hazards, **as there are linkages between each hazard (heat wave and drought, wildfire) and the possibility of overlap (river flood and storm surge, tropical cyclone), we believe that instead of separating and disclosing each hazard in detail in a concentrated risk analysis of exposure, the BCBS could first consider such linkages.**
Q46. What additional bank-specific disclosure elements on climate-related concentration risk should the Committee consider?	● If disclosure of climate-related concentration risk is required, the degree of readiness of customers in the category could also be disclosed. · For example, in the case of transition risk, if exposures to high-emitting sectors are to be disclosed, the degree of activities to mitigate transition risk should be scored by customer, and the breakdown of exposures by score should be disclosed. This would enable an assessment of the degree of activities to transition risk for the sector as a whole, which in turn would contribute to the smooth funding supply to sectors.
Templates (CRFR1-5)	
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?	(General) ● **Given the lack of methodologies for measuring climate-related financial risks, we believe it is premature to move forward with templates.** ● As for the future use of templates, if disclosure is required to be made using overly detailed and complicated templates, it is expected to have the disadvantage of increasing the operational burden on banks and hindering market participants' understanding and use of information. Jurisdictions and banks differ in the depth of their efforts to address climate-related financial risks, and the status of data collection and preparation varies. To improve comparability and provide useful information to users, **items should be focused only on simple and information easy to collect**. **From this perspective, it is appropriate to, for example, use templates for disclosure in line with the ISSB standards if the same disclosure requirements as in the ISSB standards were to be established**. (Disclosure by sector) ● Regarding the template that requires disclosure by sector, there is a question as to the appropriateness of aggregating exposures through different asset classes such as loans, equities, and bonds held in the banking book for each sector. Among the reported amounts, "allowances" and "non-performing exposures" can only be calculated for loans, and for stocks, maturity categories cannot be disclosed. Therefore, this information is not useful from the perspective of aggregation and comparability, as well as evaluation of disclosure figures.
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?	● It is necessary to avoid discrepancies in the interpretations of preparers and users by disclosing information about the definitions of terms, measurement methods, and units (such as currency, MtCO2e) along with the template. ● **As it is difficult to disclose all information required in the templates, the BCBS is requested to allow a phased implementation of disclosure by, for example, providing guidance on which information in the templates should take precedence.** ● Given banks' heavy burden related to information systems in their

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<tr><th>Questions</th><th>Comments</th></tr>
<tr><td></td><td>effort to comply with the quantitative disclosure requirements, the BCBS is requested to ensure that the disclosure requirements will not be changed frequently.</td></tr>
<tr><td colspan="2">Quantitative disclosure requirements subject to jurisdictional discretion (CRFR3-5)</td></tr>
<tr><td>Q49.
What are the benefits of the proposed quantitative Pillar 3 climate-related financial risk disclosure requirements subject to jurisdictional discretion?</td><td>(General)
● As the nature of and response to climate change and data availability vary across jurisdictions, we believe that leaving disclosure requirements subject to jurisdictional discretion would be effective in avoiding undue burden on banks while still disclosing material items.
● While pathways to decarbonisation vary widely by region and sector, a uniform disclosure requirement could lead to under/overvaluation in some jurisdictions, failing to reflect such characteristics. In order to prevent such a discrepancy, flexibility according to each jurisdiction's circumstances should be ensured and jurisdictions should be allowed to operate at their own discretion.
● The disclosure requirements of CRFR3-5 are not included in the ISSB standards, and it is unclear how data aggregated in CRFR3-5 will be useful. Therefore, it is necessary to clarify, among other things, the purpose of requiring the aggregation and disclosure of this data and how such data will be used.

(Real estate exposures in the mortgage portfolio by energy efficiency level)
● Real estate exposures in the mortgage portfolio by energy efficiency level has feasibility issues due to data limitations. Unlike in Europe where there are laws on the energy efficiency of real estate, in other jurisdictions without such laws, the accumulation and development of data necessary for the disclosure will not progress, making it difficult to collect necessary information from customers in a timely manner and disclose information. Therefore, we agree with that this indicator should not be a mandatory disclosure requirement for all jurisdictions, but rather a discretionary disclosure requirement for each jurisdiction. If the disclosure is to be made mandatory, guidance on the energy efficiency level, emission intensity, and definition, etc. will be necessary.
・ Particularly in Japan, few banks are aware of the environmental performance evaluation of collateral properties and few properties have obtained environmental assessments. Therefore, in reality, disclosure will be limited to a very limited number of properties.
● In addition, as energy efficiency does not necessarily affect real estate values, it would be desirable for jurisdictions that require disclosure to do so only where there is a material impact. It should also be noted that if banks' disclosures raise concerns about declining real estate prices, there could be an unintended deterioration in the real estate market and a consequent spillover to the financial system.</td></tr>
<tr><td>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?</td><td>(General)
● The BCBS should note that different jurisdictions require different responses from preparers. When there is data required in the practice of bank supervision in each country, it should be considered, including individual methods of data collection.
● Considering expected legal and regulatory differences, lack of data, and lack of standardisation, international cooperation, data collection through cooperation with public institutions and research institutes,</td></tr>
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Questions	Comments
	and promotion of international standardisation are possible measures. (Emission intensity by sector) ● Particularly with respect to emission intensity by sector, **we agree** that absolute emissions do not take into account the size and nature of banks, and **that complementary indicators beyond absolute emissions are needed**. **However, emission intensity is the only one factor in measuring the progress of the transition in each sector and client**, and has a lagged effect. **The transition status of each sector/client needs to be monitored comprehensively, including transition strategies, targets, and progress, and sectoral emission intensity is not appropriate as a risk management indicator**. ● If the disclosure of emission intensity by sector is to be required, although it is unclear whether supervisors should be involved at this stage, the definition of GHG intensity emissions per physical output to be used for each sector should be provided. In addition, since whether total emissions or physical intensity is an appropriate indicator to identify climate-related financial risks may vary by sector, the relationship between these indicators and risks should be well defined and disclosed. In addition, the concept of when it is necessary to use estimates for the amount of activity to measure physical intensity should be presented, depending on the sector. ● Further, as for emission intensity by sector, many of clients do not disclose emission intensity by sector (raw materials, automobiles). In addition, it is difficult to calculate emission intensity by sector when properties are used in multiple sectors.
Q51. What are your views on the feasibility, meaningfulness and practicality of banks' disclosure of facilitated emissions? （CRFR5）	● **Facilitated emissions include off-balance sheet and temporary transactions that do not accurately reflect banks' transition risk; therefore,** we believe that **the disclosure of facilitated emissions is unnecessary for the purpose of this framework.** ● Moreover, if the disclosure of facilitated emissions were to discourage customers from seeking transition finance from the direct market, for example by avoiding underwriting from high-emitting sectors, it could lead to an unhealthy reliance on bank financing. This could prevent sectors from transforming their business structures, thereby increasing credit risk and potentially destabilising the financial system. ● In addition, as **facilitated emissions are not included in the ISSB standard (S2) and the measurement methodologies have just been published by the PCAF**, uniform measurement methodologies have not been established at this stage, making simple comparison difficult. To ensure reliable and comprehensive information disclosure, a considerable amount of time and workload will be needed. Therefore, it is premature from a practical point of view to include facilitated emissions in the Pillar3 disclosure requirements. ● If the disclosure of facilitated emissions has significance and knowledge on their calculation and other items has been accumulated, we believe that such banks can proceed with the disclosure at their discretion.
Effective date	
Q52 What are your views on the feasibility of the potential effective date of the Pillar 3	● **The BCBS should present how the proposed data are related to each risk category before the finalisation and implementation.** ● For example, the effective date can be when the initial application cycle of disclosure under the ISSB standards is completed and any

