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CDP PUBLIC RESPONSE TO:

CALIFORNIA AIR RESOURCES BOARD INFORMATION SOLICITATION TO INFORM IMPLEMENTATION OF CALIFORNIA CLIMATE-DISCLOSURE LEGISLATION: SENATE BILLS 253 AND 261, AS AMENDED BY SB 219

Introduction

CDP greatly appreciates the opportunity to respond to the California Air Resources Board (CARB) and to provide comments to the *Information Solicitation to Inform Implementation of California Climate-Disclosure Legislation: Senate Bills 253 and 261, as amended by SB 219*.

CDP, an international non-profit organization with offices in New York, London and around the world, pioneered voluntary environmental disclosure in 2003, and today receives disclosure from approximately 24,800+ companies and other entities worldwide. The CDP system is the world's only integrated environmental disclosure platform covering climate change, water and forests environmental information — both quantitative and qualitative. CDP also receives disclosure from approximately 1000 cities, states and regions worldwide, including the State of California, which disclosure is compiled and submitted by CARB.

Our signatories are financial institutions that represent more than **US$142 trillion** in assets
During the 2023 CDP disclosure cycle, through the CDP Supply Chain program, **330+ major buyers**, with a combined purchasing power of **US$6.4 trillion** secured disclosure from their suppliers. In 2024, **over 4,600 US companies** disclosed through CDP utilizing our standard or Small and Medium Enterprise (SME) questionnaire.

The CDP disclosure process has been aligned with the recommendations of the Task Force on Climate Related Disclosure (TCFD since the latter's inception, and is also aligned with all emerging disclosure standards, including the International Sustainability Standards Board (ISSB), the European Financial Reporting Advisory Group (EFRAG), the Global Reporting Initiative (GRI) and more.

Of special note and relevance for CARB and its effort to avoid duplication of effort for disclosing entities, as of September 2024, CDP has entered a data sharing partnership with the Net Zero Data

Public Utility (NZDPU). CDP will be providing the NZDPU with disclosure data on Scope 1/2/3 emissions. Over 10,000 companies that publicly disclosed through CDP in 2023 (and dating back to 2015 where data is available) will be included in the NZDPU when it is launched in the summer of 2025.

In sum, CDP holds the world's largest and most comprehensive repository of voluntarily disclosed quantitative and qualitative environmental information across key environmental parameters. CDP is at the disposal of CARB for any further information or assistance.

Response to the Information Solicitation request is below:

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?*

      CDP defers to CARB on this question, although to whatever extent pre-existing accepted relevant definitions exist, it would be cost effective to apply them.

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

      CDP defers to CARB on this question. Of note, as stated earlier, the State of California currently discloses Scope 1 and 2 emissions (within jurisdictional state boundaries and imported electricity) for all state operations through the CDP disclosure system, submitted through CDP by CARB.

   c. *Should SB 253 and 261 cover entities that are owned in part or wholly owned by a foreign government?*

      CDP defers to CARB on this question.

   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?*

      CDP defers to CARB on this question.

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)?*

   CDP defers to CARB on this question.

   e. *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?*

      CDP has an annual disclosure process covering private companies. However, making public this disclosure is at the discretion of the disclosing company. Verification follows the CDP assurance procedures described below. Data on private companies is also available from a number of commercial data suppliers.

   f. *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?*

      CDP defers to CARB on this question.

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.*

   g. *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?*

      The CDP disclosure system, annually requests, receives, maintains, and stewards the same ghg emissions and climate-related risks and opportunities data to be submitted in compliance with SB 253 and 261 from 24,836 companies worldwide (with more than 12,500 SMEs) representing more than two-thirds of the global market cap, including 21,869 suppliers, and 6,419 companies who disclose through our annual investor request, which is signed by 700+ financial service entities that collectively represent more than a quarter of all financial institution assets globally with $142 trillion+ USD under management. 4,683 US companies disclosed through CDP in 2024, representing the largest number of disclosers from any country in the world.

Of existing disclosing entities, we believe that approximately 1,400+ entities potentially covered by SB 253/261 are already disclosing the required information through CDP. These companies were assessed based on voluntarily reported revenues through CDP's disclosure Questionnaire and public revenues from publicly registered companies in the US. An assumption was made that almost all companies under these determinants ($500 million+ revenues and US-based) would also be "doing business in California," but were not compared to existing definitions for this categorization.

CDP itself is not per se a "standard" but rather an implementation platform for all major existing national and international disclosure standards at scale and is aligned with the international Sustainability Standards Board's (ISSB) IFRS S2, GHG Protocol, the Canadian Sustainability Standards Board's CSDS 2, and is increasing its alignment with the standards set by the European Sustainability Reporting Standards (ESRS), Taskforce on Nature-related Financial Disclosures (TNFD) and more. CDP also updates its disclosure as new standards are established. Further, CDP is ISSB's key global climate disclosure partner. CDP's 2024 questionnaire is aligned with IFRS S2 Climate-related Disclosures as the global baseline for climate-related disclosures for investors. Where CDP questions are related to requirements of IFRS S2, this is referenced under the 'Connection to other frameworks' section of each question. CDP disclosure also has a high degree of commonality and interoperability with ESRS (E1).

