

JBA comments on Banks Sector Guidance by the Transition Plan Taskforce (TPT)

Questions	Comments
<b>Application of TPT Disclosure Framework Concepts</b>	
<p>Question 3.1</p> <p>Do you think that the TPT Banks Guidance is useful in supporting effective disclosure in line with the TPT Disclosure Framework?</p> <ul style="list-style-type: none"> <li>• Strongly agree</li> <li>• Agree</li> <li>• Neither agree nor disagree</li> <li>• Disagree</li> <li>• Strongly disagree</li> </ul>	<p>Agree</p>
<p>Question 3.3</p> <p>The section A Strategic and Rounded Approach to Banks' Transition Plans section (page 14) explains this Disclosure Framework concept for the Banking sector. Please state whether you agree if this adequately explains the concept for the sector.</p> <ul style="list-style-type: none"> <li>• Strongly agree</li> <li>• Agree</li> <li>• Neither agree nor disagree</li> </ul>	<p>Agree</p>

Questions	Comments
<ul style="list-style-type: none"> <li>• Disagree</li> <li>• Strongly disagree</li> </ul>	
<p>Question 3.5</p> <p>The section Impacts and dependencies on the natural environment section (page 15) explains this TPT Disclosure Framework concept for the Banking sector. Please state whether you agree if this is adequately explains the concept for the sector.</p> <ul style="list-style-type: none"> <li>• Strongly agree</li> <li>• Agree</li> <li>• Neither agree nor disagree</li> <li>• Disagree</li> <li>• Strongly disagree</li> </ul>	Disagree
<p>Question 3.6</p> <p>If “Disagree” or “Strongly disagree”:</p> <p>You said that the TPT Banks Guidance was not useful in explaining the Impacts and dependencies: the natural environment concept for the sector. Please explain why you gave that answer.</p>	<ul style="list-style-type: none"> <li>• While there is no doubt about the importance of incorporating climate and natural/environmental linkages, given that it is still in the early stages of developing an approach, we consider it to be premature for banks to integrate broader environmental risks with climate-related transition planning. Also, we believe there should be further explanation to incorporate these aspects into transition planning activities.</li> </ul>
<p>Question 3.7</p> <p>The section Impacts and dependencies: stakeholders, society, and the economy section (page 17) explains this TPT Disclosure Framework concept for the Banking sector. Please state whether you agree if this is adequately explains the concept for the sector.</p>	Disagree

Questions	Comments
<ul style="list-style-type: none"> <li>• Strongly agree</li> <li>• Agree</li> <li>• Neither agree nor disagree</li> <li>• Disagree</li> <li>• Strongly disagree</li> </ul>	
<p>Question 3.8 If “Disagree” or “Strongly disagree”:</p> <p>You said that the TPT Banks Guidance was not useful in explaining the Impacts and dependencies: stakeholders, society, and the economy concept for the sector. Please explain why you gave that answer.</p>	<ul style="list-style-type: none"> <li>• While there is no doubt that it is important to contemplate the impact on stakeholders in transition planning, climate change is not an issue that can be addressed by banks alone, but one that is common to all stakeholders and requires joint efforts. It is possible that various views may arise due to differences in the positions of each stakeholder. Therefore, it is not appropriate to make the disclosure of engagement strategies mandatory for all stakeholders, and it should be a voluntary disclosure requirement.</li> </ul>
<p>Question 3.9 The TPT Disclosure Framework requires an entity to disclose how it is responding and contributing to the transition towards a low-GHG emissions, climate resilient economy. Do you think that climate resilience is sufficiently and appropriately addressed within the [Sector] Guidance?</p> <ul style="list-style-type: none"> <li>• Strongly agree</li> <li>• Agree</li> <li>• Neither agree nor disagree</li> <li>• Disagree</li> <li>• Strongly disagree</li> </ul>	<p>Agree</p>
<p><b>Overarching Sector-Specific Questions</b></p>	

