March 21, 2025

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

Submitted Electronically via CARB Internet Comment Form

Re: Information Solicitation to Inform Implementation of California Climate-Disclosure Legislation: Senate Bills 253 and 261, as amended by Senate Bill 219

Dear Chair Randolph:

The Society for Corporate Governance ("Society") submits this letter in response to the California Air Resources Board's ("CARB") information solicitation ("Solicitation") to inform the implementation of California's climate disclosure legislation, Senate Bill 253 ("SB 253") and Senate Bill 261 ("SB 261), as amended by Senate Bill 219 ("SB 219").[1]

Founded in 1946, the Society is a professional membership association of approximately 3,800 corporate and assistant secretaries, in-house counsel, outside counsel, and other governance professionals who serve approximately 1,600 entities, including 1,000 public, private, and nonprofit organizations of almost every size and industry. Our organization has more than 75 years of experience empowering professionals to shape and advance corporate governance within their organizations, in part through providing the knowledge and tools they need to advise their boards and executive management on corporate governance; regulatory and legal developments; and sustainability issues, including climate-related governance, risk management, and disclosure.

Our members' have significant practical experience with governance, risk management, and disclosure both in general and with respect to climate-related matters. Therefore, we believe that the Society is well-positioned to provide constructive feedback to CARB with respect to the climate-related disclosures required by SB 253 and SB 261. Moreover, the comments we are submitting are informed not only by that experience, but also by a member survey and by interviews with nearly 30 Society members conducted between December 2024 to March 2025 regarding their companies' climate disclosure and assurance practices and related staffing and costs. The information from these interviews is reflected in the form of individual company narratives in Appendix B to this letter.

Introduction

The Society and its members are proponents of practical disclosure frameworks that recognize the costs and timeframes required to gather, evaluate, and reliably disclose climate-related information. The Society has a robust track record of constructive engagement with standard setters and regulators on climate-related disclosure frameworks. For example, we and our members engaged with the IFRS Foundation in conjunction with the International Sustainability Standards Board ("ISSB") exposure drafts on climate-related and general sustainability-related disclosures,[2] and continue to engage with the IFRS Foundation

1 References to SB 253 and SB 261 in this document are to their amended versions per SB 219.

2 Society for Corporate Governance, re: ISSB Exposure Drafts: General Requirements for Disclosure of Sustainability-related Financial Information; Climate-related Disclosures (July 29, 2009),

on its standards and projects. We also engaged extensively with the US Securities and Exchange Commission ("SEC") in connection with its climate disclosure rulemaking, providing a detailed comment letter that was cited more than 100 times in the SEC's final rule release.[3] And we are currently engaging with EU policymakers with regard to the simplification objectives for the Corporate Sustainability Reporting Directive ("CSRD"), Corporate Sustainability Due Diligence Directive, and EU Taxonomy encompassed within its Omnibus proposal.

The Society is participating in this Solicitation in the same spirit of constructive engagement.

I. <u>Summary of Recommendations</u>

We believe that in order to accomplish California's overarching policy goals for SB 253 and SB 261, it is essential for companies to have (a) clear notice and sufficient time to prepare for compliance and (b) the ability to focus their efforts and resources on collecting and disclosing information that is most relevant for their companies' California stakeholders, produced at a reasonably high quality cost. Therefore, we believe it is crucial for CARB's rules to: (i) provide companies with predictability, (ii) take a practical approach as to the timing and scope of requirements, and (iii) minimize unnecessary costs and burdens, particularly in light of the current status of corporate climate reporting and the substantial time, effort, and costs associated with preparing such reporting (see Section II of this letter).

In addition, consistent with the text of the statutes, we believe it is essential for CARB's regulations to "minimize duplication of efforts" by permitting flexibility for substituted compliance.[4]

Our responses to CARB's questions (see Section III of this letter) and additional suggestions (see Section IV of this letter) are intended to inform CARB's issuance of predictable, practical, and cost-effective rules to implement SB 253 and SB 261. The table below summarizes our key recommendations in those sections.

We recognize some of these recommendations may require legislative amendments in addition to CARB rulemaking. We welcome an opportunity to work with both CARB and the California legislature in creating requirements that are predictable, practical, and cost-effective.

https://higherlogicdownload.s3.amazonaws.com/GOVERNANCEPROFESSIONALS/a8892c7c-6297-4149-b9fc-378577d0b150/UploadedImages/ISSB_Consultations_-_FINAL.pdf.

3 Society for Corporate Governance, re: The Enhancement and Standardization of Climate-Related Disclosures for Investors, File No. S7-10-22 (June 17, 2022), https://www.sec.gov/comments/s7-10-22/s71022-20132044-302525.pdf.

4 Section 1 of SB 261.

Key Topic	**Recommendation**	**Rationale**	**Section Reference**
Enhance Predictability			
"Doing Business" Definition	Definition of "doing business" in California should require a clear nexus to California, covering only companies: • Organized or commercially domiciled in California; • With a threshold minimum revenue level attributable to California; or • With a threshold minimum global workforce based in California.	Thresholds that demonstrate a clear nexus to California, rather than the thresholds referenced in the tax code, provide companies and CARB with clearer and more predictable metrics for assessing the applicability of SB 253 and SB 261. The recommended framework is consistent with the metrics used in the sustainability reporting requirements of other jurisdictions (e.g., EU).	Further discussed in Section III, Question 1a
Look-Back Period	The first year to be covered by the initial reporting should be the year after the company has met the applicable thresholds for two consecutive years. See Appendix A for a time table illustrating our proposed initial compliance timelines.	Particularly given the substantial time, effort, and costs associated with building the necessary infrastructure for disclosure of greenhouse gas ("GHG") emissions and climate-related information aligned with the Task Force on Climate-Related Financial Disclosures framework ("TCFD"), companies should not be subject to a springing obligation to report. This recommendation is also consistent with the approach adopted in other jurisdictions (e.g., EU).	Further discussed in Section III, Question 1a
Scope of SB 261 Requirements	Clarify that SB 261 does not require disclosure under the "Metrics and Targets" pillar of TCFD, including GHG emissions.	There is ambiguity as to whether GHG emissions information is required under SB 261 (in addition to the requirements in SB 253), which creates uncertainty for companies that are above the SB 261 threshold but below the SB 253 threshold. We believe that an express carve-out of the GHG emissions and other "Metrics and Targets" TCFD disclosures from SB 261 is consistent with the legislative intent evidenced by the separate SB 253 requirements that are subject to a higher revenue threshold.	Further discussed in Section III, Question 10

Key Topic	**Recommendation**	**Rationale**	**Section Reference**
Reporting Year for SB 261	Clarify that "biennial" reporting means that companies are required to report every other year with respect to their most recent available prior fiscal year. See Appendix A for a time table illustrating our proposed initial compliance timelines.	There is ambiguity as to the required frequency of the SB 261 reporting requirements, which decreases predictability for in-scope companies. Aligning the reporting timeline to allow companies to provide information on the most recent completed fiscal year will allow companies to produce information that is not outdated or stale at the time of its disclosure, which will help to mitigate disclosure-related risks.	Further discussed in Section III, Question 11
Enforcement Safe Harbor	Companies should not be penalized during their first year of reporting except in the event of a failure to file.	From a public policy perspective, providing express assurance that companies will not be penalized for reports during their first reporting year would promote robust disclosure. The recommended safe harbor is consistent with CARB's recent enforcement notice and the relief already provided under SB 253 with respect to Scope 3 emissions reporting.	Further discussed in Section IV
Initial Compliance Timing	The first fiscal year for which an in-scope company should be required to track and collect relevant data should be the fiscal year that begins at least six months after CARB's adoption of final regulations, with reporting to commence the following year. See Appendix A for a time table illustrating our proposed initial compliance timelines.	Without having a specified ramp-up period, companies will be forced to navigate significant uncertainty in the coming months, including whether they are even in scope. Without specifying a grace period, the initial compliance may be a springing obligation for some companies who are still seeking clarity as to the applicability of these requirements. In addition, when CARB finalizes its rules, companies should not be required to prepare reporting on a retroactive basis for the prior fiscal year. The resources companies need to prepare for compliance will depend significantly on the requirements imposed by CARB and the gaps between such requirements and companies' existing practices. The lack of a grace period between the adoption of the final rules and the deadline for the first report could make even "good faith" compliance impossible and will certainly exacerbate costs of compliance.	Further discussed in Section IV

<u>**Key Topic**</u>	<u>**Recommendation**</u>	<u>**Rationale**</u>	<u>**Section Reference**</u>
Enhance Practicality			
Calendar Year vs. Fiscal Year Reporting Deadlines	Reporting deadlines under SB 253 and SB 261 should be defined with reference to companies' fiscal years rather than calendar years.	This is consistent with both companies' existing reporting processes for financial information and other major sustainability reporting frameworks (e.g., EU and ISSB).	Further discussed in Section III, Question 10
Timing for SB 253 and SB 261	On an ongoing basis, reporting deadlines under both statutes should be, at the earliest, six months after the end of a reporting entity's relevant fiscal year.	Given the substantial time, effort, and costs associated with preparing each GHG emissions and TCFD report, as well as other regulatory reporting demands in the first half of the fiscal year, it is not practical to require the GHG emissions and TCFD disclosures for the prior fiscal year before the second half of the following fiscal year. A six- to nine-month period for reporting prior year GHG emissions and TCFD disclosures is consistent with the timelines of key sustainability reporting frameworks (e.g., CDP).	Further discussed in Section III, Questions 9d and 10
TCFD Alignment	As the text of SB 261 already permits a "comply-or-explain" approach to compliance, companies should be deemed to be in compliance if they generally align with the broad recommendations under the 2017 TCFD framework.	Allowing companies to disclose generally in alignment with the 2017 TCFD recommendations will enable companies to focus on the areas that are most relevant to their California stakeholders and better leverage existing reporting processes. In contrast, requiring disclosure against each discrete data point under the new ISSB-aligned standards would in many cases result in substantial incremental costs without yielding meaningful and company-relevant additional information.	Further discussed in Section III, Questions 12 and 13g
Scope of SB 253 Requirements	Companies should not be required to report their full GHG emissions inventory. Instead, companies should have flexibility to tailor the categories of GHG emissions they report to their circumstances.	By allowing companies to focus on the GHG emissions that: (1) have company-specific relevance and (2) can be reported at a reasonable cost and quality, CARB will receive higher quality information and allow companies to devote their resources to the most relevant areas of their GHG emissions inventory.	Further discussed in Section III, Questions 7 and 9