Also, as stated above, as of September 2024, CDP is a data supplier to the Net Zero Data Public Utility (NZDPU) and will be providing to the NZDPU disclosure data on Scope 1/2/3 emissions. Over 10,000 companies that publicly disclosed through CDP in 2023 (and dating back to 2015 where data is available) will be included in the NZDPU repository when it is launched in the summer of 2025.

Consequently, acceptance by CARB of GHG emissions data submitted through CDP by entities covered by SB 253/261 would significantly avoid duplication of effort by covered entities and be cost-effective, we believe, for all concerned. Also, in that CDP updates its questionnaire as new standards evolve, data provided to CARB via CDP would be current and kept updated.

h. *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?*

As stated above, acceptance and/or integration and/or upload of emissions data disclosed to CDP by CARB would most effectively minimize, even eliminate the referenced potential duplication.

i. 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?

Reporting entities using a consistent year to year method is recommended to reduce costs and avoid duplication, especially because there is little to no variation in the methods used to report Scope 1 and 2 greenhouse gas emissions and certainly not year to year. Variations can be addressed through best practice estimates, to the extent material variations occur year to year.

General: Data Reporting

4. *To inform CARB's regulatory processes, are there any public datasets that identify the costs for voluntary reporting already being submitted by companies? What factors affect the cost or anticipated cost for entities to comply with either legislation? What data should CARB rely on when assessing the fiscal impacts of either regulation?*

   CDP defers to CARB on the best methods to identify cost-benefit of SB 253/261, but the consistent growth and extensiveness of voluntary disclosure to CDP would suggest that disclosers consider the process both doable and desirable, and we infer that costs involved in that voluntary disclosure are not an impediment to disclosure.

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

   CDP defers to CARB on the regulatory benefits of direct reporting to CARB. However, were CARB to choose to require direct reporting, it would be potentially cost effective and efficient if disclosure already provided to CDP could be submitted as well to CARB directly. On the matter of whether to use a "climate reporting organization," we respectfully suggest that given CDP's global scope, the pre-existing familiarity of our users with our system over many years, our alignment with international standards and the scope of our use by so many entities likely to be covered by SB 253/261, CDP embodies the qualities, experience and objectives inherent in CARB's consideration of a "climate reporting organization", especially given CARB's proposed international focus across jurisdictions.

6. *If contracting out for reporting services, are there non-profits or private companies that already provide these services?*

   As stated above, CDP provides all the services for which CARB might wish to contract with a significant track-record and scope, across qualitative and quantitative data parameters, across jurisdictions, nationally and internationally.

SB 253: Climate Corporate Data Accountability Act

7. *Entities must measure and report their emissions of greenhouse gases in conformance with the GHG Protocol,1 which allows for flexibility in some areas (i.e. boundary setting, apportioning emissions in multiple ownerships, GHGs subject to reporting, reporting by sector vs business unit, or others). Are there specific aspects of scopes 1, 2, or 3 reporting that CARB should consider standardizing?*

   As stated above, CDP disclosure currently conforms with the GHG protocol and all other reporting standards or protocols that comprise global best practice relative to Scopes 1/2/3 and allows for disclosers to cite the standards used in GHG emissions inventory.

8. *SB 253 requires that reporting entities obtain "assurance providers." An assurance provider is required to be third-party, independent, and have significant experience in measuring, analyzing, reporting, or attesting in accordance with professional standards and applicable legal and regulatory requirements.*
   a. *For entities required to report under SB 253, what options exist for third-party verification or assurance for scope 3 emissions?*

      CDP is not an assurance provider in itself but has a network of Accredited Solutions Providers (ASPs) which offer assurance services for climate-related disclosures, including Scope 3 emissions reporting. Through CDP, companies have access to this network of ASPs and experts to assist in their annual disclosures with verification services and a list of accepted standards, along with CDP's own Supply Chain and Reporter Services programs which assist members with their environmental disclosures.

   b. *For purposes of implementing SB 253, what standards should be used to define limited assurance and reasonable level of assurance? Should the existing definition for "reasonable assurance" in MRR be utilized, and if not why?*

      CDP does not define levels of assurance specifically but lists and accepts disclosures of discloser-used definitions or standards of "limited" and "reasonable" assurance cited in the assurance attestations and to upload copies of these attestations in their disclosures.

Citable definitions within the CDP questionnaire include:

Limited Assurance – this is one of the most common levels of assurance and for e.g. is appropriate to verification undertaken in accordance with ISO14064-3, ISAE3000, ASAE3000, and the Climate Registry standards.

Reasonable assurance – this is appropriate to verification undertaken under ISO14064-3, ISAE3000, ASAE3000 and the Climate Registry standards, all verification undertaken for EU ETS compliance is to a level of "reasonable assurance" (according to requirements of EA-6/03).

