

The climate risk disclosures of Asian banks compared to their European peers

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This desktop survey on a sample of 14 Asian and 6 European banks shows that the Asian banks are 25% compliant (63% for the European banks) with the Basel's disclosure requirements for climate-related financial risks. A legal framework is already implemented and binding in Europe and not yet across Asia. This result highlights however that more work is needed to ensure full compliance.

Chart 1: Heatmap of compliance assessment with Basel Disclosure Requirements

	EUROPE	ASIA
Overall compliance assessment		
Organisation (qualitative)		
Governance		
Strategy		
Risk Management		
Risk Metrics (quantitative & qualitative)		
Transition risk		
Physical risk		
Concentration risk		

Source: Authors

Note: Dark green cells mean compliance with the Basel Disclosure Requirements, cells with lighter shades of green refer to a partial compliance and pink cells mean no compliance.

The full conclusions of this desktop survey are available on the [website](#) of the SEACEN Center. The desktop survey is based on a review of all the publicly available documents of banks on their website in English. The disclosures made for the year 2023 have been considered for assessment in the survey if there is no later information available (45%). It is acknowledged that the Asian or the European banks in the sample may not be representative of the entire Asian or European Banking system, but the survey is an attempt to highlight some trends for Asian banks that may be discernible looking at a small sample of banks and comparing with

European banks. This desktop survey is neither intended to be, nor is it based on, any supervisory exercise.

The sample of the banks is based on the following:

- Jurisdictions covering a significant share of Asian and European 2023's GDP;
- Profitable Asian and European banks mostly involved in retail and corporate business lines covering a significant share of Asian and European cumulative total assets size.

The Authors have selected more Asian banks (14) than European Banks (6). The legal framework in terms of climate-related financial disclosures is indeed more harmonised in Europe due to the Single Supervisory Mechanism and is already binding and implemented. Asia offers a more diverse panorama which worths to be considered.

The banks have been assessed on their compliance with each table/template of the [*Basel Committee's Consultative document on disclosure requirements for climate-related financial risks \(CRFR\)*](#) namely:

- qualitative information related to in terms of governance, strategy and risk management (CRFR-A);
- qualitative information relating to physical, transition and concentration risks (CRFR-B); and
- quantitative information relating to physical and transition risks (CRFR-1 to 5).

The main key findings of the desktop survey for the Asian banks are the following:

The Asian disclosures are business-oriented and heterogeneous in format

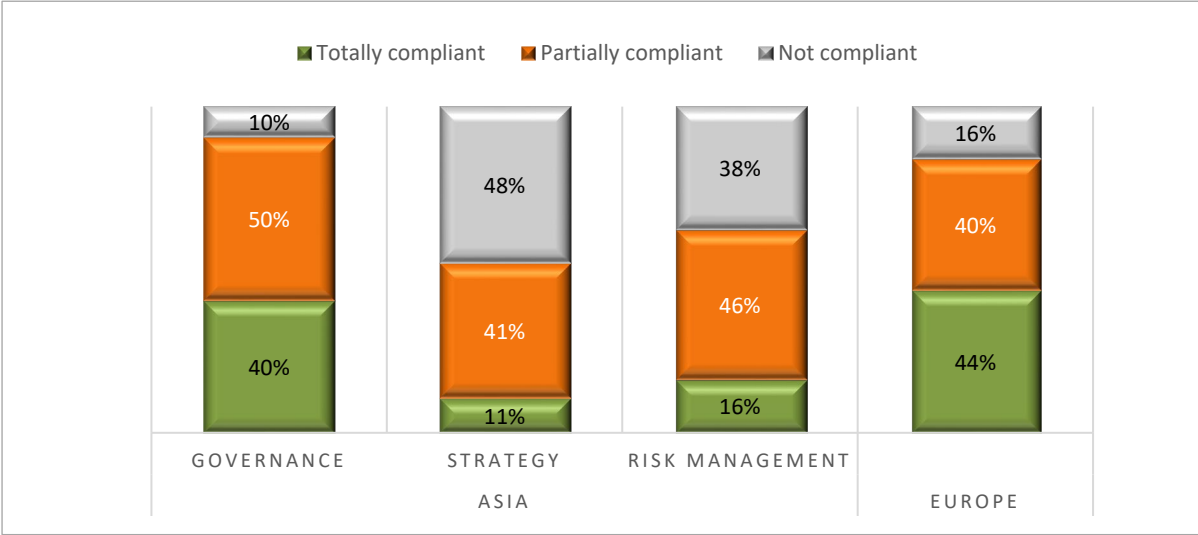
The content of Asian banks' disclosures is mostly business-oriented i.e. focusing on opportunities whereas the supervisory focus is more on climate-related financial risks. These banks use different templates/formats/reports (e.g., Annual Report, Sustainability Report, Task Force on Climate-Related Financial Disclosures (TCFD) Report, Environmental, Social and Governance (ESG) Framework Policy, etc.) as currently there is no uniform regulatory requirement for banks' climate-related financial disclosures prescribed by Asian jurisdictions. This makes it challenging to make a comprehensive assessment of the content and quality of these disclosures at a particular point in time.