Questions	Comments
<p>Question 4.1</p> <p>Do you think investment banking activities are sufficiently and appropriately addressed within the TPT Banks guidance? Please explain why you gave that answer.</p>	<ul style="list-style-type: none"> <li>The guidance should clarify if and how investment banking activities are to be treated for transition planning purposes.</li> </ul>
<p>Question 4.5</p> <p>Prudential supervisors are now actively considering the role of transition plans in prudential supervision, with some having set expectations with regards to both transition plans and transition planning. Do you think that the TPT Banks guidance sufficiently and appropriately helps firms in this sector to make disclosures which are aligned with what is expected of them, or is likely to be expected of them in the future, by prudential supervisors? Please explain why you gave that answer.</p>	<ul style="list-style-type: none"> <li>The application of the prudential framework on capital requirements and buffer should be risk-based and evidence-based (i.e., data-driven). It should not be used for the purpose of encouraging FIs to adhere to their net-zero commitments. When considering applying a prudential framework to FI's transition plans, prudential supervisors should ensure that such frameworks will not hinder FIs from supporting the net-zero transitions of the real-economy companies.</li> <li>Careful consideration should be given to requirements that exceed the TCFD recommendations and ISSB standards regarding what are required or recommended items for prudential supervision, considering the cost and time required for implementation.</li> </ul>
<b>Sub-Element Feedback</b>	
<p>Question 5.1</p> <p>Do you agree with the selection of sub-elements for inclusion in the TPT Banks Guidance?</p> <ul style="list-style-type: none"> <li>Strongly agree</li> <li>Agree</li> <li>Neither agree nor disagree</li> <li>Disagree</li> <li>Strongly disagree</li> </ul>	<p>Agree</p>

Questions	Comments
<p>Question 5.3</p> <p>The following sub-elements were included within the TPT Banks Guidance. Please assess the usefulness of the guidance provided for each of the sub-elements:</p> <p>1.1 Strategic Ambition</p> <ul style="list-style-type: none"> <li>• Very useful</li> <li>• Somewhat useful</li> <li>• Not at all useful</li> <li>• Don't know</li> </ul>	Somewhat useful
<p>2.1 Business operations</p> <ul style="list-style-type: none"> <li>• Very useful</li> <li>• Somewhat useful</li> <li>• Not at all useful</li> <li>• Don't know</li> </ul>	Somewhat useful
<p>2.2 Products and services</p> <ul style="list-style-type: none"> <li>• Very useful</li> <li>• Somewhat useful</li> <li>• Not at all useful</li> <li>• Don't know</li> </ul>	Somewhat useful
<p>2.3 Policies and conditions</p> <ul style="list-style-type: none"> <li>• Very useful</li> <li>• Somewhat useful</li> <li>• Not at all useful</li> <li>• Don't know</li> </ul>	Somewhat useful

Questions	Comments
2.4 Financial Planning <ul style="list-style-type: none"> <li>• Very useful</li> <li>• Somewhat useful</li> <li>• Not at all useful</li> <li>• Don't know</li> </ul>	Somewhat useful
3.1 Engagement with value chain <ul style="list-style-type: none"> <li>• Very useful</li> <li>• Somewhat useful</li> <li>• Not at all useful</li> <li>• Don't know</li> </ul>	Somewhat useful
3.3 Engagement with government, public sector and civil society <ul style="list-style-type: none"> <li>• Very useful</li> <li>• Somewhat useful</li> <li>• Not at all useful</li> <li>• Don't know</li> </ul>	Somewhat useful
4.1 Governance, engagement, business and operational metrics and targets <ul style="list-style-type: none"> <li>• Very useful</li> <li>• Somewhat useful</li> <li>• Not at all useful</li> <li>• Don't know</li> </ul>	Somewhat useful
4.2 Financial metrics and targets <ul style="list-style-type: none"> <li>• Very useful</li> <li>• Somewhat useful</li> <li>• Not at all useful</li> </ul>	Somewhat useful

