ISSB IFRS S1 & S2 Implementation Quick Card (CRE Edition)

Core architecture, utility boundary rules, Scope 3 Category 13 tenant emissions, and municipal BPS convergence

1. IFRS S1 vs. IFRS S2: Scope & Materiality Lens

Standard	Focus & Boundary	Materiality & Primary Audience
IFRS S1 (General)	All sustainability-related financial risks and opportunities affecting cash flows, financing access, and cost of capital.	**Financial materiality** for institutional investors, lenders, and creditors (not EU CSRD double materiality).
IFRS S2 (Climate)	Integrates TCFD 4 pillars (Governance, Strategy, Risk Management, Metrics & Targets) + physical/transition risks and Scope 1-3 GHG.	**Financial materiality** tied to asset valuation, CapEx plans, climate scenario resilience, and regulatory transition liabilities.

2. Three CRE Operational Requirements Under IFRS S2

- **Physical Climate Risk Assessment (IFRS S2 Para. 10):** Quantify exposure to acute hazards (100-year flood inundation, storm surge, severe convective storms) and chronic shifts (extreme heat days, sea-level rise) across asset locations.
- **Scope 1 & Scope 2 Facility Boundaries (IFRS S2 Para. 29):** Demarcate operational control under the GHG Protocol Corporate Standard between central plant / base-building common meters and tenant-controlled spaces.
- **Scope 3 Category 13 (Downstream Leased Assets):** Leased tenant energy often accounts for 60%-80% of whole-building energy consumption; close data gaps using green lease riders, submetering, and utility interval sharing.

3. Global Regulatory Cross-Walk (2026 Baseline)

Regime	Materiality Basis	Key Scope & Real Estate Operational Link
ISSB (IFRS S1/S2)	Financial (Investor)	Global baseline built on TCFD; integrated into financial reporting cycles.
EU CSRD / ESRS	Double Materiality	Covers outward environmental/social impact plus financial risk; separate filing file from ISSB.
California SB 253/261	Statutory GHG / Risk	In force for covered US entities doing business in CA; Scope 1-3 GHG + climate financial risk.
Municipal BPS (LL97, BERDO)	Statutory Cap / Fines	Enforces asset-level emissions caps backed by civil penalties; feeds IFRS S2 regulatory transition liabilities and retrofit CapEx.

BC ESG FIELD QUICK CARD · PAGE 2 CHECKLIST

Four-Phase Commercial Real Estate Implementation Checklist

Action sequence from building utility data to audited IFRS S1/S2 disclosures

Phase	Primary Owner	Auditable Deliverables & Controls
Phase 1: Boundary & Governance	Sustainability & Legal	Define operational vs. financial control boundary per GHG Protocol; map board/audit-committee oversight charters.
Phase 2: Utility & Tenant Data	Property Ops & Engineering	Reconcile central plant Scope 1/2 meters; audit submetering coverage; deploy green-lease tenant interval data clauses for Scope 3 Cat. 13.
Phase 3: Physical & Transition Pricing	Risk, Insurance & Finance	Run asset geolocation hazard screens; calculate municipal BPS fine exposure (e.g., NYC Local Law 97) vs. decarbonization CapEx.
Phase 4: Assurance & Integration	CFO & External Assurance	Link climate assumptions to financial statement impairment notes and publish auditable Metrics & Targets tables.

Key Practitioner Decisions (Quick Reference)

- **Does IFRS S1 require double materiality?** No — IFRS S1 addresses financial materiality for primary capital providers, whereas EU CSRD/ESRS requires double materiality.
- **Are building owners required to include tenant energy?** Yes — when tenants hold operational control under the GHG Protocol, leased-space emissions map to Scope 3 Category 13.
- **How do LL97/BERDO connect to ISSB?** Municipal emissions fines and required HVAC/envelope retrofits are transition risks and CapEx commitments disclosed under IFRS S2.

Source Guide: https://bcesg.org/issb-ifrs-s1-s2-implementation-guide-sustainability-disclosures/

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