



California Public Employees' Retirement System

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Chair Liane M. Randolph
California Air Resources Board
1001 I Street
Sacramento, CA 95814

Submitted electronically at <https://ww2.arb.ca.gov/public-comments/public-comments-california-climate-disclosure-information-solicitation>

March 20, 2025

Subject: Information Solicitation to Inform Implementation of California Climate-Disclosure Legislation: Senate Bills (SB) 253 and 261, as amended by SB 219

Dear Chair Randolph and Staff,

On behalf of the California Public Employees' Retirement System (CalPERS), I am writing to express our continued support for the implementation of SB 253 and SB 261, as amended by SB 219, and our appreciation of California Air Resources Board's (CARB) solicitation of feedback to inform the implementation. The implementation of these statutes will provide institutional investors, consumers, and policy makers with a consistent source of valuable emissions and climate-related financial risk reporting data and allow investors to address such risk through asset allocation, voting, or engagement.

As the largest public defined benefit pension fund in the United States, CalPERS manages approximately \$530 billion in global assets on behalf of more than 2 million members. We seek long-term and sustainable returns through efficient capital allocation and stewardship in line with our fiduciary duty.

We are guided by CalPERS' Investment Beliefs which recognize that "Long term value creation requires effective management of three forms of capital: financial, physical and human." Fulfilling the retirement promises made to our members requires fair, accurate, timely, and assured reporting about how companies manage their financial, physical, and human capital to generate sustainable returns. It also requires clear information about how they identify, monitor, and mitigate risks to those three forms of capital.

CalPERS has advocated for increased transparency on climate risk and portfolio company emissions for more than a decade. We believe that companies should disclose consistent, comparable, and reliable information in regulatory reports to help shareowners more easily identify, assess, and

manage climate risk and opportunity and to better understand the full financial implications of climate-related data.

We urge CARB to prioritize harmonization and interoperability with the International Financial Reporting Standards Foundation's International Sustainability Standards Board (ISSB) Standards. This will help ensure consistent, comparable, reliable, and decision-useful information for companies and investors navigating diverse reporting requirements, while minimizing redundant efforts.

Climate change is a global challenge and one we cannot afford to ignore as long-term investors, with inviolable fiduciary duty to our members. The consequences of inaction will be measured not just in the impact on workers and communities, but also on the companies we rely upon to generate the investments that pay benefits.

Please find our responses to CARB's solicitation questions below. Thank you for your consideration.

General: Applicability

1. **SB 253 and 261 both require an entity that "does business in California" to provide specified information to CARB. This terminology is not defined in the statutes.**
 - a. **Should CARB adopt the interpretation of "doing business in California" found in the Revenue and Tax Code section 23101?**

Using California Revenue and Taxation Code (RTC) § 23101 would be an appropriate way to apply the "doing business in California" test. We are supportive of referencing the California Franchise Tax Board's (FTB) inflation-adjusted definition of "doing business in California" as informed by RTC § 23101.

- b. **Should federal and state government entities that generate revenue be included in the definition of a "business entity" that "does business in California?"**

Government Code § 82005 defines "Business entity" as any organization or enterprise operated for profit, including but not limited to a proprietorship, partnership, firm, business trust, joint venture, syndicate, corporation or association.

This should be used as a reference with government entities and non-profits being exempted from reporting.

- d. **Should entities that sell energy, or other goods and services, into California through a separate market, like the energy imbalance market or extended day ahead market, be covered?**

We agree with the view of Senators Wiener and Stern, sponsors of SB 253 and SB 261, that out-of-state utilities should not be covered if their sole interaction with California is selling power into the state.

We view that out-of-state entities that only do business in California through wholesale transactions in the Western Energy Imbalance Market and the California Independent System Operator's Extended Day Ahead Market should not be covered by the laws.

2. **What are your recommendations on a cost-effective manner to identify all businesses covered by the laws (i.e., that exceed the annual revenue thresholds in the statutes and do business in California)?**
- a. **For private companies, what databases or datasets should CARB rely on to identify reporting entities? What is the frequency by which these data are updated and how is it verified?**

We suggest contacting various financial information and data providers. A non-exhaustive list of companies to contact are FTSE Russell, S&P Global, Moody's, Bloomberg, Factset, and Duns and Bradstreet. Data providers should be able to provide clean, recent, and parent company level information.

Additionally, CARB should develop an interagency agreement with the FTB to provide it with a list of business entities that are likely to meet the revenue thresholds based on submitted California corporation franchise or income tax return.

- b. **In what way(s) should CARB track parent/subsidiary relationships to assure companies doing business in California that report under a parent are clearly identified and included in any reporting requirements?**

CARB should work with financial information and data providers as suggested in question 2a.

