



Public Consultation 100

Disclosure of metrics in the Social, Environmental, and Climate Risks and Opportunities Report (GRSAC Report)

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This document represents the best efforts of the Banco Central do Brasil (BCB) to provide an English version of the original public consultation. Hence, it should not be deemed as an official translation. The [Brazilian main prudential financial regulation](#) can be accessed at BCB's website.

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Contents

1. Introduction	4
2. Public Call for Input on the Disclosure of Quantitative Information for GRSAC Report	6
2.1 Theme I – Context and scope of information disclosure	6
2.2 Theme II – Alignment of Prudential Disclosure Rules with Standards Published by the International Sustainability Standards Board (ISSB), a new board under the IFRS Foundation... 7	
2.3 Theme III – Indicators for Climate Risk Management.....	8
2.4 Theme IV – Voluntary commitments and transition plans.....	11
2.5 Theme V – Scope of application and implementation date	11
2.6 Theme VI – General Comments	12
3. Illustrative templates CRFR – Climate-related risk.....	12

1. Introduction

Banco Central do Brasil (BCB) has issued this public consultation on the enhancement of the scope of disclosure requirements in the Social, Environmental, and Climate Risks and Opportunities Report (GRSAC Report), as ruled in Resolution BCB No. 139 and Normative Instruction BCB No. 153, both dated September 15, 2021.

Through the public consultation, the Central Bank of Brazil aims to foster a broad debate with society and regulated institutions on the subject. The call for inputs allows for a focused and efficient discussion to establish quantitative requirements¹ in the GRSAC Report, as outlined in the "Sustainability" dimension of the "Agenda BC#"², introduced in September 2020, which includes initiatives in several areas of action of the BCB.

This deliverable constitutes the second phase of the disclosure requirement regarding risks and opportunities related to social, environmental, and climate aspects. It includes the mandatory disclosure of metrics and targets through standardized templates in the GRSAC Report with an annual frequency by institutions in the National Financial System (SFN).

The enhancement of the GRSAC Report, incorporating quantitative requirements, is based on international initiatives on climate risk disclosure, notably:

- (i) the international standards³ for disclosing climate related information developed by the International Sustainability Standards Board (ISSB), a new board under the IFRS Foundation.
- (ii) the requirements proposed⁴ by the Task Force on Climate-related Financial Risks (TCFR), which were subject to public consultation until March 14, 2024. The TFCR was instituted by the Basel Committee on Banking Supervision (BCBS) and the document proposed aims to improve the Pillar 3 prudential framework to include climate-related financial risks.

Additionally, on the international scenario, it is noteworthy that the Task Force on Climate-related Financial Disclosures (TCFD) disbanded in October 2023, with its recommendations being concurrently integrated into the sustainability information disclosure standards published by the IFRS Foundation, notably the IFRS S2 - Climate-related Disclosures, that focuses on climate risks.

¹ This regulatory proposition aims to incorporate the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) into the prudential framework applicable to the National Financial System (SFN), focusing on metrics and targets (Phase 2).

² <https://www.bcb.gov.br/en/financialstability/sustainability>

³ These standards were published in June 2023 and are known as: IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1) and IFRS S2 Climate-related Disclosures (IFRS S2).

⁴ The consultative document is available at: <https://www.bis.org/bcbs/publ/d560.pdf>

Consequently, the BCB regulatory action focusing on metrics and targets (Phase 2)⁵, initially defined as the incorporation of TCFD recommendations, will redirect its efforts to align with other international standards, particularly the new requirements agreed upon by the BCBS, that are specifically tailored to the banking sector.

Stakeholders are invited to provide their contributions until June 28, 2024, through the form available in the BCB's website at www.bcb.gov.br, sequentially through the links under the general profile available only in Portuguese “Estabilidade financeira”, “Normas”, “Consultas públicas”, “Consultas ativas” or by email at prudential.dereg@bcb.gov.br.

Interested parties may respond to the consultation either partially or in full, specifying the topics and questions to which their comments apply.

In accordance with Communication No. 9,187, dated January 16, 2002, the comments and suggestions submitted during the public consultation will be made available to the public on the BCB's website.

