BC ESG FIELD QUICK CARD · CROSS-SECTOR CLIMATE RISK

Physical & Financial Climate Risk (2026 Framework Map)

Cross-framework architecture linking ISSB S1/S2, TNFD LEAP, California SB 253/261, and EU CSRD

1. The 2026 Cross-Framework Disclosure Architecture

Framework	Core Mandate	Operational Requirement for Risk Teams
ISSB IFRS S1 / S2	TCFD successor integrated into global financial disclosure.	Quantify or bound financial impact of physical & transition risk; run multi-scenario analysis.
TNFD (LEAP)	Nature- & biodiversity-related financial risk and dependency.	Locate priority ecosystem interfaces, evaluate dependencies, assess material financial risks, prepare disclosures.
CA SB 253 & SB 261	Mandatory GHG inventory & biennial climate financial risk reports.	Build verifiable Scope 1, 2, and 3 data pipelines and TCFD/ISSB-aligned physical/transition narratives.
EU CSRD / ESRS	Double-materiality statutory corporate sustainability reporting.	Assess inward financial risk and outward climate/ecosystem impact after 2026 Omnibus scope alignment.

2. Physical vs. Transition Risk Taxonomy

- **Acute Physical Hazards:** Event-driven extremes — inland/coastal flooding, wildfire, hurricane/storm surge, and severe heat events that damage facilities and interrupt supply chains.
- **Chronic Physical Shifts:** Longer-horizon baseline changes — sustained heat stress, drought/water scarcity, and sea-level rise that erode asset utility and insurability.
- **Transition & Financial Transmission:** Policy caps, carbon pricing, stranded-asset write-downs, property insurance repricing/deductible hikes, and capital-cost shifts.

BC ESG FIELD QUICK CARD · PAGE 2 INFRASTRUCTURE WORKFLOW

Building Audit-Ready Physical & Financial Climate Risk Infrastructure

Four operational steps from asset hazard exposure to financial statement quantification

Step	Focus Area	Execution Standard
1. Scope & Materiality	Regime Mapping	Identify which entities fall under ISSB, California SB 253/261, EU CSRD, or TNFD investor requests.
2. Geolocation Mapping	Asset & Supply Chain	Overlay facility coordinates and critical Tier-1/Tier-N suppliers against downscaled climate hazard projections.
3. Financial Quantification	Valuation & Disruption	Translate hazard severity into asset impairment bounds, downtime revenue loss, and insurance repricing sensitivity.
4. Scenario & Governance	Decision Integration	Compare pathways (e.g., RCP 2.6, 4.5, and 8.5) and embed triggers into CapEx and continuity plans.

Cross-Sector Operational Intersections

- **Property Insurance:** Rising acute/chronic losses drive repricing, sublimits, and parametric transfer structures.
- **Business Continuity (ISO 22301):** Physical hazard tolerances must align with recovery time objectives and generator/cooling limits.
- **Restoration & Surge Capacity:** Post-event recovery schedules lengthen during regional catastrophe surges.
- **Healthcare & Critical Facilities:** Dual mandate to maintain uninterrupted clinical resilience while decarbonizing central plants.

Source Guide: https://bcesg.org/physical-financial-climate-risk-2026-esg-disclosure-framework/

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