Key Topic	Recommendation	Rationale	Section Reference
Timing for SB 253 Assurance	Companies should have at least two years after first mandatory GHG emissions reporting to obtain assurance over such reporting. See Appendix A for a time table illustrating our proposed initial compliance timelines.	A delayed assurance requirement increases the practicality of SB 253 given the potentially significant time and resources a company will need to expend to collect and report on GHG emissions data before it can reasonably be subject to assurance. This is consistent with requirements contemplated by the SEC and in other jurisdictions (e.g., NJ 4117).	Further discussed in Section III, Question 8
Enhance Cost-Effectiveness			
Substituted Compliance	CARB should make clear that companies have broad flexibility to satisfy California's requirements using disclosures required or voluntarily produced under other frameworks. To provide companies with predictability, we encourage CARB to specifically recognize that reporting under CSRD, IFRS S2, and the CDP questionnaire's climate questions will be deemed to be substituted compliance.	We note that one of California's stated goals is to minimize the costs of duplicative reporting. Broad flexibility to "substitute compliance" will allow companies to leverage existing processes and service providers, and significantly reduce compliance costs.	Further discussed in Section III, Questions 3a and b, 13
General Flexibility in Methodological Decisions	CARB should allow companies to select their methodologies for (1) defining the organizational and operational boundaries for reporting under SB 253 and SB 261, (2) data collection/estimation used in GHG emissions calculations, and (3) GHG emissions assurance.	In acknowledgment of evolving industry practices, standards, and global regulations, as well as significant changes in the business circumstances such as M&A transactions or international expansion that subjects a company to new reporting requirements, companies should be permitted flexibility in selecting and changing reporting methods and standards.	Further discussed in Section III, Question 3c
Parent Reporting	If an in-scope company has an out-of-scope parent company (e.g., non-US parent) that reports the relevant information on a consolidated basis (including the in-scope company), that parent's report should be deemed to satisfy SB 253 and SB 261.	See above.	Further discussed in Section III, Question 2b

Key Topic	**Recommendation**	**Rationale**	**Section Reference**
Flexibility Regarding Assurance Providers and Methodology	CARB should embrace flexibility in the qualifications or methodology of the assurance providers, so long as such information is clearly disclosed.	Assurance costs can vary significantly based on the provider, and there could be a 6x to 10x difference in cost depending on the assurance provider used. Companies may be subject to different requirements in different jurisdictions as to the qualifications and methodologies of an assurance provider. A prescriptive approach under SB 253 may mean that a company will have to engage different assurance providers to provide assurance over the same data in different jurisdictions, which would significantly increase compliance costs.	Further discussed in Section III, Question 8
Scope 3 Assurance	CARB should not set any Scope 3 assurance requirement at this time.	Given the significant challenges associated with collecting and preparing high-quality Scope 3 emissions data, it is premature to prescribe any requirements for Scope 3 assurance.	Further discussed in Section III, Question 8
Reasonable Assurance	CARB should not set a timeline or requirements regarding reasonable assurance at this time.	Given the limited number of companies that currently obtain reasonable assurance over GHG emissions and the lack of methodological consensus, it is premature to prescribe any requirements for reasonable assurance of GHG emissions. This is consistent with the EU Omnibus proposal for assurance under the CSRD.	Further discussed in Section III, Question 8

II. Data and Observations on Current Corporate Climate Reporting Trends and Related Costs and Effort

In addition to providing responses to specific questions in this Solicitation (see Section III below), the Society highlights the following key themes based on feedback and data from our members:

1. Among companies that may fall into scope of SB 253/SB 261 ("Potentially In-Scope Companies"), there is limited current GHG emissions and TCFD reporting that would comport with a broad and inflexible interpretation of the SB 253 and SB 261 requirements.

2. Preparing such disclosures requires substantial time, effort, and costs, particularly (a) when required to be published pursuant to regulatory requirements and (b) for companies that have never prepared such disclosures.

3. The current quality and availability of data underlying such disclosures, particularly GHG emissions, are limited.

1. Limited Prevalence of GHG Emissions and TCFD Reporting

Contrary to statements in the statutes,[5] the current prevalence of GHG emissions and TCFD reporting is fairly limited, including among Potentially In-Scope Companies.

Based on publicly available data and the Society's survey on "Emissions Disclosure, Assurance & Climate Risk Reporting", conducted between December 2024 through March 2025 (the "Society Survey"),[6] we have identified the following current trends in GHG reporting:

GHG Emissions Reporting Trends	**Public Data**	**Society Survey/Interviews**
GHG emissions reporting is generally voluntary (i.e., not subject to regulatory requirements)	—	Of surveyed Society members that disclose Scope 1 and 2 emissions, 89% and 92%, respectively, disclose such emissions in a voluntary sustainability report compared to 3% and 2%, respectively, that disclose such information in an SEC report.[7]
Prevalence of Scope 1 and 2 emissions reporting is higher than Scope 3 emissions, but still remains the minority practice	• For 2,590 US-based companies in the S&P Global Sustainable1 dataset, 47% disclosed Scope 1 emissions, and 45% disclosed Scope 2 emissions in 2022, the most recent year for which data are available.[8] • According to MSCI, 49% of US-listed companies disclosed their Scope 1 and 2 emissions as of October 2024 (see also graphic below).[9]	Among surveyed Society members, all report Scope 1 and 97% report Scope 2.

5 For example, Section 1 of SB 253 states that "[m]any companies already partially or fully disclose their emissions data" and Section 1 of SB 261 states that "[l]eading voluntary initiatives have begun to develop frameworks for disclosure of climate change- and sustainability-related information" and "[t]housands of companies already disclose their climate-related financial risks."

6 Society Survey (on file with author). Respondent numbers varied by question. ***Notably, this survey was voluntary and thus, as is typical of other Society surveys regarding particular practices, the respondent group was not a representative sampling of members of the Society. Rather, the respondent group more likely reflected companies that are already leaders in voluntary sustainability and climate-related reporting, which are more apt to disclose their current emissions and climate risk disclosure practices.*** Respondent demographics consisted of 77 public companies consisting of 45% large-caps ($10 billion or larger market cap); 42% mid-caps ($300 million to $2 billion market cap); and 14% small-, micro-, and nano-caps (less than $300 million), across a wide variety of industries; and five private companies with at least $300 million in revenues.

7 Even at 3%, inclusion of GHG emissions data in an SEC report does not necessarily mean that disclosure was required. Just one company reports any Scope 3 emissions in an SEC filing and none report all relevant Scope 3 emissions in an SEC filing.

8 Ester Whieldon, et al., After SEC rulemaking, assessing the US climate disclosure landscape (Mar. 12, 2024) (hereinafter, "S&P Global Study", https://www.spglobal.com/esg/insights/featured/special-editorial/after-sec-rulemaking-assessing-the-us-climate-disclosure-landscape.

9 MSCI Sustainability Institute Net-Zero Tracker, MSCI Sustainability Institute, Exhibit 23 at 21 (Nov. 2024), https://www.msci.com/documents/1296102/51038578/2024+November+MSCI+Net-Zero+Tracker.pdf/f2377c75-70cb-a14c-9c21-eb1d961d3d5e?t=1732289152071.

GHG Emissions Reporting Trends	Public Data	Society Survey/Interviews
Most disclosures exclude Scope 3 emissions entirely. Of those companies that include Scope 3 emissions, many categories are typically excluded	• According to MSCI, 32% of US-listed companies disclosed some portion of their Scope 3 emissions as of October 2024, with the highest rate of disclosure among US-listed companies in any one category being 29% for Category 6 (business travel) (see also graphic below).[10] • According to a 2024 study by the Center for Audit Quality, S&P 500 companies' Scope 3 emissions reporting varied widely across categories, ranging from 70% (business travel) to 7% (franchises).[11]	• 22% of surveyed Society members report all relevant Scope 3 emissions while 39% disclose partial Scope 3 emissions. • Among large-cap members surveyed, 21% disclose all relevant Scope 3 emissions and 50% disclose partial Scope 3 emission categories (vs. 19% and 30%, respectively, among mid-cap companies).
Reporting varies significantly by company sizes and industries	According to S&P Global, less than one-third of S&P SmallCap 600 companies in the Healthcare, Financials, and Communication Services sectors, for example, disclosed Scope 1 and Scope 2 emissions in 2022.[12]	—

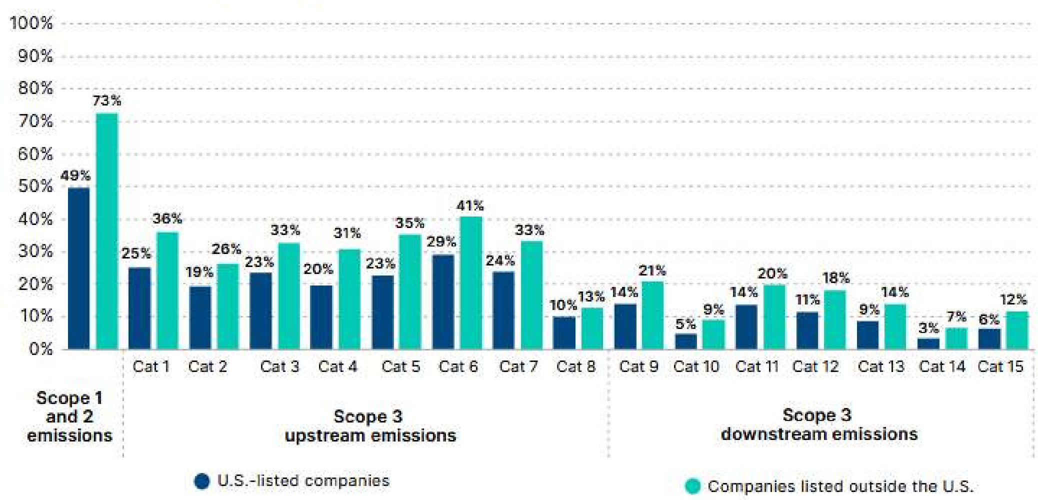
10 *Id*.