General: Standards in Regulation

3. **CARB is tasked with implementing both SB 253 and 261 in ways that would rely on protocols or standards published by external and potentially non-governmental entities.**
- a. **How do we ensure that CARB's regulations address California-specific needs and are also kept current and stay in alignment with standards incorporated into the statute as these external standards and protocols evolve?**

CARB should allow for interoperability with other reporting standards. Many corporations have been reporting based on the greenhouse gas (GHG) Protocol and the Task Force on Climate-related Financial Disclosures recommendations, which are now largely incorporated into the ISSB Standards. Likewise, investors are already accustomed to evaluating information based on these reporting standards and protocols.

CARB's guidance should be written so that it automatically incorporates new versions of the GHG Protocol, while still allowing submissions that comply with multiple versions of this standard.

- b. **How could CARB ensure reporting under the laws minimizes a duplication of effort for entities that are required to report GHG emissions or financial risk under other mandatory programs and under SB 253 or 261 reporting requirements?**

Many companies that will be reporting for SB 253 and 261 will be voluntarily or mandatorily reporting based on the ISSB Standards. To avoid duplication of efforts, CARB should accept reports that meet the requirements of ISSB Standards. SB 261 allows covered entities to submit a report prepared "pursuant to a law, regulation, or listing requirement issued by any regulated exchange, national government, or other

governmental entity,” or one prepared “voluntarily using a framework that meets the requirements” of the law. SB 253 does not contain a provision mirroring SB 261 that explicitly allows compliance to be satisfied by “voluntarily using a framework that meets the requirements” of the law. CARB should explicitly state that it will accept voluntary reports for compliance with SB 253, to satisfy the requirement that the regulations are “structured in a way that minimizes duplication of effort.”

Institutional investors, such as CalPERS, contract with data providers that collect climate data from various sources instead of reviewing each of the individual companies’ reports themselves. CARB could opt to host a central repository of Portable Document Format (PDF) files and links to companies’ websites. This could be done based on the combination of Google Forms and Google Spreadsheet. Based on how data is assessed and processed, there is no need for companies to populate an extensive form. By having covered entities submit both the PDF and a link to where the report is on their website, this would avoid any instance of the company website being down or cases where the report links have changed.

- c. **To the extent the standards and protocols incorporated into the statute provide flexibility in reporting methods, should reporting entities be required to pick a specific reporting method and consistently use it year-to-year?**

Though it is ideal to have consistency in year-to-year reporting, reporting entities should be allowed flexibility in selecting reporting methods as such methods may evolve over time. Reporting entities should be transparent on any material changes to their reporting methods from one reporting year to another.

- 5. **Should the state require reporting directly to CARB or contract out to an “emissions” and/or “climate” reporting organization?**

CARB should require direct reporting and not contract out to an emissions or climate reporting organization.

CARB should avoid over-complicating the process for reporting entities, investors and stakeholders to have access to the information reported. Contracting this out could slow the process down and introduces the risk of pay walls and upselling to both reporting entities and users of the information.

CARB could opt to host a central repository of PDFs and links to companies’ websites. This could be done based on the combination of Google Forms and Google Spreadsheet. Based on how data is assessed and processed, there is no need for companies to populate an extensive form. By having covered entities submit both the PDF and a link to where the report is on their website, this would avoid any instance of the company website being down or cases where the report links have changed.

- 9. **How should voluntary emissions reporting inform CARB’s approach to implementing SB 253 requirements? For those parties currently reporting Scopes 1 and 2 emissions on a voluntary basis:**

- a. **What frequency (annual or other) and time period (1 year or more) are currently used for reporting?**

CARB should permit companies to align reporting to their fiscal year data and report one year of data at a time.

SB 261: Climate Related Financial Risk Disclosure

10. **For SB 261, if the data needed to develop each biennial report are the prior year's data, what is the appropriate timeframe within a reporting year to ensure data are available, reporting is complete, and the necessary assurance review is completed?**

Not all companies have the same fiscal year ending date, so it would not be appropriate for all companies to submit their reports on a specific date. It would be more appropriate for companies to align their climate reporting with their traditional financial reporting, as ISSB Standards require.

11. **Should CARB require a standardized reporting year (i.e., 2027, 2029, 2031, etc.), or allow for reporting any time in a two-year period (2026-2027, 2028-2029, etc.)?**

Companies should be allowed flexibility in reporting for anyone reporting year in each two-year period. This could help prevent companies from providing outdated data.

Thank you for the opportunity to share our comments. Please do not hesitate to contact Travis Antoniono, Investment Director, Sustainable Investments, at (916) 795-2238, or Danny Brown, Chief of our Legislative Affairs Division, at (916) 795-2565, if we can be of any assistance.

Sincerely,

A handwritten signature in blue ink that reads "Marcie Frost". The signature is fluid and cursive, with the first name "Marcie" and the last name "Frost" clearly distinguishable.

Marcie Frost
Chief Executive Officer