Sustainability Blog

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Towards Standardised Climate Risk Disclosures in Banking: Final Basel Standards and their Implications

The Basel Committee has published BCBS 597 – a final framework for Pillar 3 disclosures on climate-related financial risks, supporting transparency and comparability

In this article, we unpack what has changed since the consultation, how it compares to the EBA's Pillar 3 proposals, and what it means for banks operating across jurisdictions. With the EU moving toward binding rules and BCBS opting for voluntary adoption, navigating between global flexibility and regulatory specificity becomes key.

As the global focus on sustainable finance intensifies and the pressure for greater transparency on ESG risks grows, the Basel Committee has finalized its voluntary disclosure framework (BCBS 597), aiming to guide banks through the complexities of climate-related financial risk disclosure in a globally consistent manner.

In our previous blog post "Navigating the Path to Standardised ESG Disclosures in Banking: Challenges, Implications, and the Road Ahead", we outlined key challenges and regulatory developments shaping ESG disclosures in the banking sector.

In light of the global trend toward easing ESG-related reporting burdens - reflected notably in the EU's Omnibus proposal - the BCBS has maintained the voluntary nature of its climate disclosure framework (BCBS 597), allowing jurisdictions to decide whether and how to implement the ESG disclosure standards.

With the final release of BCBS 597 in June 2025, several refinements and adjustments were made to the consultation version, reflecting stakeholder feedback and aiming for greater clarity and usability. This post highlights the core changes and strategic implications for banks navigating disclosure at the global level. Against this backdrop, the following key updates illustrate how the Basel Committee has responded to public consultation and evolving global expectations:

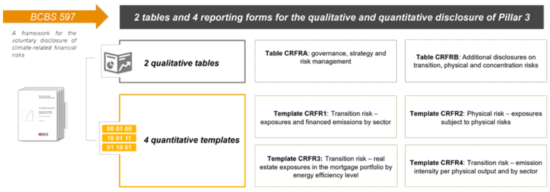
- **Voluntary application**: The framework remains voluntary, national supervisors will decide whether and how to apply it within their jurisdictions.
- **Streamlining of content**: Template CRFR5 on facilitated emissions has been removed.
- **Clarified expectations**: Tables CRFRA and CRFRB have been revised to provide further clarity. In particular, Table CRFRA now emphasizes the disclosure of processes and policies that banks apply to manage material climate-related financial risks.

In the EU, the European Banking Authority (EBA) is currently specifying how these high-level principles will be implemented through its Pillar 3 ESG Disclosure consultation paper (EBA CP 2025/07). Thus, while BCBS 597 provides valuable international guidance, the actual disclosure obligations for EU banks will be defined through the forthcoming EBA ITS on Pillar 3 disclosure.

While both frameworks emphasize qualitative disclosures on governance and risk management, as well as quantitative disclosures by sector and geography, the BCBS framework offers greater flexibility and is less prescriptive than the EU-specific EBA Pillar 3 ITS, which mandates stricter, more detailed requirements aligned with EU regulation.

The below table summarizes the main disclosure requirements of the Basel Committee paper.

Table 1: An overview of the BCBS 597 disclosure requirements



Key Differences between BCBS 597 and the EBA CP 2025/07

EU-regulated banks continue to face the challenge of further developing their disclosure reports in line with the EBA Pillar 3 ESG disclosure requirements. In our earlier post, "Navigating the Path to Standardised ESG Disclosures in Banking: Challenges, Implications, and the Road Ahead", we analysed key challenges and developments related to the EBA's framework.
While both the BCBS framework and the EBA's Pillar III ESG consultation paper (CP) share overarching objectives - enhancing transparency and promoting sustainable finance - they differ significantly in scope, granularity, and application. A closer look at the main structural differences highlights these divergences:

- **Sector classification**: While BCBS refers to the 18 sectors aligned with the Global Industry Classification Standard (GICS) and the Task Force on Climate-Related Financial Disclosures (TCFD), the EBA CP uses NACE codes, providing a more granular and structured classification system commonly used in EU regulation.
- **Expanded ESG Data requirements**: The expansion of ESG data requirements is evident with the addition of two new data fields in Template CRFR1. These include Greenhouse Gas (GHG) forecasts, encompassing decarbonization targets for additional sectors, and the disclosure of off-balance sheet positions. These new fields suggest a potential expansion of existing EU regulations, although the necessary data and calculation methodologies are still under development. Furthermore, the disclosure requirements mandate GHG intensity metric forecasts for 18 sectors without imposing specific scenarios, like the International Energy Agency (IEA) Net Zero Emissions by 2050 (NZE2050), within Template 3 P3 ESG risk disclosure. This flexibility necessitates the establishment of internal assessment mechanisms to address decarbonization targets for sectors covered by the Science Based Targets initiative (SBTi).
- **Disclosure template - number and granularity**: While the requirements of BCBS 597 overlap with the current CP P3 ESG risks in many areas, there are significant differences in terms of the level of detail required. The EBA goes beyond the requirements set out by the BCBS - particularly in terms of the granularity of the disclosure templates (e.g. use of NACE classifications, taxonomy-related KPIs, and emissions targets including base year and methodology). For example, Template 4 of the EBA consultation paper requires a detailed breakdown of exposures to the world's largest CO? emitters and links this information to climate change mitigation (CCM) measures. These templates

are not included in the BCBS standard.

- **Level of detail**: Similar differences can be found in Template 3 concerning alignment metrics. Although disclosures of intensity values and targets are overlapping, the CP demands specific information about the target years and the underlying methodology. Disclosure of the target value for the year 2030 based on the IEA NZE 2050 is mandatory. Furthermore, information regarding the base year for the underlying intensity values and targets must be reported.
  Another significant difference lies in the identification of physical climate risks. While the BCBS refers to national legislation for geographic classifications, the EBA consultation paper requires a breakdown by NUTS-2 or 3 regions with the highest exposure to physical risks. This approach offers significant added value for comparability across the EU.

In summary, while there is clear alignment in objectives, the EBA CP provides more concrete and prescriptive guidance - especially regarding metrics, decarbonization pathways, and data structuring of the ESG related risks. It enhances the information density but also fosters comparability and a more standardised methodological approach. Recent developments in ESG regulation, including the voluntary nature of the BCBS recommendations, the significantly simplified disclosure requirements in the EBA's consultation paper, and the proposed amendments through the Omnibus legislative package, signal a noticeable retreat in regulatory ambition concerning sustainability risks in the financial sector.

However, these developments stand in stark contrast to the realities of the climate crisis. The physical and transition risks associated with climate change have not diminished; on the contrary, they are becoming increasingly material and strategically relevant - particularly for the financial industry, which plays a critical role in the broader transformation toward net-zero emissions.

Without a robust and binding ESG reporting framework that establishes clear indicators and measurable benchmarks, the systematic assessment, management, and monitoring of sustainability risks within credit and investment portfolios remain largely unattainable. A purely voluntary or overly simplified reporting regime undermines not only the objectives of the Paris Agreement but also the ambitious commitments embedded in the European Green Deal.

This raises a fundamental question: How can progress toward climate neutrality be effectively measured, compared, and ensured if the regulatory framework does not compel the genuine integration of ESG factors into risk management and strategic governance? In the absence of political and regulatory pressure, ESG will remain an optional element for many institutions - at best a strategic side project, at worst a tool for reputational signalling.

This fosters greater comparability and supports stronger standardization of ESG disclosures within the EU.

Do you have questions about BCBS 597, ESG or Pillar III disclosures, or need support with the implementation of ESG disclosure requirements? Our team is here to support you! Don't hesitate to get in touch—whether you're seeking strategic guidance, technical input, or hands-on assistance. Let's work together to navigate the complexity of ESG disclosures and move toward more consistent and future-ready disclosure practices.

Further Links:

- Good things take time: The EBA publishes ITS on Step 2 disclosure, which sets out the requirements for the disclosure of ESG risks for all institutions
- Focus on sustainability: The ESG Pillar 3 Disclosure Study 2024
- Point of View: Portfolio-Alignment mit den Klimazielen
- Between transparency and sustainability: The ESG Pillar III Disclosure Study 2023

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Schlagwörter

Climate Change, ESG, European Green Deal, Sustainability Reporting, Sustainability Risk, Sustainable Finance (SF), Transparenz

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