11 According to the study, travel (category 6), fuel & energy-related activities (category 3), and purchased goods and services (category 1) were the most prevalent, whereas use of sold products (category 11), downstream transportation & distribution (category 9), end-of-life treatments of sold products (category 12), upstream leased assets (category 8), downstream leased assets (category 13), investments (category 15), processing of sold products (category 10), and franchises (category 14) were much less prevalent. S&P 500 ESG Reporting and Assurance Analysis, CAQ (June 2024), https://www.thecaq.org/sp-500-and-esg-reporting.

12 S&P Global Study, *supra* Note 8.

GHG Emissions Reporting Trends	Public Data	Society Survey/Interviews
Assurance is not prevalent, particularly for Scope 3 and non-GHG emissions information	According to the G&A Institute, 48% of the Russell 1000 (66% of the S&P 500 and 27% of non S&P 500 companies) sought external assurance for one or more ESG (not limited to GHG emissions) disclosures. Of those that obtained it, most did so for their GHG emissions disclosures and at a limited assurance level.[13] According to ISS, ~58% to ~82% of S&P 500 companies across sectors (% varies by sector) disclosed third-party assurance over at least some of their GHG emissions, but only ~2% to 35% of non-S&P 500 companies in the S&P 1500 did so.[14]	Among members interviewed (see Appendix B), third-party assurance of GHG emissions is not a prevalent practice. This is particularly the case for Scope 3 emissions. Of those companies that obtain GHG emissions assurance, most do so for a portion of their disclosed emissions and at a limited assurance level. Almost all members interviewed also reported that they do not obtain assurance over non-GHG emissions sustainability reporting.

Exhibit 23: U.S.-listed companies lag listed companies elsewhere in disclosing their carbon footprints (% of companies)



Source: MSCI ESG Research and CDP data as of Oct. 21, 2024. Emissions data is the most recent emissions data collected by MSCI and may, in some cases, correspond with data published by companies either this year or last, depending on the dates of fiscal years ended in 2022 and 2023, respectively. For information on Scope 3 categories, see "Corporate Value Chain (Scope 3) Standard," Greenhouse Gas Protocol, available at https://ghgprotocol.org

13 2024 Sustainability Reporting in Focus, G&A Institute (Sept. 2024), https://www.ga-institute.com/fileadmin/fileadmin/ga_institute/images/FlashReports/2024/G_A-2024-Sustainability-Reporting-in-Focus.pdf.

14 Navigating California Senate Bills 261 and 253 and the Evolving Landscape of Climate Disclosure, ISS Corporate (Jan. 2024), iss-corporate-navigating-california-senate-bills-261-and-253-and-the-evolving-landscape-of-climate-disclosure.pdf.

Based on publicly available data, the Society Survey, and interviews with Society members, we have identified the following current trends in TCFD reporting:

TCFD Reporting Trends	**Public Data**	**Society Survey**
TCFD reporting is generally voluntary (i.e., not subject to regulatory requirements)	—	Only five of 29 companies represented by Society members interviewed are subject to mandatory IFRS S2-like reporting requirements (see Appendix B).
Among companies that do report in alignment or with reference to the TCFD recommendations, reporting generally covers select TCFD recommendations	Per the IFRS Foundation, in FY 2023 (the most recent period for which the data are available), just 2% to 3% of companies ***worldwide*** disclosed in alignment with all 11 TCFD recommendations and only 44% of companies reported in alignment with five or more of the 11 recommendations. ***North American (predominantly US-based) companies specifically*** averaged 4.1 of the 11 recommended disclosures. 25% of North America companies reported in line with the three recommendations included in the Risk Management pillar in 2023.[15]	Society members interviewed that report climate risks and opportunities with reference to the TCFD tend to do so selectively with respect to discrete recommendations that they believe are (1) most relevant to their business, based in many instances on feedback from their stakeholders and (2) capable of disclosure given their current resources and level of disclosure maturity (see summaries in Appendix B).

These data and trends demonstrate that a substantial number of Potentially In-Scope Companies[16] are not currently in a position to disclose their full GHG emissions inventory in conformance with the GHG Protocol or provide a climate risk report that is fully aligned with all the discrete recommendations or data points of the TCFD. As further discussed below, many such companies would need to undertake substantial additional costs and effort to comply if CARB's rules were to inflexibly mandate full GHG emissions inventory and/or TCFD alignment. Furthermore, the foregoing data largely fails to capture practices among private companies and smaller companies, which, in our experience, typically have less advanced (or non-existent) climate-reporting capabilities compared to larger, public companies.

2. Substantial Costs, Effort, and Time Required

The Society Survey and interviews with Society members underscore the fact that GHG emissions disclosures and TCFD reporting—even partial GHG emissions inventory and/or partial TCFD alignment—require companies to expend significant time and resources. For companies that currently make no or limited disclosures in these areas, as revealed by the narratives in Appendix B, it may take years and a substantial budget to develop the capacity to begin to prepare such reporting. These costs and timelines increase when the reporting is subject to regulatory requirements.

15 Progress on Corporate Climate-related Disclosures – 2024 Report, IFRS Foundation; Table 1.6; Figure 1.4 (Nov. 2024), https://www.ifrs.org/content/dam/ifrs/supporting-implementation/issb-standards/progress-climate-related-disclosures-2024.pdf.

16 Based on the Society Survey, 75% of respondents (n=74) believed their companies were subject or were likely to be subject to both SB 253 and SB 261; 5% believed they would be subject to SB 261 but not SB 253; and 6% were unsure.

Based on publicly available data, the Society Survey, and interviews with Society members, we have summarized the following trends in estimated costs and effort required for GHG emissions and TCFD reporting:

Trends	**Costs**	**Effort/Timeline**
Voluntary GHG emissions and TCFD reporting can be time consuming and expensive depending on the company and the scope of information reported	• Based on interviews with Society members, current estimated costs for voluntary GHG emissions and TCFD disclosure range from $25,000 to more than $1 million. • A key component of cost is hiring external and external resources to gather, prepare, review, and verify underlying data. See narratives in Appendix B.	• Based on interviews with Society members, who were typically with better-resourced, public companies, it generally (1) took between 3-5 years for them to build up to reasonably robust GHG emissions and TCFD disclosures and (2) currently takes 6-9 months each year to finalize the data and analysis required to be in a position to publish GHG emissions disclosures and TCFD reports for the preceding fiscal year. • Key components of initial time for building reporting capacity are hiring external experts and developing sufficient staff, developing and enhancing mechanisms for value chain reporting, and building relevant disclosure controls and procedures. • Key components of the annual reporting timeline include receiving data across offices and value chains and working with internal stakeholders (including working around other (e.g., SEC) reporting obligations) and third parties to prepare and review disclosures. Assurance can add significant additional time, typically up to six months. See narratives in Appendix B.

Trends	**Costs**	**Effort/Timeline**
Regulatory compliance is expected to amplify timing and costs	• Based on the Society Survey, cost estimates to report GHG emissions in compliance with SB 253 range from $25,000 to $2 million, with many companies falling in the $300,000 to $500,000 range on an ongoing basis (exclusive of assurance costs). • Current assurance costs for surveyed Society members that obtain it range from $15,000 to $300,000. • Based on interviews with Society members, assurance costs would be expected to increase significantly for mandatory disclosure. • Based on the Society Survey, cost estimates to issue a TCFD report in compliance with SB 261[17] range from $12,500 to $75,000 (initial and ongoing costs, respectively) at the low end to $1.5 million on the high end.	Based on interviews with Society members, companies expect additional effort (and potentially longer timelines) for both initial and ongoing regulatory compliance with SB 253 and SB 261. Members report that assurance can often require several months (more than six) in the first years, and at least one to two months in subsequent years, depending on the scope of the assurance information, assurance provider, and the issues identified in the assurance. See narratives in Appendix B.

Based on the foregoing, it is clear that compliance with SB 253 and SB 261 will require substantial additional costs and effort for companies, even for those companies that are fairly mature in their reporting. In addition, for all companies, particularly those that are not mature in their GHG emissions and TCFD reporting, compliance with SB 253 and SB 261 will require a reasonable initial ramp-up period as companies enhance their procedures and controls to meet the new regulatory mandates.

3. Limitations on Quality and Availability of Data

The Society has previously expressed its concern with the quality and availability of data, particularly GHG emissions data, underlying climate-reporting requirements.[18] We reiterate these concerns here, and direct CARB's attention to the following trends:

17 Based on the question, expected initial and ongoing costs are inclusive of development, expansion, and/or refinement of processes and procedures; technology; internal and outsourced staffing; consultants; and other resources necessary to comply with the law.

18 For example, in our comment letter to the SEC, we highlighted these concerns, especially as they relate to Scope 3 emissions. In its March 2024 release of its final rule on climate-related disclosures, the SEC eliminated a requirement to disclose Scope 3 emissions in recognition of the challenges associated with collecting the appropriate data and calculating those emissions, as well as reliability concerns. *See* SEC Final Rule Release at 256.