⁵ The qualitative requirements currently required in the GRSAC Report (phase 1) were inspired in the recommendations of the TCFD.

2. Public Call for Input on the Disclosure of Quantitative Information for GRSAC Report

2.1 Theme I – Context and scope of information disclosure

Banco Central do Brasil (BCB) established the 'Sustainability' dimension of the Agenda BC# in September 2020, during which several regulatory actions were integrated into its strategic initiative.

Since the inception of the 'Sustainability' dimension, regulatory actions applicable to financial institutions have been completed, focusing on social, environmental, and climate responsibility policies; on management of social, environmental, and climate risks; and on qualitative disclosures regarding the management of those risks.

The requirements established for information disclosure, based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)⁶, were organized to four core elements: governance, strategy, risk management, and metrics and targets.

The first phase of this initiative was concluded with the publication of Resolution BCB No. 139 and Normative Instruction BCB No. 153, both dated September 15, 2021. They established the requirements for disclosing the Report on Social, Environmental, and Climate Risks and Opportunities (GRSAC Report), encompassing information on:

I - management of social, environmental, and climate risks, considering aspects such as governance and strategies adopted by institutions over different time horizons;

II - indicators used for management of social, environmental, and climate risks; and

III - business opportunities associated with social, environmental, and climate-related aspects.

It is worth noting that the regulatory framework for information disclosure is connected to the regulation of integrated risk management applicable to institutions within the National Financial System (SFN), as established in Resolution CMN No. 4,557, dated February 23, 2017 (also known as GIR Resolution). In this context, the definitions and requirements for the risk management structure are foundational to the information disclosure requirements related to climate risk, covering both physical and transition risks as conceptualized by the TCFD. Additionally, it addresses social and environmental risks, which are not covered by TCFD recommendations but are aligned with the ESG (Environmental, Social, and Governance) concept.

Question 1: Considering the concepts incorporated to the GIR Resolution for social and environmental risks, the significance of the ESG concept for Brazil, and the absence of international standards with a prudential focus on disclosing metrics and targets related to social and

⁶ The TCFD, a private sector-led task force, was established in 2015 by the Financial Stability Board (FSB) with the aim of developing recommendations to enable companies from various jurisdictions and sectors of the economy to disclose clear, comparable, and consistent information about the risks and opportunities associated with climate change.

environmental risks, what are the indicators that could be included in the GRSAC Report to complement climate risk metrics covered by international standards?

2.2 Theme II – Alignment of Prudential Disclosure Rules with Standards Published by the International Sustainability Standards Board (ISSB), a new board under the IFRS Foundation.

In the international context, the disbandment of the TCFD, in October 2023, entailed the transfer to the ISSB of the task of monitoring information on corporate disclosures, as well as the integration of TCFD recommendations to the disclosure standards on sustainability published by the IFRS Foundation, notably the IFRS S2 Climate-related Disclosures, which focuses on climate risks. In this new context, the implementation of TCFD recommendations under the Brazilian prudential framework, as part of the BC# Agenda deliverables, was redirected towards alignment with the new international standards agreed upon by the BCBS and focused on the banking sector.

Furthermore, the new ISSB standards improved the requirements on qualitative information disclosure, especially those related to strategy. Additionally, the scope of consolidation under ISSB follows IFRS accounting standards, being more comprehensive than the scope adopted in prudential consolidation currently required in Brazilian regulation.

Question 2: Considering the perspective of climate risk, can the difference between scopes of consolidation (accounting and prudential) be deemed significant for the disclosure of qualitative and quantitative information? If so, could the most relevant differences be exemplified, especially for the quantitative indicators of this consultation, such as exposures to economic sectors and financed emissions?

Question 3: Considering the distinct approaches of international standards, ISSB (investor-focused) and BCBS (prudential-focused), is there relevant overlap of qualitative information to be disclosed regarding governance, strategy, and risk management? Are there significant differences in the governance structure or the risk management structure, from the perspective of a financial institution, when considering the different scopes of consolidation?