All Asian banks disclose some elements of qualitative information

All Asian banks in the sample disclose qualitative information referring to their governance, and to a lesser extent, their strategy and risk management. The degree of compliance to Basel Disclosure Requirements for this category of information is presented in Chart 2. The methodology used to calculate the percentages of compliance of the banks in the sample is available on the website of the SEACEN Center together with the full conclusions of this

desktop survey (link at the beginning of this blog). The qualitative disclosures on governance, strategy and risk management reveal a high degree of heterogeneity between the Asian banks in the sample.

Chart 2: Compliance with Qualitative Basel Disclosure Requirements



Source: Authors

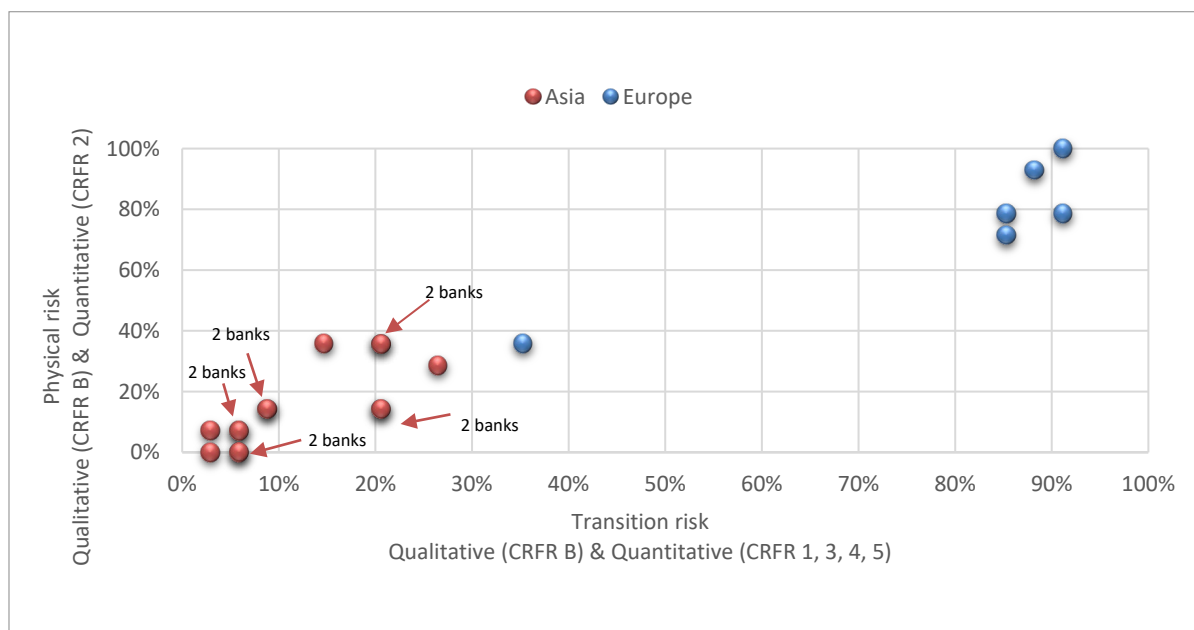
Note: Compliance against the Table CRFR-A of Basel Disclosures Requirements

Qualitative and quantitative Asian disclosures of risk metrics are very nascent

The qualitative disclosures relating to physical and transition risks remain very patchy as illustrated in Chart 3. The qualitative disclosures for Concentration Risk metric are neither made by European nor Asian banks in the sample, possibly because this is a new disclosure metric prescribed by the Basel Committee.