Trends	Data
There are significant quality issues even with respect to Scope 1 (direct emissions) data	According to S&P Global, based on data as of May 2, 2024, among 7,151 companies reporting emissions data covered in the S&P Global Sustainable1 Trucost Environmental dataset,[19] only 32% of company-reported Scope 1 emissions worldwide did not require an adjustment for accuracy.[20]
The quality and availability issues with Scope 3 emissions data are more prominent	• According to Clarity AI's assessment of the reliability of Scope 3 emissions data based on information as of August 2024, the reliability of self-disclosed Scope 3 emissions data reported by US companies was 3.1 (out of 5), meaning it was deemed to be not of a sufficiently high quality disclosure. • Clarity AI revealed a decline in the reliability of Scope 3 emissions data self-reported by US companies from 3.2 in 2022 to 3.1 in 2023.[21]
Many companies are concerned about whether they are able to obtain assurance over GHG emissions data	• Based on Society interviews (see Appendix B), many companies currently do not obtain assurance over any GHG emissions data or obtain assurance over only select emissions disclosures. • Of the Society Survey respondents that currently obtain assurance for any of their emissions disclosure, nearly one-quarter (24%) believe their current provider does not or may not meet the independence and expertise qualification requirements that may be prescribed under SB 253.

The foregoing indicates that requiring certain disclosures, particularly full Scope 3 emissions reporting and GHG emissions assurance, may be premature given the current limitations on the quality and availability of underlying data. Therefore, as further discussed below, we encourage CARB to take an iterative process to rulemaking, giving companies the flexibility to (a) reasonably tailor their initially required disclosures and related assurance based on their climate-reporting capacity and (b) enhance such capacity over time.

III. Responses to Select Questions in This Solicitation

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?

SB 253 and SB 261 require reporting by a US business entity if two conditions are met: the entity "does business" in California and the entity has "total annual revenues" in excess of the relevant statutory threshold. Our response to Question 1a includes our recommendations for (i) the definition of "doing

19 Trucost Environmental, S&P Global (Feb. 10, 2025), https://www.marketplace.spglobal.com/en/datasets/trucost-environmental-(46)#data-dictionary.

20 James Salo et al., The complexities of data quality and company-reported emissions, S&P Global (June 11, 2024), https://www.spglobal.com/esg/insights/blog/the-complexities-of-data-quality-and-company-reported-emissions.

21 Corporate Carbon Disclosure Rates Plateau at 80%, with only 60% Reporting Scope 3 Emissions, Clarity AI (Sept. 23, 2024), https://clarity.ai/in-the-news/corporate-carbon-disclosure-rates-plateau-at-80-with-only-60-reporting-scope-3-emissions/.

business", (ii) the definition of "total annual revenue", and (iii) at least a two-year "look back" period under the applicable definitions and thresholds before a company is subject to the requirements of SB 253/SB 261.

(i) Definition of "Doing Business"

Tax Code thresholds would not provide a clear and sufficient California nexus. Legislative materials for SB 253 and SB 261 reference a definition of "doing business in California" codified in Section 23101 of the California Revenue and Taxation Code ("Tax Code"). This section of the Tax Code defines "doing business" in California as "actively engaging in any transaction for the purpose of financial or pecuniary gain or profit." Under this section, a company is deemed to be "doing business" in California if it (i) is "organized or commercially domiciled" in California or (ii) has California sales, property, or payroll in 2024 that exceed $735,019, $73,502 and $73,502, respectively, subject to annual adjustments for inflation.

We do not believe the thresholds in prong (ii) are appropriate for purposes of SB 253 and SB 261. Even subject to annual inflation, it is possible that a company could meet the definition of "doing business" by virtue of having a single California transaction or a single California-based employee. At these low thresholds, a company, even one with significant total global revenues, could fall under the "doing business" definition without adequate notice or preparation. This high level of uncertainty is particularly untenable in light of the estimated costs and effort associated with compliance summarized in Section II.

Recommendation. To ensure there is a clear and sufficient nexus with California, the Society recommends the following framework for assessing whether a company is "doing business" in California. A company should be deemed to be "doing business" in California if it:

A. Is organized or commercially domiciled[22] in California;
B. Has a minimum amount or percentage of annual global revenue attributable to California ("Minimum California Annual Revenue Threshold"); or
C. Has a minimum number or percentage of total employees based in California ("Minimum California Employee Threshold").

The Minimum California Annual Revenue Threshold should be expressed as the **greater** of (1) a specified *de minimis* dollar amount of annual California revenue[23] and (b) a percentage of total global annual revenue attributable to California.

- Such percentage should be set no lower than 5%, which is a materiality threshold commonly used in GAAP accounting (i.e., with amounts less than 5% presumed to be immaterial).

- Imposing a California-specific revenue threshold would be consistent with the approach under the EU's CSRD for non-EU entities. Under the CSRD, non-EU entities will only be subject to the sustainability reporting requirements if they have annual net turnover in the EU exceeding €450

[22] As an alternative to "commercially domiciled", which has a definition in the Tax Code, CARB could also consider "headquartered", which is also defined under California law, and may be more familiar to some companies. For example, California Public Resources Code, Division 15, Chapter 7.2 (Climate Innovation Program) Section 25625.1(a) defines "California-headquartered company" as "a corporation or other business form organized for the transaction of business that has its headquarters in California. For multinational corporations, the term means the United States-based headquarters is in California. For purposes of this definition, headquarters means the location where the corporation's executive management and key managerial and support staff are located, and from where the corporation is managed."

[23] See below for a discussion of the proposed definition of "revenue". In addition to "gross receipts", one possible alternative metric that companies and CARB could use to track California revenue is "business income", which is defined in the Taxation Code, with the percent apportioned to California to be identified on Schedule R and filed as part of California tax returns for many companies. See Apportionment and allocation, State of California: Franchise Tax Board (Nov. 2024), https://www.ftb.ca.gov/file/business/income/apportionment-and-allocation.html.

million under the proposed Omnibus amendments (€150 million currently) and have at least one large or listed EU subsidiary or branch.[24]

The Minimum California Employee Threshold should be expressed as the **greater** of (1) a specified *de minimis* number of California full-time employees and (b) a percentage of total global full-time employees based in California.

- In considering these thresholds, CARB should consider the employee-related thresholds in other jurisdictions.
- For example, one of the thresholds for determining whether a company is a "large" EU entity or has a "large" EU subsidiary (and therefore subject to the CSRD reporting requirements) is a minimum threshold of 1,000 EU employees under the proposed Omnibus amendments (250 EU employees currently).[25]

Rationale for recommendation. We proposed the above definition to ensure that the reporting obligations, and their associated costs and effort, are imposed only on those companies that have a clear and sufficient nexus to California that justify the compliance costs and burdens. We think that low thresholds under the Tax Code are likely to increase the perceived risk of unplanned exposure to California laws, which may incentivize or pressure companies to reduce their market exposure to California.[26]

(ii) Definition of "Revenue"

Neither SB 253 nor SB 261 currently define "revenue." There are many interpretations of "revenue" under various regulations and commonly used accounting methodologies.[27] Given the variances in how revenues are defined and calculated, as well as the fact that this terminology appears to be used infrequently in the California statutes,[28] we encourage CARB to provide a clear definition of "total annual revenues" so that companies can assess the applicability of SB 253 and SB 261 in a predictable manner.

Recommendation. The Society recommends that CARB define "total annual revenue" under SB 253 and SB 261 using a metric that is well-established under the Tax Code (e.g., "gross receipts"), and assess the

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24 *See* Proposal for a Directive of the European Parliament and of the Council amending Directives 2006/43/EC, 2013/34/EU, (EU) 2022/2464 and (EU) 2024/1760 as regards certain corporate sustainability reporting and due diligence requirements, European Commission (Feb. 26, 2025), https://finance.ec.europa.eu/document/download/161070f0-aca7-4b44-b20a-52bd879575bc_en?filename=proposal-directive-amending-accounting-audit-csrd-csddd-directives_en.pdf.

25 *Id.* at 4.

26 California Leads List of Riskiest Markets, Corporate Board Member (Sept 2024), https://boardmember.com/california-leads-list-of-riskiest-markets-director-survey-finds ("Of the 46 percent of directors who said their company had withdrawn (or chosen not to enter in the first place) from certain regions, 57 percent listed California as the market in question—by far the #1 answer.").

27 Even entities within the same industry may take different approaches to calculating revenues. For example, alternative asset management firms differ in how they factor performance fees into revenue (and ultimately income) calculations for the various entities in their organizational structures such that whether various entities meet specified revenue thresholds could depend upon idiosyncrasies in corporate structure and accounting policies. Some companies, particularly those selling physical products, report "net sales" to emphasize what they are receiving from customers after factoring in returns and discounts.
Further, the accounting guidance regarding what constitutes "revenue" is not always directly correlated to the receipt by a company of financial resources to fund the programs necessary to comply with these disclosure standards. Over the past decade, a number of changes have been made to US GAAP that have changed the ways that companies must recognize revenue on their financial statements—and these often have differing implications for companies that can and do result in deviations from cash flows.

28 The term "total annual revenues" is not defined in the Tax Code. In fact, the term "revenue" does not play any significant role in California taxation.

revenue reported by the highest-level US entity within an organization that files a California tax return, with the revenue thresholds subject to annual adjustments for inflation.

Rationale for recommendation. Given the variation in how companies recognize and report “revenue,” as well as the fact that private companies often do not publicly report their financial statements, we believe it will benefit both CARB and companies if CARB provides a clear definition of “total annual revenue” based on information that many companies already report to California under existing laws.[29] By defining “revenue” using a metric that is well-established under the Tax Code, CARB and companies will have more certainty. For example, “gross receipts” has an existing statutory definition under the Tax Code,[30] unlike “revenues.” The fact that many companies already report gross receipts to California could also facilitate CARB’s enforcement efforts.[31]

Assessing consolidated revenues at the highest-level US entity that “does business” in California—even if such US entity has a non-US parent and is consolidated into the non-US parent’s financial reporting—is consistent with a clear reading of the statutes. (The statutes specify only US companies are in scope and contemplate consolidated reporting by in-scope companies.) Since tax returns are frequently prepared on a consolidated basis, we believe that by assessing consolidated revenues at the highest-level US entity that files a California tax return, both CARB and companies will have more clarity and predictability.