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

    CDP disclosure is annual, with final disclosures due at the end of the year (typically September/October).

    d. *When are data available from the prior year to support reporting?*

    Many companies begin reporting as soon as the CDP portal opens in April /May (2025 portal opening is May) and submit throughout the disclosure period/cycle ending in July (extension optional through September in 2025) and reporting on the previous fiscal or calendar year's data (i.e. 2024 data in 2025 disclosures)

    e. *What software systems are commonly used for voluntary reporting?*

    The CDP annual disclosure process is itself, inherently, a cross-entity interrogatory tool and as such amounts to a data management system that is beneficial and of assistance to an entity in illuminating environmental parameters. There are also many commercial software systems available to assist companies in compiling information such that which CARB will require, and CDP itself maintains partnerships with many such service providers. CDP can provide the current list to CARB upon request if helpful.

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?*

CDP defers to CARB on this question, but it is recommended that to the extent possible, all deadlines conform to the existing deadlines of standard financial reporting and that the biennial reports required by SB 261 not require emissions data based on less than one year's emissions occurrence (if applicable).

CDP's annual disclosure cycle most likely would well serve the needs of entities to meet the biennial reporting requirements of SB 261.

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.)?*

    CDP defers to CARB on this question but would recommend broadly aligning with other disclosure standards and/or frameworks to ensure minimizing the reporting burden on companies where feasible. As stated earlier, CDP's annual process is already substantially aligned with the leading standards and frameworks and seeks to always remain current.

12. *SB 261 requires entities to prepare a climate-related financial risk report biennially. What, if any, disclosures should be required by an entity that qualifies as a reporting entity (because it exceeds the revenue threshold) for the first time during the two years before a reporting year?*

    CDP defers to climate science on this question, insofar as annual emissions by a given entity tend not to vary greatly year to year given normal operations and consistent operational structure, so most current and complete reasonable, good faith data would be a recommended baseline. That said, CDP respectfully suggests that responses by a reporting entity to CDP's quantitative and qualitative disclosure questions would conform to the best practice financial risk reporting requirements envisioned in the SB 261 requirement for a biennial financial risk report and aligned with TCFD/ISSB IFRS S2 reporting standards.

13. *Many entities that are potentially subject to reporting requirements under SB 261 are already providing other types of climate financial risk disclosures.*

    f. *What other types of existing climate financial risk disclosures are entities already preparing?*

       Many entities are preparing disclosures for CDP annually, as said above. In addition, entities may be covered by existing and emerging mandatory requirements in other jurisdictions outside of California and the United States, with which CDP disclosure is, as said above, fully aligned already.

    g. *For covered entities that already report climate related financial risk, what approaches do entities use?*

Entities disclose and self-interrogate on return on investment (ROI), physical, operational, reputational and transitional risks. To assess risks, entities consider emerging climate science, location of facilities, whether to affiliate with professional alliances, such as those business groups that have set Net Zero or Science Based Targets, etc.

h. In what areas, if any, is current reporting typically different than the guidance provided by the Final Report of Recommendations of the Task Force on Climate-related Financial Disclosures?

Various mandatory disclosure rules may differ from the TCFD recommendations in format, phase-ins/carve-outs and transition relief, but not in substance. Emerging disclosure rules in the European Union, such as the CSRD, go beyond the recommendations of the TCFD and inquires in risk areas beyond climate change alone. CDP also operates disclosure programs in water, forests and plastics disclosure which go beyond the basic requirements of the TCFD. However, on strictly climate change related disclosure, the TCFD remains the generally accepted guidance and foundational base for the ISSB and others.

i. If not consistent with the Final Report of Recommendations of the Task Force on Climate-related Financial Disclosures, are there other laws, regulations, or listing requirements issued by any regulated exchange, national government, or other governmental entity that is guiding the development of these reports?

Mandatory disclosure regulations continue to evolve worldwide. although the quantitative disclosure of basic Scope 1/2/3 data does not vary notably among them. There is a trend, however, to broaden coverage to include information on water, forests, oceans and other ecosystems in regulatory frameworks, especially the CSRD of the EU.

Below we provide a sample list of evolving frameworks.

Country	Standards	Regulations
Canada	CSSB CSDS 1 & 2 (ISSB Based)	Proposed National Instrument 51-107 (CSA rule update forthcoming), Green Procurement, OFSI, and Crown Corporations
EU	ESRS (EFRAG)	CSRD, CSDDD, EU Omnibus
Japan	JFSA (draft & ISSB based)	2024ed_01_e.pdf

China	Corporate Sustainability Disclosure Standards: Basic Principles (draft)	
United Kingdom	UK SRS	UK SDR
Brazil	ISSB Standards	CVM rule (voluntary to mandatory - 2026)
Australia	ISSB Standards	Treasury Laws amend.
Mexico	Sustainability Information Standards (ISSB aligned)	

For any questions, comments or requests for further details, please reach out to the below:

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