

BCB Public Consultation No. 86/2021 - Regulation on the disclosure of social, environmental, and climate-related risks by financial institutions

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The international debate on sustainability has recently gained importance, focusing mainly on the outcomes of the commitments related to the Paris Agreement, in 2015, as well as on the potential impacts of climate change for the financial sector. The [Sustainability Dimension](#) of the Banco Central do Brasil's (BCB) institutional agenda — [Agenda BC#](#) — acknowledges the relevance of social, environmental, and climate-related issues for the Brazilian economy and financial stability.

Disclosure of information related to social, environmental, and climate-related aspects by financial institutions is crucial to improve transparency, to reduce information asymmetry and to improve market discipline in the [National Financial System \(SFN\)](#).

Public Consultation

In this sense, the BCB has launched the Public Consultation No. 86/2021 to set rules for social, environmental, and climate-related risk management disclosure by institutions of the SFN.

The new regulatory proposal is inspired by the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) but is not limited to them. The scope was enlarged to include social and environmental issues — outlined in the acronym ESG (Environmental, Social and Governance) — considering the importance of these topics for Brazil and the SFN.

The proposal is one of the deliverables agreed under the Sustainability Dimension of Agenda BC#, and it will be implemented in two phases. In the first phase, with respect to qualitative aspects, the focus is on the disclosure of clear, consistent, and comparable information about governance, strategy, and social, environmental and climate-related risk management.

The second phase, scheduled to be launched in 2022, will set the mandatory disclosure of quantitative information (metrics and targets). However, institutions that already employ indicators for the social, environmental, and climate-related risk management have the option to disclose information about them in the first phase.

GRSAC Report

According to the proposal, information must be disclosed in a standardized report, referred to as "GRSAC Report", subject to principles of proportionality considering the institution's size and risk profile, aiming at consistency and comparability across financial institutions.

It is worth mentioning that the proposal complements the ongoing BCB Public Consultation No. 85/2021 on improvement of requirements to the social, environmental, and climate-related risk management framework.

The regulatory proposal will be available for comments until June 5, 2021, at the BCB's website. Click to access the [BCB Public Consultation No. 86/2021](#).