Finally, indexing revenue thresholds to inflation is common under California law, including in the Tax Code (e.g., the dollar thresholds under Section 23101’s definition of “doing business” are indexed for inflation).[32] This approach also helps to reduce burdens on future startups and smaller reporting companies.

(iii) Look-Back Period

Without specifying an assessment period, SB 253 and SB 261 could be interpreted to impose springing obligations on a company immediately after it determines, at fiscal year-end, that it has met the relevant thresholds. Such an approach would create significant uncertainty for companies, especially those on the cusp of the relevant thresholds, and could deter companies from California-based market exposure.

Recommendation. The Society believes that CARB should specify that an entity must meet the applicable definitions and thresholds for two consecutive years to be deemed “in scope” of SB 253 and SB 261. In other words, the first year to be covered by the initial reporting under either statute should be the year after a company has met the applicable thresholds for two consecutive years, with disclosure of the first covered year occurring in the following year. See Appendix A.

Rationale for recommendation. This approach has been used in the context of other reporting laws, including sustainability reporting (e.g., CSRD).[33] It helps to ensure that growing companies have sufficient notice that they may be in scope so they can develop and implement the systems, processes, and controls necessary to collect and disclose the information required by SB 253 and SB 261. For example, Company #5 in Appendix B is just below the $500 million annual revenue threshold. Although it projects

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29 California has clearly considered the need for certainty and clarity when calculating revenue in other contexts. For example, California requires certain health care entities to provide notice of “material change” transactions, Cal. Health & Safety § 127507, and the implementing regulations include a detailed explanation of how revenue should be calculated for purposes of determining whether certain thresholds are met, *see* 22 Cal. Code Regs. §97435.

30 Cal. Rev. & Tax § 25120(f)(2). The California Transparency in Supply Chains Act also references “gross receipts”—it applies to certain entities with “annual worldwide gross receipts” that exceed $100 million and incorporates by reference the definition of “gross receipts” in the Tax Code. *See* Cal Civ. Code § 1714.43(a).

31 Apportionment and allocation, State of California: Franchise Tax Board (Nov. 2024), https://www.ftb.ca.gov/file/business/income/apportionment-and-allocation.html. Gross receipts are required to be reported on California tax returns filed by businesses and are used in the California Franchise Tax Board’s apportionment formulas (i.e., formulas for determining the amount of business income taxable by the state).

32 The California Consumer Privacy Act also takes a similar approach.

33 For example, the CSRD requirements for non-EU parent companies apply only if the corporate group generated a certain amount of net turnover in the EU for the last two consecutive financial years.

10% annual growth, revenues in each year are highly dependent on the award of particular large contracts, which could tip total revenues either above or below that threshold from year to year. Without having the proposed “look-back” period for assessing applicability, this company and other similarly situated companies would be required to immediately publish their TCFD reports under SB 261, requiring them to retroactively gather information on a compressed timeline shortly after learning, at year-end, that their revenues exceeded the applicable threshold.

This also affects companies that are in the midst of a significant transaction. For example, Company #8 in Appendix B is undergoing a major M&A transaction that, depending on whether and when the transaction closes, could determine whether the company is subject to the California reporting requirements. In the absence of a “look-back” period, this and other similarly situated companies may be forced to expend the costs and effort of gathering and analyzing data and preparing “just-in-case” reporting, which can be especially burdensome during a time when staffing and resources are already stretched as a result of the potential transaction.

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)?

> **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?**

The California legislature clearly intended that CARB encourage and facilitate consolidated reporting under SB 253 and SB 261. Since its adoption, SB 261 has expressly permitted in-scope subsidiaries to be deemed in compliance so long as a parent provides a consolidated disclosure covering such subsidiaries. SB 219 further clarified this intent by adding this express permission into SB 253.

Recommendation. Consistent with legislative intent, we encourage CARB to clarify that the submission of a consolidated parent disclosure will satisfy compliance for all Potentially In-Scope Companies within its corporate structure **regardless** of whether the parent itself is in-scope.

For example, if a non-US parent reports the relevant GHG emissions and/or TCFD information on a consolidated basis, such reporting should be deemed to satisfy all in-scope, consolidated companies’ compliance with SB 253/SB 261, even though the non-US parent would be out of scope.

Rationale for recommendation. Providing companies with the option to (i) report at the level of each in-scope company or (ii) use the consolidated reporting of an out-of-scope parent is consistent with other global reporting regimes (e.g., CSRD and certain ISSB jurisdictions). This approach gives companies the flexibility to leverage broader disclosures they may be making in other jurisdictions or under other frameworks, reducing the need for and costs of duplicative or fragmented reporting.

<u>**General: Standards in Regulation**</u>

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?**

We encourage CARB to refrain from developing a California-specific framework that deviates from, or cannot be deemed to be satisfied by, alignment with existing global standards. If in-scope companies are required to provide disclosures under SB 253/SB 261 that are significantly different from those reported under other global frameworks, they would incur substantial additional costs without providing commensurate benefits to California.

Recommendation. As further discussed in our response to Question 3b below, CARB should make clear that companies have broad flexibility to satisfy California's requirements using disclosures required or voluntarily produced under another framework.

In addition, we encourage CARB to give in-scope companies the flexibility to align with their chosen version of a relevant global standard—e.g., GHG Protocol or TCFD, both of which continue to evolve—with such choice clearly disclosed in the SB 253/SB 261 reporting. For example, as further discussed below in our responses to Questions 12 and 13g, even though some companies may choose to comply with the latest version of TCFD as interpreted by the ISSB, all in-scope companies should have the option to comply with the 2017 recommendations of the TCFD as contemplated by SB 261.[34]

Rationale for recommendation. We believe that, at least in the initial years of required reporting under SB 253 and SB 261, California's policy goals will be best served by regulations that allow companies to grow their reporting capabilities, rather than punishing companies for failing to provide "state-of-the-art" disclosures out of the gate. In addition, allowing companies to choose (with clear disclosure) the standard and version they are using for reporting purposes will help CARB and external stakeholders assess the extent of the company's climate reporting capabilities, serving California's goal of providing transparency to Californians.

Moreover, broad flexibility for substituted compliance through other global reporting standards, which should meaningfully reduce compliance costs and effort, would also help to mitigate the potential chilling effect on companies that have (or are planning new or expanded) operations in California but do not wish to be subject to unnecessarily complex regulatory requirements. Mandating compliance with California-specific requirements that diverge from global standards, including through attempts to transpose specific frameworks subject to ongoing evolution, would create unnecessary burden and risk for reporting entities, as they will inevitably require California-tailored processes and systems, as well as creating data inconsistencies across jurisdictions.

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?

We note that one of California's stated goals for SB 253 and SB 261 is to minimize the costs of duplicative reporting. We strongly support this goal and encourage CARB to implement it by giving companies broad flexibility to comply with SB 253 and SB 261 through "substituted compliance". This flexibility will allow companies to leverage shared processes and maximize the use of the same service providers, thereby significantly reducing costs.

Recommendation. CARB should make clear that companies have broad flexibility to satisfy California's requirements using disclosures required or voluntarily produced under another framework.

To provide companies with greater predictability, we encourage CARB to specifically recognize that reporting of GHG emissions metrics under any published version of IFRS S2 (as well as any current

[34] Section 2(b)(1)(A) of SB 261 states that "a covered entity shall prepare a climate-related financial risk report disclosing both of the following: (i) Its climate-related financial risk, in accordance with the recommended framework and disclosures contained in the Final Report of Recommendations of the Task Force on Climate-related Financial Disclosures (June 2017) published by the Task Force on Climate-related Financial Disclosures, or any successor thereto, or pursuant to an equivalent reporting requirement as described in paragraph (4)."

future state, federal, or foreign law that is based on IFRS S2),[35] the CSRD,[36] and the CDP questionnaire[37] would be deemed to be substituted compliance with SB 253, and the reporting of climate-related risks under each of these frameworks would be deemed to be substituted compliance with SB 261.

Rationale for recommendation. The proposed approach promotes the California legislature's goal of creating a reporting regime that harmonizes with global reporting and provides options for in-scope companies to satisfy their obligations under recognized standards and frameworks. By increasing the interoperability of California's reporting requirements with those of other jurisdictions or the disclosures expected by other stakeholders, CARB can reduce unnecessary costs for companies, increasing the cost-effectiveness of its rules. Leveraging existing standards and frameworks will also allow CARB to drive corporate climate reporting enhancements without independently expending resources to update a customized set of requirements.

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?

We encourage CARB to permit companies to maintain flexibility in selecting reporting methods, so long as the company clearly states in its disclosure which reporting method it is using for the particular report.

Recommendation. Among other aspects of the reporting requirements, CARB should allow companies to select their methodologies for:

i. Defining the organizational and operational boundaries for reporting under SB 253 and SB 261;
ii. Data collection/estimation used in GHG emissions calculations; and
iii. GHG emissions assurance methodologies;

in each case, with the company clearly disclosing the methodologies used.

As an example of the proposed approach with respect to prong (i), companies should be able to elect the organizational and operational boundaries for reporting under SB 253 and SB 261, including whether they are aligning with the GHG Protocol, IFRS, or another approach (e.g., GAAP or ESRS), provided the election is identified and the rationale explained. Furthermore, under the GHG Protocol and IFRS S2, a company may choose between two distinct approaches for consolidated reporting of GHG emissions: the equity share and the control approaches.[38] Under the equity share approach, a company accounts for GHG emissions from operations according to its share of equity in the operation. Under the control approach, a company accounts for 100% of the GHG emissions from operations over which it has either financial or organizational control.[39] We encourage CARB to allow reporting entities to choose between

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[35] We believe this is already contemplated by the language of SB 261, which specifically provides for substituted compliance through disclosures under the ISSB standards. ISSB has stated that IFRS S2 "requires GHG emissions to be measured in accordance with the GHG Protocol Corporate Standard (2004)". *See infra* Note 37.