Question 4: Considering the possibility of the Central Bank of Brazil adopting the international standards IFRS S1 and IFRS S2 issued by the ISSB, would any caveat or adaptation be needed for application within the National Financial System? If yes, what would these provisions be, and what adaptations would be necessary? The transition rules outlined in IFRS S1 standard are sufficient and appropriate? Is any additional transition rule necessary?

Question 5: According to the IFRS S1 standard issued by the ISSB, financial information on sustainability is part of the general-purpose financial report, as per Resolution CMN No. 4,818, dated May 29, 2020. In this context, should the required information be included in the management report, in the explanatory notes, or in a separate report? Explain the reasons for your choice.

2.3 Theme III – Indicators for Climate Risk Management

The disclosure requirements for climate risk, encompassing both transition and physical risks, consider the same concepts and rules of integrated risk management, outlined in Resolution CMN No. 4,557, dated 2017.

Internationally, the BCBS has concluded a public consultation⁷ of disclosure requirements for qualitative and quantitative information on climate-related financial risks. This BCB public consultation includes a template on climate risk, inspired on the BCBS proposal, referred to as Template CRFR1. The Template provides information about exposures subject to both credit risk and climate risk, considering the level of financed emissions of greenhouse gases (GHG) segregated by economic sectors.

Question 6: The purpose of Template CRFR1 is to provide an overview of exposures that, in addition to being subject to credit risk, are also subject to climate risk, given the level of GHG financed emissions. Does the proposed detailing adequately align with the intended objective? Are there additional metrics that should be considered?

Question 7: Information related to GHG financed emissions is deemed relevant for climate risk management in the financial sector. Considering data availability, what methodologies would be most suitable for measuring this metric? What are the challenges in data collection, and what possible solutions exist to address this issue?

Question 8: In case data provided by financial institutions' counterparts is limited or insufficient to measure GHG financed emissions, is there merit in constructing standardized indicators for GHG emissions for sectors facing greater constraints in assessing this indicator? Considering databases publicly available, what would be the most appropriate methodologies for this calculation? What are the advantages and disadvantages of the Central Bank of Brazil choosing a methodology, such as the Partnership for Carbon Accounting Financials⁸ (PCAF) one?

The selected economic sectors included in template CRFR1 encompass the eighteen sectors identified by the TCFD which present a significant probability of experiencing financial impacts due to climate change, considering three factors: GHG emissions, energy usage, and water usage. Such sectors were mapped to the National Classification of Economic Activities (CNAE), defined by the Brazilian Institute of Geography and Statistics (IBGE), resulting in twenty proposed sectors, as 'agriculture', 'livestock', 'metallurgy' and 'mining' were considered individually, given their significance to the Brazilian economy.

Question 9: Considering the reference spreadsheet presented in this proposal, is the correspondence between the CNAE codes and the economic sectors of the TCFD appropriate? Is there need for a greater or lesser sectoral granularity for information disclosure?

⁷ The consultative document is available at: <https://www.bis.org/bcbs/publ/d560.pdf>

⁸ <https://carbonaccountingfinancials.com/standard>

This call for inputs also includes specific templates of quantitative indicators for climate risk management considering relevant sectors to the Brazilian economy, notably templates for the agricultural sector (Template CRFR - Agro) and the energy generation sector (Template CRFR - Energy).

Considering that the agricultural sector is responsible for a significant portion of GHG emissions in Brazil, even without considering emissions associated with land use change, the Template CRFR - Agro seeks to provide more details on the credit portfolio to this sector, segregated by biome, according to delimitations established by IBGE. The proposed disclosure aims to incorporate aspects associated with the geographical regions indicated, an important factor for identifying climate risk.

The Template CRFR - Energy aims to provide a more detailed view of exposures associated with electricity generation, segregated by energy sources, distinguishing between renewable and non-renewable sources. Data provided by the National Agency of Electric Energy (Aneel) are used as a reference for classifying energy sources. The proposed template seeks to highlight aspects related to the Brazilian energy matrix, emphasizing the expected energy generation transition.

Question 10: Considering the annual estimates⁹ of GHG emissions in Brazil released by the Ministry of Science, Technology, and Innovation (MCTI), is the proposed focus on the templates for the agricultural sector and the electricity generation sector appropriate? Are there other pieces of information that should be included in the proposed templates?