Questions	Comments
climate-related disclosure requirements?	issues identified in this cycle can be addressed. The BCBS can first review the disclosure based on the ISSB standards after the implementation of the ISSB standards. Only if there is a true inadequacy from a perspective of bank supervision, the BCBS can establish disclosure requirements to supplement the ISSB standards only for that portion, and the effective date can also be set after the implementation of the ISSB standards. In such cases, **based on the initial application date of the ISSB standards in each jurisdiction, it can be, for example, one to two years later**. ● In the case of the proposed framework, **the potential implementation date of 1 January 2026 would be feasible if the implementation is limited to those items that are already disclosed under the TCFD framework**. However, **given that the proposal contains numerous requirements that are not specified by the ISSB standards, the proposed effective date is not realistic**. ・ It is necessary to proceed in parallel with other disclosure regulations, such as the ISSB standards and the practical burden is large. The ISSB standards, in particular, will be incorporated in each jurisdiction's disclosure framework after the initial date of its application. It is not possible for banks to comply with the Pillar 3 disclosure requirements in addition to the disclosures under the ISSB standards as of 1 January 2026. ・ The proposal will result in the development of additional data, the establishment of measurement methodologies and processes, and the development and modification of systems in line with the finalised disclosure requirements, in addition to the ISSB standards. ● Therefore, **banks need sufficient transition time before being required to disclose, in particular, those items not required by the ISSB standards**. The BCBS is also requested to **consider phased implementation, allowing application to the extent possible, or voluntary application**.
Q53. Would any transitional arrangements be required? If so, for which elements and why?	(General) ● We understand that the application is scheduled to begin on 1 January 2026, followed by the implementation of the ISSB standards. However, the timing of implementation of the ISSB standards is expected to be different depending on the situation in each jurisdiction. **A transition period should be established in accordance with the initial application date of the ISSB disclosures in each jurisdiction**. (Quantitative disclosure) ● **In particular, quantitative disclosure requires not only the development of an organisational structure but also the development of a system. A transitional period of several years is required.** ・ Of which, the measurement of financed emissions requires the cooperation of investees and obligors if the BCBS requires the disclosure of financed emissions. If it is necessary to measure emissions for the most recent fiscal year, there should be a grace period to discuss this with investees and obligors. ● In addition to quantitative disclosure, there are many disclosure requirements that are subject to uncertainty due to the fact that

Questions	Comments
	methodologies are developing and information is difficult to obtain. As transitional arrangements for such items, **arrangements such as the safe harbour rule should be considered so that disclosure with uncertainty does not result in posing risks to banks.**
Liquidity risk	
Q54. What are your views on the Committee exploring disclosure requirements for the impacts of climate-related financial risks on deposits/funding and liabilities?	● **At this stage, it is not** considered **necessary nor appropriate to include liability risk**. In the future, it is highly likely that ethical consumption behaviour will change depositors' behaviour and cause an outflow of deposits to banks that have been slow to respond to the economic impact of climate change on banks. However, **the BCBS should first provide the rationale and opinion for disclosure**. ● There is much less research on the link between climate-related risks and deposits/funds and liabilities than research on the asset size of the balance sheet. It is considered **more difficult to assess how deposits/funding and liabilities will be affected by climate-related financial risks than credit transactions, and there is no common concept in this respect**. Therefore, it is premature to define meaningful exposures in this area. As a result, they may be exposed to the risks of error and litigation. The relevance and materiality of these risks should be assessed to avoid overburdening banks before discussing them.

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We thank the BCBS for the opportunity to comment on the consultation and hope our comments will contribute to further consideration in the BCBS.

Yours faithfully,

Japanese Bankers Association