[36] The European Commission and ISSB have confirmed that there is a "high degree of alignment" between the standards underlying the CSRD and the ISSB standards referenced in SB 261. *See* IFRS, European Commission, EFRAG and ISSB confirm high degree of climate-disclosure alignment (July 30, 2023), https://www.ifrs.org/news-and-events/news/2023/07/european-comission-efrag-issb-confirm-high-degree-of-climate-disclosure-alignment/.

[37] ISSB has stated that CDP is "the ISSB's key global climate disclosure partner providing a trusted tool that supports companies on their path to compliance with" the ISSB standards referenced in SB 261. *See* IFRS, ISSB delivers further harmonisation of the sustainability disclosure landscape as it embarks on new work plan (June 24, 2024), https://www.ifrs.org/news-and-events/news/2024/06/issb-delivers-further-harmonisation-of-the-sustainability-disclosure-landscape-new-work-plan/.

[38] IFRS S2, para. B27; Corporate Standard (2004), p. 17.

[39] Corporate Standard, Frequently Asked Questions, Greenhouse Gas Protocol, https://ghgprotocol.org/corporate-standard-frequently-asked-questions#:~:text=Under%20the%20equity%20share%20approach,rewards%20flowing%20from%20an%20operation.

either approach, based on their circumstances, including reporting under other requirements/voluntary frameworks.

Rationale for recommendation. Changing reporting methodologies can be costly and time-intensive, so companies have incentive for consistent year-over-year reporting.[40] Therefore, CARB should not seek to prohibit companies from changing methodologies, including as regulations, standards and frameworks are updated or as industry practices evolve. There are also company-specific reasons that may make it necessary or advisable for a company to change its reporting methodologies, for example, as a company matures or experiences significant changes in the business, such as an international expansion or an M&A transaction that subjects the company to new reporting requirements.

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?

We are not aware of any current and reliable public datasets that identify the costs for voluntary reporting already submitted by companies. Instead, we are providing CARB information from Society members to help CARB assess estimated costs of compliance.[41]

Estimated/Anticipated Costs from Society Members. See Section II.3 above for a table summarizing Society member feedback on the estimated costs, effort, and timelines for both voluntary reporting and compliance with SB 253 and SB 261.

Factors Affecting Compliance Costs. A variety of factors are likely to have a meaningful impact on the anticipated costs of complying with SB 253 and SB 261, including:

- Whether CARB requires disclosure of a full GHG emissions inventory in conformance with the GHG Protocol or a climate risk report that is fully aligned with all the discrete data points under the new ISSB-aligned TCFD framework (regardless of materiality or relevance), or permits companies to focus their effort and resources on information that is most relevant to their business and that is capable of being prepared at a reasonably high quality at reasonable costs;
- Whether CARB provides flexibility for substituted compliance and for companies to elect reasonable reporting methodologies, or takes a more prescriptive approach that is likely to increase duplicative reporting efforts (as discussed above);
- CARB's requirements with respect to GHG emissions assurance, including whether CARB specifies a particular set of qualifications and methodologies for assurance providers, as well as the scope, level, and timing of assurance required;
- CARB's timelines for initial compliance and ongoing reporting, with shorter timelines likely to increase costs, staffing, and other resources required for compliance (shorter timelines are also likely to drive up the demand and costs for third-party service providers as well as internal staffing needs); and

40 There are meaningful financial and human capital costs of switching from one reporting methodology to another, as well as risks to a company in appearing to restate (or actually restating based on different assumptions and methodologies) its figures.

41 We note that in connection with the SEC's proposed climate disclosure rule, in addition to the estimated compliance costs associated with the proposed rule that were included in the SEC's proposing release, a widely publicized survey by ERM and the Sustainability Institute by ERM (ERM survey) sought to identify the costs of compliance. In its comment letter in response to the SEC release, the Society detailed why the SEC's estimated compliance costs and those set forth in the ERM survey represented a significant underestimation of costs associated with compliance. *See supra* Note **Error! Bookmark not defined.** at 35 – 37.

- For each company, the gap between the requirements imposed by CARB and the company's existing practices (the wider the gap, the more time, money, staffing, and other resources would be required for compliance).

Recommendations. Key recommendations for reducing the costs of complying with SB 253 and SB 261 are summarized in Section I above under the section of the table entitled "Enhance Cost-Effectiveness". We believe these measures will reduce overall compliance costs while still allowing CARB to achieve the California legislature's goal of increasing transparency.

SB 253: Climate Corporate Data Accountability Act

7. Entities must measure and report their emissions of greenhouse gases in conformance with the GHG Protocol, 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?

We encourage CARB to refrain from taking a "one-size-fits-all" approach to GHG emissions reporting. Instead, we believe that CARB should give companies the flexibility to tailor their GHG emissions reporting based on company-specific circumstances, including their existing data gathering capabilities and the relevance of certain emissions to their operations. The GHG Protocol is consistent with this more flexible approach. Notably, the GHG Protocol affords companies with the flexibility to omit disclosure of certain categories of GHG emissions in a manner that considers their specific business operations, allowing companies to focus their effort and resources on information that is most relevant to them.

Recommendation. CARB should permit companies to focus their GHG emissions reporting on the categories of emissions that are most relevant to each company. In addition, under CARB's initial rulemaking, companies should be allowed to focus on GHG emissions that are capable of being reported at a reasonably high quality at reasonable cost.

Specifically, we suggest that CARB permit companies to:

- Omit disclosures of categories of emissions that are likely to be immaterial and may be unduly burdensome to collect, consistent with the GHG Protocol;[42]
- Omit disclosures of categories of Scope 3 emissions where data is unavailable and not feasible to collect or irrelevant or insignificant to a reporting entity's overall carbon footprint, consistent with Section 6.3 of the *GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard*;[43]
- Omit disclosures that have little or no relevance to a company (e.g., Scope 3 Categories 13 and 14 when the company does not have any leased assets or franchises), consistent with the GHG Protocol;[44] and
- Take a "comply-or-explain" approach with respect to relevant categories of emissions that may not currently be reportable at a reasonably high quality at reasonable costs, particularly where Scope 3 emissions are concerned, consistent with the GHG Protocol.

Rationale for recommendation. Given the substantial costs and effort of compliance summarized in Section II.2 above and the limitations of the quality and availability of GHG emissions data (particularly Scope 3 data) summarized in Section II.3 above, we believe the proposed approach is appropriate for the

42 A Corporate Accounting and Reporting Standard, Revised Edition, The Greenhouse Gas Protocol at 70 (Mar. 2004), https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf.

43 Corporate Value Chain (Scope 3) Accounting and Reporting Standard, The Greenhouse Gas Protocol at 60-61 (Sept. 2011), https://ghgprotocol.org/sites/default/files/standards/Corporate-Value-Chain-Accounting-Reporing-Standard_041613_2.pdf.

44 *Id.* at 60. The GHG Protocol defines the relevance of the reported inventory as any activity that is expected to contribute materially to the company's total Scope 3 emissions.

implementation of SB 253. Adopting this approach, which is consistent with the GHG Protocol and related guidance, will allow companies to focus on collecting, measuring, and verifying GHG emissions data that are relevant, reasonably accurate, and reasonably available. A "comply or explain" approach with respect to relevant categories of emissions that a company cannot currently report at a reasonably high quality or at reasonable cost will provide CARB and other external stakeholders with insight into the company's emissions monitoring and reporting capabilities. Moreover, this flexibility allows companies an opportunity to develop and mature their capabilities over time, increasing the likelihood that any information that is reported in a given year is reasonably reliable and useful to CARB and other external stakeholders.

In contrast, "standardizing" the GHG Protocol by reducing these flexibilities would substantially increase the burden and costs on companies without improving the quality or relevance of the data provided. In particular, the process of identifying all upstream and downstream activities and quantifying and analyzing Scope 3 value chain emissions is likely to impose a significant financial burden, and as further illustrated in Appendix B, is likely to yield distorted data (including because of double-, triple- and quadruple-counting the same value chain emissions) that does not support well-informed decision-making or policymaking.

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.

SB 253 requires covered companies to obtain independent third-party assurance of their Scope 1, 2, and 3 emissions from a qualified provider beginning at a limited assurance level and transitioning to a reasonable assurance level for Scope 1 and 2 emissions and at a limited assurance level for Scope 3 emissions.

Our response to Question 8 is intended to provide CARB with additional information on (i) the current prevalence of GHG emissions assurance, (ii) the estimated costs of GHG emissions assurance, and (iii) timing for GHG emissions assurance. Based on this information, we believe CARB should not be prescriptive about the qualifications or methodology of the assurance providers. Furthermore, we believe that assurance should not be mandatory in the year that a company is first required to provide its GHG emissions disclosures. Finally, CARB's rulemaking at this time should not prescribe any requirements or deadlines with respect to assurance over Scope 3 emissions or reasonable assurance.

(i) Prevalence of GHG Emissions Assurance

Assurance is not prevalent, particularly for Scope 3 emissions, as demonstrated by the data summarized in Section II.1 above. The following additional data further supports this observation:

- Of 2,782 US-based companies in the 2023 S&P Global Corporate Sustainability Assessment, just 18% had their Scope 1 and Scope 2 emissions verified by a third party based on data as of March 7, 2024.[45]
  - The prevalence of GHG emissions assurance is greater for large companies (i.e., more than 500 full-time employees), with ~22% having obtained external verification of their Scope 1 and Scope 2 emissions.
  - For small- to mid-size companies (i.e., 500 or fewer full-time employees), only 3% obtained external verification of their Scope 1 and Scope 2 emissions.
- According to a 2024 study by the Center for Audit Quality, less than half of S&P 500 companies obtained external assurance over any categories of Scope 3 emissions.[46]

[45] Corporate Sustainability Assessment Handbook 2024, S&P Global (2024), https://portal.s1.spglobal.com/survey/documents/CSA_Handbook.pdf.