The BCBS consultative document presents a template focusing on climate-related physical risk, addressing geographic areas or locations subject to this risk. In this context, the BCBS proposal suggests that national supervisors will determine the geographic areas and locations in their template. In the Brazilian case, the MCTI provides data on climate change in Brazil, integrated into a single platform known as *Adapta Brasil*¹⁰.

The information available in this system is comprehensive and publicly accessible. It could be used by the Central Bank of Brazil as a reference for identifying geographic regions subject to physical risk and to set parameters for selection of scenarios used in information disclosure. In this context, one way to define such parameterization could be summarized as follows, non-exhaustively:

⁹ According to the document 'Annual Estimates of Greenhouse Gas Emissions,' 6th Edition, published in 2022, agriculture and livestock sectors accounted for 28.5% and 23.2%, respectively, of total emissions in 2020. For the other sectors considered in MCTI's estimate, the 'Land Use, Land-Use Change, and Forestry' sector, 'Industrial Processes,' and 'Waste' accounted for 28%, 6.1%, and 4.2%, respectively, of total emissions.

¹⁰ <https://sistema.adaptabrasil.mcti.gov.br/>

Sectors subject to physical risk	Event of Physical Risk	Impact Risk Index	Scenario (optimistic and pessimistic)
Water resources	Drought	Climate Threat	Current scenario and 2030 scenario
Road infrastructure	Flooding	Climate threat	Current scenario and 2030 scenario
Port infrastructure	Rising sea level	Climate threat	Current scenario and 2030 scenario

Question 11: Considering the BCBS consultative document and the available data disclosed by the MCTI, could the parameterization summarized in the table above be considered relevant for the Brazilian case? What other impacts could be considered for a future template disclosing information on physical risk? Would it be relevant to consider the 2050 scenario for disclosure purposes, in addition to the present scenario and the one projected for 2030?

The BCBS consultative document presents some templates with implementation subject to jurisdictional discretion. These templates reflect differences in the degree of data availability, encompassing relevant aspects for jurisdictions' economies. In Europe, for instance, there are legal requirements for measuring and classifying the energy efficiency of buildings, justifying the requirement for disclosing such information.

It is worth noting that financial institutions, in addition to its classic role in financial intermediation, conduct activities related to capital market (such as underwriting, securitization¹¹, among others) and to financial advice. The metric known as 'facilitated emissions' has been used in some jurisdictions to refer to these services, considering their relevance to the economy. A methodology for measuring facilitated emissions was recently published by PCAF.

In brief, facilitated emissions refer to the gross emissions that are attributed to a financial institution due to the services it provides in capital market or as a financial advisory to a counterparty. Generally, these activities generate revenues not associated with direct financing and therefore not registered in the institution's balance sheet. However, these services may be responsible for funding the core activity of the counterparty, and potentially favoring GHG emission, while ensuring significant revenues for some financial institutions, which justifies the inclusion of this type of metric in the disclosure requirements.

Question 12: Considering the BCBS proposal for jurisdictional discretion in templates, which ones could be considered relevant for the Brazilian market? What is the rationale for this choice?

¹¹ In the Brazilian case, the issuance of Agricultural Receivables Certificates (CRAs) and Real Estate Receivables Certificates (CRIs) are examples of securitization instruments.

Question 13: Regarding the template focusing on facilitated emissions, what is the importance, feasibility, and practicality for this disclosure for SFN institutions?

2.4 Theme IV – Voluntary commitments and transition plans

Aspects related to the disclosure of targets for reducing GHG emissions, as well as interim assessments of these targets over a defined period are part of the TCFD recommendations and have been incorporated into the IFRS S2 standard, which focuses on climate risk. According to the IFRS S2 standard, quantitative and qualitative climate-related targets established to monitor the progress of strategic objectives must be disclosed. Any target subject to legal or regulatory requirements, including those related to GHG emissions, must also be disclosed.