Questions	Comments
<ul style="list-style-type: none"> <li>• Don't know</li> </ul>	
<p>4.3 GHG metrics and targets</p> <ul style="list-style-type: none"> <li>• Very useful</li> <li>• Somewhat useful</li> <li>• Not at all useful</li> <li>• Don't know</li> </ul>	Somewhat useful
<p>Question 5.4</p> <p>The following sub-elements were included within the TPT Banks Guidance. Please select the sub-element(s) for which you would like to provide feedback.</p> <ul style="list-style-type: none"> <li>• 1.1 Strategic Ambition</li> <li>• 2.1 Business operations</li> <li>• 2.2 Products and services</li> <li>• 2.3 Policies and conditions</li> <li>• 2.4 Financial Planning</li> <li>• 3.1 Engagement with value chain</li> <li>• 3.3 Engagement with government, public sector, and civil society</li> <li>• 4.1 Governance, engagement, business and operational metrics and targets</li> <li>• 4.2 Financial metrics and targets</li> <li>• 4.3 GHG metrics and targets</li> </ul> <p>If you would like to provide feedback for specific sub-element(s), please provide detail of any information that you think should be included in the TPT Banks Guidance for this sub-element. In particular, we are interested to receive feedback</p>	<p>1.1 Strategic Ambition</p> <ul style="list-style-type: none"> <li>• The proposed guidance indicates that "an entity may set objectives and priorities in relation to the various business lines and geographies used in their financial disclosures", and we understand that it is necessary to consider the development of a granular transition plan. It should be noted that if this requirement is implemented, the volume and quantity of transition plans will inevitably increase, which may increase the burden of banks.</li> </ul> <p>If transition plans by region are required, we believe that international cooperation and discussions with overseas branches will be necessary. In the case of a global group, it may be difficult for the transition plans to meet all regional expectations and requirements due to differences between each overseas location and the head office location. Therefore, it is reasonable to take an approach in which flexible consideration is given to overseas branches in accordance with the guidelines of the country where they are located, while obtaining guidance from the head office transition plan.</p> <ul style="list-style-type: none"> <li>• We interpret "a systems approach which considers the expansive, economy-wide impact of the entity's activities and the flows between different sectors" as a requirement for explaining "what kind of financial flows and spillover transmission channels are envisioned in the transition plan from comprehensive viewpoints," rather than merely examining the scenarios for each sector separately. Since the development of this approach is still in the</li> </ul>

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<p>about whether the guidance:</p> <ul style="list-style-type: none"> <li>· Is missing any useful content (including references to third-party guidance);</li> <li>· Includes any guidance which is incorrect;</li> <li>· Is compatible with existing disclosure requirements (regulatory and/or voluntary)</li> </ul>	<p>early stages, it should be noted that the disclosure of this content is difficult at this point.</p> <p>3.1 Engagement with value chain</p> <ul style="list-style-type: none"> <li>· It is reasonable to promote and support clients to transition through engagement as well as to focus on counterparties vulnerable to transition and physical risk. It should be assumed that an orderly transition will not be impeded and that banks will not indiscriminately divesting or withdrawing financing.</li> </ul> <p>3.3 Engagement with government, public sector, and civil society</p> <ul style="list-style-type: none"> <li>· There is no doubt that engagement with stakeholders is important, but it should be noted that banks have limited influence and capacity. Depending on the type of stakeholder, there may be cases where it is not cost-effective. Since it is not appropriate in light of the original purpose to mandate disclosure of engagement strategies based on all types of stakeholders, it is appropriate to make it a voluntary disclosure.</li> </ul> <p>4.3 GHG metrics and targets</p> <ul style="list-style-type: none"> <li>· There is no doubt that reducing Scope 3, i.e. financed emissions, is important for banks, but Scope 3 may not consistently decline when financing transitions in the hard-to-abate sector, as there may be a time lag between future reductions by financing and temporary increases in financed emissions. Therefore, it should be noted in this guidance that the financed emissions may not be reduced in line with the transition plan, when achieving the transition of real economy and bank's balance sheet by supporting transition of the hard-to-abate sector.</li> </ul>
<b>Other</b>	
<p>Question 6.1</p> <p>Do you have any additional feedback on the TPT Banks Guidance?</p>	<ul style="list-style-type: none"> <li>· Banks have an important role to play in providing finance to enable companies to make the transition; therefore, the guidance could clearly state that the risk</li> </ul>



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	<p>of divestment and the consequent risk of insufficient funds being available for real economy transitions should not be created by setting ambitious targets and transition plans.</p>
	<ul style="list-style-type: none"> <li>• There are numerous links to external references in this guidance, and we suggest to organise the hierarchy or logic of these references to follow in leveraging them for transition planning purposes.</li> </ul>
	<ul style="list-style-type: none"> <li>• Many internationally operating banks are developing or have developed net-zero transition plans on a global basis and at group-level to achieve the global and group-level net-zero targets. Therefore, frameworks or guidance for transition plans should be also globally consistent and interoperable. Following UKTPT’s drafted guidance, MAS and HKMA have also set their supervisory expectations through drafted guidance or letters. We expect UK TPT and standard-setters to communicate well with each other to avoid fragmentation among jurisdictions in transition planning frameworks.</li> </ul>

(End)