[46] According to the study, travel (category 6), fuel & energy-related activities (category 3), and purchased goods and services (category 1) were the most prevalent, whereas use of sold products (category 11), downstream

    - The most prevalent category for external assurance was Category 6 (business travel, also the most frequently reported category), for which 43% of companies obtained external assurance, exceeding the prevalence of assurance relating to other Scope 3 emissions categories by a wide margin.
- Based on the Society Survey, while ~55% of respondents (33 companies) obtained some form of external assurance, just 15% (four companies) are obtaining assurance on all their disclosed emissions.

(ii) Estimated Costs of GHG Emissions Assurance

As demonstrated by the data summarized in Section II.2 above, GHG emissions assurance can be costly, even when provided on a limited subset of emissions categories and on a voluntary basis. GHG emissions assurance in compliance with SB 253 is expected to be even more costly, particularly if CARB prescribes stringent requirements with respect to the qualifications and methodologies for assurance providers. The following additional data further supports these observations:

- Based on feedback from Society members, current assurance costs for disclosed emissions among those respondents that obtain assurance generally range from $15,000 to $300,000, predominantly at the limited assurance level and on a voluntary basis.
    - However, costs can vary widely depending on the company and the assurance level, with a mid-cap company reporting estimated annual costs of $9,000 (at the low end) to obtain limited assurance of Scope 1 and Scope 2 emissions, as compared with a large-cap company that is subject to CSRD requirements reporting annual costs of $700,000 (at the high end) to obtain a mix of limited and reasonable assurance for Scope 1 and Scope 2 and one category (Category 11) of Scope 3 emissions.
- Based on interviews with Society members summarized in Appendix B, assurance costs are expected to increase significantly for mandatory disclosure, although none have specifically scoped the price difference.
    - Nearly one-quarter (24%) of respondents to the Society Survey whose companies obtained third-party assurance reported that they believe their assurance provider does not or may not meet potential independence and expertise requirements under SB 253, indicating that they believe they may need to hire a new and potentially more costly assurance provider.
    - If CARB were to impose stringent qualification requirements for assurance providers, costs are likely to increase. For example, members reported that costs for larger traditional accounting firms could be up to 6x to 10x higher than the cost estimates provided by smaller, climate-focused assurance providers.

(iii) Timing for GHG Emissions Assurance

As noted in Section II.2 above, obtaining GHG emissions assurance can often add several months to the overall reporting timeline in the first years, and at least an additional one to two months in subsequent years, depending on the scope of the assurance information and the issues identified in the assurance. The following additional data further supports this observation:

- Respondents to the Society Survey noted that they build additional time into their reporting/disclosure process for GHG emissions assurance, ranging from one month on the low end to, more commonly, four to six months.
- Many companies that participated in interviews with the Society reported that they did not obtain assurance for several years after initially reporting GHG emissions; of those that are obtaining assurance, most are doing so selectively on a portion of their emissions disclosures.

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transportation & distribution (category 9), end-of-life treatments of sold products (category 12), upstream leased assets (category 8), downstream leased assets (category 13), investments (category 15), processing of sold products (category 10), and franchises (category 14) were much less prevalent. CAQ, S&P 500 ESG Reporting and Assurance Analysis, CAQ (June 2024), https://www.thecaq.org/sp-500-and-esg-reporting.

- The SEC's final climate-related disclosure rules contemplate a three-year delay between the initial GHG emissions disclosure deadline and the first year in which limited assurance over such metrics is required, citing, among other factors, the time and costs associated with obtaining assurance.[47]

Recommendation. Considering the foregoing, we recommend that CARB provide companies with flexibility in the selection of an independent assurance provider, without prescribing specific qualifications, so long as the assurance provider's qualifications are adequately disclosed. This is consistent with the approach adopted by the SEC in its final climate-related disclosure rules.

Furthermore, given the rapidly evolving nature of, and lack of market consensus on, assurance methodologies, we believe CARB should not prescribe a specific methodology for assurance providers. The methodology used by the assurance provider should be clearly disclosed, however, so stakeholders can have appropriate insight into the assurance process.

Consistent with both the timeline set by the SEC and contemplated in other jurisdictions (e.g., NJ 4117), we believe companies should have at least two years after the first mandatory GHG emissions reporting year to obtain assurance over such reporting.

Finally, CARB's rulemaking at this time should not specify any requirements or deadlines with respect to either (A) Scope 3 emissions assurance or (B) reasonable assurance over any GHG emissions. Given the extent of Scope 3 emissions data and particular challenges associated with the collection and quality of such data, it is premature to prescribe any requirements for Scope 3 assurance. Similarly, consistent with the reasons underlying the European Commission's decision to, as part of its Omnibus proposal, remove all reasonable assurance requirements under the CSRD (including the limited number of companies that currently obtain reasonable assurance over GHG emissions and the lack of methodological consensus), we believe it is also premature for CARB to prescribe any requirements for any level of assurance beyond limited assurance.

Rationale for recommendations. Companies may be subject to different requirements in different jurisdictions as to the qualifications and methodologies of the assurance provider. A prescriptive approach may require companies to engage different assurance providers to provide assurance over the same data in different jurisdictions, which would significantly increase compliance costs.

We believe that the proposed timing for Scope 1 and Scope 2 emissions assurance is appropriate given the costs and timeline of obtaining GHG emissions assurance.

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?

In our experience, most companies that report Scope 1 and Scope 2 emissions do so on an annual basis. Practice varies on the number of years included in the reporting, with companies generally reporting between one and three years of annual data based on factors such as the expectations of their varied stakeholder bases.

In its initial rulemaking, we encourage CARB to refrain from prescribing specific requirements with respect to historical periods to be included in any SB 253 disclosure.

47 Fact Sheet, The Enhancement and Standardization of Climate-Related Disclosures: Final Rules, U.S. SEC, "Compliance Dates under the Final Rules", Table on p. 4 (2024), https://www.sec.gov/files/33-11275-fact-sheet.pdf.

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

Given the substantial time, effort, and costs associated with preparing GHG emissions reports on an annual basis, as well as other regulatory reporting demands in the first half of the fiscal year, it is not practical to require GHG emissions disclosures for the prior fiscal year before the second half of the following fiscal year.

Based on responses to the Society Survey, GHG emissions data disclosed or reported for the preceding calendar year or reporting year (for non-calendar fiscal year companies) is usually available for analysis between two to six months after fiscal year-end. Companies commonly finalize data analysis and complete disclosure review procedures for reporting six to seven months after their fiscal year-ends. As discussed above under Question 8, with assurance added into the reporting timeline, companies often publish their sustainability reports, including GHG emissions disclosures, between six to nine months after their fiscal year-ends. In virtually all cases, there is a significant lag between a company's financial reporting (typically required within two to three months after fiscal year-end) and its emissions disclosure.[48]

Recommendation. CARB should not require disclosures under SB 253 until at least six months after a company's fiscal year-end. We also encourage CARB to solicit additional feedback on this topic from companies; based on feedback from Society members, some companies currently report nine months (or longer) after fiscal year-end given resource constraints and/or the complexity of their reporting efforts.

Rationale for recommendation. The recommended timeline would be consistent with current market practice, as well as the reporting timeline for CDP (currently in September). If CARB were to compress this more typical timeline, companies would incur greater costs and face greater reporting burdens, including challenges related to collection, analysis, quality, and assurance of data.

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?

SB 261 appears to require TCFD-aligned reporting on or before January 1. This deadline is impracticable and inconsistent with reporting deadlines under other major sustainability reporting regulations and standards. Our response to Question 10 includes our recommendations: (i) for the SB 261 reporting timeframe, (ii) that CARB clarify the exclusion of GHG emissions from SB 261 requirements, and (iii) that, notwithstanding the reference in the Question 10 above, there are no assurance requirements under SB 261.

(i) Reporting Timeframe

It is simply not possible for companies with a calendar-year fiscal year to disclose TCFD information for the full prior fiscal year on January 1. As a result, if companies were to be required to prepare a report on or by January 1, 2026, for example, then a calendar-year company would only be able to report with respect to its 2024 fiscal year. Requiring a company to disclose stale information imposes risks on a company and reduces the usefulness of the data to both California and other users of the disclosure.

Recommendation. The Society recommends that CARB establish an SB 261 reporting cadence that aligns with the SB 253 timeline, i.e., at least six months after a company's fiscal year-end. We think it is crucial for CARB to provide a deadline after the end of the relevant fiscal year (akin to the filing period for

[48] According to an annual report released in February 2024 from the International Federation of Accountants (IFAC), the AICPA, and CIMA, assured sustainability disclosures lagged companies' annual reports by 118 days on average in the United States.

the Publicly Traded Corporate Disclosure Statement under California Corporations Code Section 1502.1(a)), rather than establishing calendar year deadlines. This approach would allow both calendar- and non-calendar fiscal year companies to prepare and disclose reasonably up-to-date climate risk information for their immediately prior fiscal year.

Rationale for recommendation. Based on the Society Survey as well as the Society's interviews with its members summarized in Appendix B, the proposed timeframe is consistent with the most common publication timeframes for sustainability reports of the Society's members.[49]

The proposed timeframe also allows companies to address their SB 261 reporting obligations outside of their most demanding reporting periods, typically the fourth and first quarters. US public companies typically already challenge the sufficiency of their resources during those quarters to prepare for their largest annual financial filing with the SEC, the annual report on Form 10-K, and for their annual shareholder meetings, including key documentation such as the annual report and proxy statement. Any deadline that required the preparation and disclosure of an SB 261 report during this time would unreasonably constrain company resources and could impede the preparation of quality, thoughtful disclosure.

(ii) Exclusion of "Metrics and Targets" Pillar

There is ambiguity as to whether disclosure of GHG emissions is required under SB 261, which creates uncertainty for companies that are above the SB 261 threshold but below the SB 253 threshold.

Recommendation. The Society encourages CARB to clarify that SB 261 does not require disclosure under the "Metrics and Targets" pillar of TCFD, including GHG emissions.