The Asian banks in the sample do not yet disclose the quantitative information relating to climate-related financial risks required under Basel Disclosure Requirements. This is possibly because the data collection on climate-related financial risks is still in infancy, and there has been no regulatory disclosure requirement for banks so far.

Chart 3: Compliance with Physical and Transition Basel Disclosure Requirements



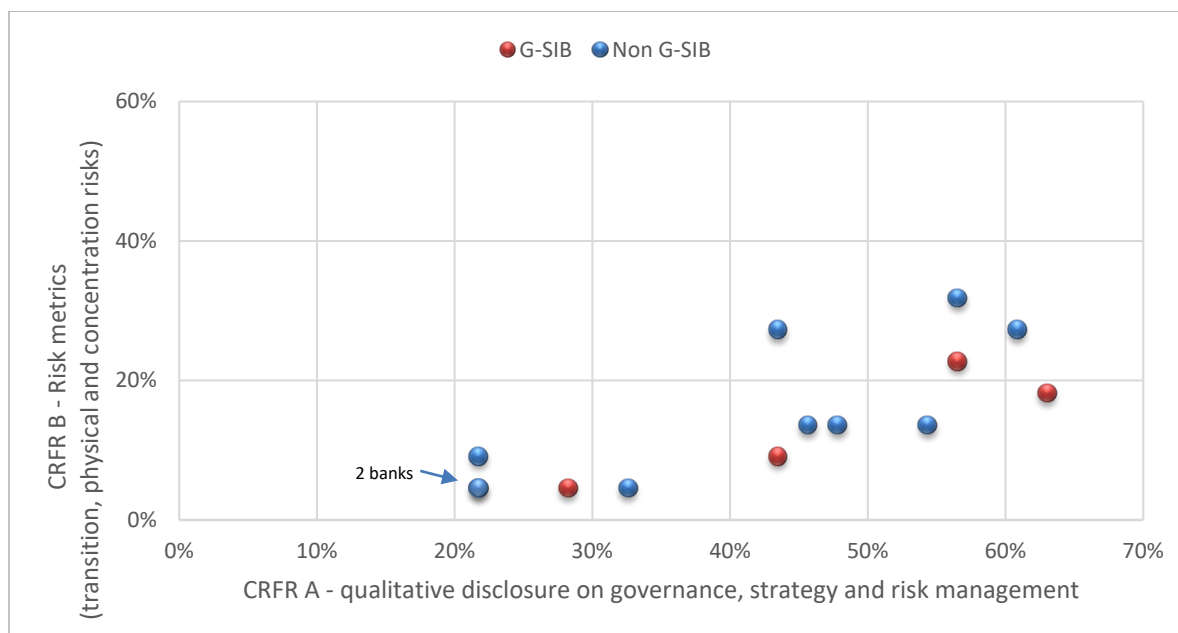
Source: Authors

Note: % of compliance against the Tables CRFR-B and CRFR 1 to 5. There are 5 dots which represent 2 banks each (both with identical compliance assessments). The total number of banks is 20.

The content, coverage and quality of disclosures depend on each bank's approach

Banks in the same jurisdiction subject to same regulatory framework have marked differences in the content, coverage and quality of their disclosures of climate-related financial risks. In the same vein, the asset size of the bank (Global Systemically Important Bank – G-SIB, or Domestic Systemically Important Bank – D-SIB) for Asia does not seem to have an impact on the bank's compliance with Basel Disclosure Requirements as shown in Chart 4.

Chart 4: Compliance of Asian Banks per size with Qualitative Requirements



Source: Authors

Note: % of Compliance against the Tables CRFR-A and CRFR-B of Basel Disclosure Requirements

Elements of compliance for Asian banks exist despite the absence of mandatory regulation for disclosure, but full compliance needs more work

The desktop survey reveals that even without mandatory regulation for disclosure of climate-related financial risks, the Asian banks in the sample are complying with some elements of the Basel Disclosure Requirements. More work, however, needs to be undertaken for full compliance. The European banks in the sample stand at a much higher level of compliance especially regarding quantitative disclosures, because of the existing mandatory regulatory framework in Europe. The implementation of the Basel regulation will incentivise the Asian banks to develop adequate frameworks for the management of climate-related financial risks and ensure compliance with the disclosure requirements.