Currently, there are no legal or regulatory requirements in Brazil applicable to SFN institutions that establish targets for GHG emissions, and the existing prudential regulation does not require SFN institutions to establish such targets. However, there are several examples of financial institutions that disclose their voluntary commitments¹² to international or national organizations on social, environmental, and climate aspects.

In this context, the present proposal seeks to standardize the disclosure of these commitments by including a non-exhaustive list of topics associated with social, environmental, and climate aspects, expanding the scope of disclosure of voluntary commitments and strengthening market discipline.

The BCBS consultative document incorporates the disclosure of transition plans associated with the relevant effects of climate risk on the strategy and decision-making of financial institutions. This premise is based on the IFRS S2 standard, which defines climate transition plans as part of an entity's overall strategy outlined in goals, actions, or resources for transitioning to a low-carbon economy, including actions such as reducing GHG emissions.

Question 14: Transition plans are a relevant part of institutions' strategies, with their disclosure required by international standards. In Brazil, there are no minimum requirements for SFN institutions to establish transition plans. Nevertheless, would there be benefits in establishing the disclosure of voluntary commitments by SFN institutions, such as the commitment to net-zero emissions by 2050? In this context, would there be gains for market discipline with the disclosure of voluntary commitments as proposed? Would there be benefits in establishing a standardized disclosure of transition plans? If so, what essential elements should be included?

2.5 Theme V – Scope of application and implementation date

Currently, institutions allocated to Segment 1 (S1), Segment 2 (S2), Segment 3 (S3), and Segment 4 (S4), as per Resolution No. 4,553 of January 30, 2017, and Resolution BCB No. 197 of March 11, 2022, for Type 3 conglomerates, must disclose the GRSAC Report. Considering the rules of proportionality,

¹² These commitments are associated with the Social, Environmental and Climate Responsibility Policy (PRSAC), ruled in Resolution CMN No. 4,945, of September 15, 2021.

smaller and less complex institutions have fewer requirements of information disclosure in the GRSAC Report.

Question 15: Considering that quantitative information is relevant for risk management for all segments of the SFN, should the BCB consider requiring disclosure of the full GRSAC Report for all segments? If so, what would be the appropriate timeframe for SFN institutions to be able to comply with this expansion of scope?

The BCBS consultative document indicates January 1, 2026, as the implementation date for the new disclosure requirements on climate risk in the Pillar 3 framework. The BCBS emphasized that the suggested date already considers the deadline for the implementation of ISSB standards, notably for the disclosure of metrics associated with financed emissions. It is worth noting that some SFN institutions, especially the larger and more complex ones, already disclose metrics related to climate risk in reports intended for shareholders and investors in general.

Question 16: Considering the different degrees of complexity and systemic relevance of SFN institutions, what would be the appropriate timeframe for expanding the information to be disclosed in the GRSAC Report? Is there a need for adopting transition rules for smaller segments of the SFN? If so, how should these transition rules be defined?

2.6 Theme VI – General Comments

Question 17: Given the breadth of topics involved in the disclosure of information about social risk, environmental risk, and climate risk, what elements, not addressed in this public consultation, should the Central Bank of Brazil consider in enhancing the rules governing the disclosure of the GRSAC Report?

3. Illustrative templates CRFR – Climate-related risk

Templates are available at:

[https://www.bcb.gov.br/content/estabilidadefinanceira/regulacao_prudencial_docs/Relatorio_GRSAC/Illustrative_Templates_CRFR - Climate related risk.xlsx](https://www.bcb.gov.br/content/estabilidadefinanceira/regulacao_prudencial_docs/Relatorio_GRSAC/Illustrative_Templates_CRFR_-_Climate_related_risk.xlsx)

GRSAC Report - Reference spreadsheet is available only in Portuguese at:

[https://www.bcb.gov.br/content/estabilidadefinanceira/regulacao_prudencial_docs/Relatorio_GRSAC/Anexo III - Relatorio GRSAC - Planilha-Referencia.xlsx](https://www.bcb.gov.br/content/estabilidadefinanceira/regulacao_prudencial_docs/Relatorio_GRSAC/Anexo_III_-_Relatorio_GRSAC_-_Planilha-Referencia.xlsx)