Rationale for recommendation. We believe that an express carveout of the GHG emissions and other "Metrics and Targets" TCFD disclosures from SB 261 is consistent with the legislative intent evidenced by the separate SB 253 requirements subject to a higher revenue threshold. Otherwise, SB 261 could require companies that are also in-scope of SB 253 to report GHG emissions on two different bases and two different timelines.

(iii) Assurance Review

The Society notes that CARB refers to "necessary assurance review" in Question 10. We do not believe that the reporting required under SB 261 should be subject to any assurance requirements. As discussed below, we do not believe that the California legislature intended to require any GHG emissions reporting under SB 261. Further, as discussed in Section II.1, assurance over non-GHG emissions sustainability reporting is not prevalent.

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.)?

We do not recommend that CARB adopt a set reporting calendar. Instead, we request that CARB clarify what SB 261 means by "biennial" disclosure.

Recommendation. Assuming the adoption of our other recommendations, including with respect to the SB 261 reporting timeframe in Question 10 and the two-year "look-back" in Question 1a, CARB should define "biennial" reporting to mean that companies are required to report every other year they are in

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49 For example, the National Association of Insurance Commissioners ("NAIC"), which includes California's Insurance Commissioner and is specifically referenced in SB 261, is currently requiring TCFD-aligned reporting to be provided with respect to Reporting Year 2024 by August 29, 2025. *See* California Department of Insurance, NAIC Climate Risk Disclosure Survey, https://www.insurance.ca.gov/0250-insurers/0300-insurers/0100-applications/ClimateSurvey/. Similarly, the CDP questionnaire typically has a September due date.

scope with respect to the immediate prior fiscal year for which data is available. See Appendix A for a time table illustrating our proposed initial compliance timelines.

Rationale for recommendation. This approach allows companies to produce information that is not outdated or stale at the time of its disclosure, which will help to mitigate disclosure-related risks and increase the usefulness of the disclosure to CARB and other stakeholders.

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?

We encourage CARB not to require companies to disclose anything before the initial report required under SB 261. Pre-reporting is not consistent with requirements under other major sustainability reporting regimes (e.g., CSRD), and is not justified in view of the costs and effort (see Appendix B).

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?

While the prevalence of TCFD-aligned reporting remains relatively limited as further discussed in Section II.1, we note that a significant number of (particularly larger) companies prepare and disclose climate risk information under various standards, including the CDP questionnaire, the S&P Global Corporate Sustainability Assessment, the Global Reporting Initiative ("GRI") standards, the Sustainability Accounting Standards Board ("SASB") standards, and the United Nations Sustainable Development Goals ("UN SDGs"). Multinational companies may also be required to produce climate risk disclosures under applicable legal requirements, such as CSRD in the EU and ISSB-aligned requirements in several jurisdictions.

According to the Society Survey, more than half of companies (57% of 58 respondents) report/disclose climate-related risks and opportunities in alignment with or with reference to one or more of the TCFD recommendations, while 14% make similar climate risk disclosure/reporting with reference to one or more other standards or frameworks (e.g., CDP, IFRS S2, SASB, GRI, industry framework). However, as discussed further below under Question 13g, reporting in alignment with all the TCFD recommendations or in full alignment with the discrete data points is uncommon among companies.

Recommendation and rationale. For the reasons more fully discussed therein, we reiterate our recommendation under Question 3b for CARB to provide companies with broad flexibility to comply with SB 261 through substituted compliance.

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

The extent to which companies are currently disclosing climate risks varies significantly:

- According to S&P Global, among 2,782 US-based companies assessed on climate governance and climate risk management and 2,215 US-based companies assessed on financial risks and financial opportunities of climate change, 21.8% provided some level of disclosure on their financial risks associated with climate change and 33.3% provided some level of disclosure on climate risk management.[50]

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[50] After SEC rulemaking, assessing the US climate disclosure landscape, S&P Global (Mar. 2024), https://www.spglobal.com/esg/insights/featured/special-editorial/after-sec-rulemaking-assessing-the-us-climate-disclosure-landscape.

- According to CDP, in the US, only 31% of companies previously reported climate-related financial impact metrics to CDP.[51]
- According to the IFRS Foundation's 2024 Status Report, in fiscal year 2023 disclosures among public companies, just 2% to 3% of companies worldwide disclosed in alignment with all 11 recommended TCFD disclosures and only 44% of companies reported in alignment with five or more of the 11 recommended disclosures.[52]
    - North American (predominantly US-based) companies specifically averaged 4.1 of the 11 recommended disclosures.[53]
    - North American companies' disclosure rates ranged from a low of 8% for resilience of strategy, to a high of 59% for board oversight and ranged from 20% to 25% of companies across the risk management pillar.[54]
- Among the 57% of respondents to the Society Survey that report climate-related risks and opportunities in alignment with or with reference to **any** of the TCFD recommendations, only one of the disclosure recommendations—board oversight—is reported by all companies.
- In interviews with the Society summarized in Appendix B, many members either do not report TCFD-aligned climate risk information or report in partial alignment with the broad 2017 TCFD recommendations (rather than discrete data points).

Recommendation. Consistent with our recommendation under Question 3a, we encourage CARB to refrain from taking an overly prescriptive approach to TCFD-aligned reporting. Specifically, we believe CARB should allow companies to comply with the 2017 recommendations of the TCFD, rather than requiring disclosure of discrete disclosure points. Companies should be deemed to be in compliance if they generally align with the broad recommendations under the 2017 TCFD framework, rather than being required to disclose against the discrete data points prescribed under the current ISSB- or CSRD-aligned frameworks.

Rationale for recommendation. We believe that this flexibility is already contemplated by the text of SB 261. The text of SB 261 clearly contemplates a "comply-or-explain" approach to compliance.[55] Also, allowing companies to focus on the broader recommendations under the 2017 TCFD framework, rather than requiring full disclosure against all discrete data points, will enable companies to devote attention and resources to the issues that are most relevant to their companies. Because this approach is better aligned with the current TCFD reporting practices of many companies, it should facilitate substituted compliance and allow companies to better leverage existing reporting processes. In contrast, requiring disclosure against each discrete data point under the latest ISSB and CSRD standards would in many cases result in substantial incremental costs without yielding meaningful and company-relevant additional information.

IV. Additional Recommendations

In addition to the above questions, CARB has also invited respondents to provide any additional information they feel is important to inform staff's work to implement the statutes. The Society

[51] Data available at https://www.thecorporatecounsel.net/member/Memos/MemoFiles/Orrick_2024_09-49-25.pdf

[52] Comparison of IFRS S2 Climate Related-Disclosures with TCFD Recommendations, IFRS Sustainability, Figure 1.1 (Nov. 2024), https://www.ifrs.org/content/dam/ifrs/supporting-implementation/ifrs-s2/ifrs-s2-comparison-tcfd.pdf.

[53] *Id.* at Table 1.6 at 28.

[54] *Id.* at Table 1.7. We note that the prevalence of disclosure by US companies on risks and opportunities as compared to other TCFD recommendations is likely driven in large part by companies' Exchange Act reporting, rather than being driven by the TCFD recommendations, and that many of the companies that will be in scope of SB 261 are not subject to Exchange Act reporting requirements.

[55] Section 2(b)(1)(B) of SB 261 states that "[i]f a covered entity does not complete a report consistent with all required disclosures pursuant to clause (i) of subparagraph (A), the covered entity shall provide the recommended disclosures to the best of its ability, provide a detailed explanation for any reporting gaps, and describe steps the covered entity will take to prepare complete disclosures."

provides the following comments regarding (i) the initial compliance timeline and (ii) CARB's enforcement approach.

1. CARB should require in-scope companies to begin tracking and collecting data in the first full fiscal year after CARB's adoption of final regulations, with reporting to commence the following year.

Until CARB's regulations are in place, Potentially In-Scope Companies will not have the certainty they need to proceed with preparation and execution of a full-scope compliance strategy. As a threshold matter, many such companies will not know whether they are in scope of the statutes until CARB issues its regulations because "doing business in California" is not defined. Uncertainty regarding applicability and substantive requirements would mean that many Potentially In-Scope Companies will not have time to build out processes for data collection and tracking until a measurable period of time after CARB adopts its regulations.

Based on interviews with Society members summarized in Appendix B, we believe that many companies are not currently collecting and tracking data in a manner that may ultimately be required by SB 253 and SB 261 and would need additional time to implement processes and gather reliable data after CARB issues its implementation regulations.

Three quarters (75%) of respondents to the Society Survey reported they believe that they are, or likely will be, subject to SB 253 and SB 261, based on the $1 billion and $500 million annual revenue thresholds.

- However, less than half (48%) of respondents are able to confirm that their current GHG emissions disclosures conform with the Greenhouse Gas Protocol standards and guidance, including those related to Scope 3 emissions.
- Further, only 57% of the respondents said that they currently report climate-related risks and opportunities in alignment with reference to **any** of the TCFD recommendations.
- Moreover, 94% of the companies participating in the Society's survey are publicly traded companies, which are generally more sophisticated in their data collection, disclosure controls and procedures, and external reporting processes than private companies that would also be required to comply with SB 253 and SB 261 if they meet the thresholds for revenue and conducting business in California.

Recommendation. Considering the foregoing, we believe that the first fiscal year for which an in-scope company should be required to track and collect relevant data should be the fiscal year that begins at least six months after CARB's adoption of final regulations. See Appendix A for a time table illustrating our proposed initial compliance timelines.

Rationale for recommendation. Without having a specified ramp-up time, companies will be forced to navigate significant uncertainty in the coming months, including potentially as to whether they are even in-scope. Without at least a six-month grace period (as proposed), the initial compliance may be a springing obligation for some companies that are still seeking clarity as to whether they are in scope of the requirements.

In addition, when CARB finalizes its rules, companies should not be required to prepare reporting on a retroactive basis for the prior fiscal year. The resources that a company needs to budget for compliance will depend significantly on the requirements imposed by CARB and the gap between such requirements and the company's existing practices. The lack of a grace period between the adoption of the final rules and the deadline for the first report could make compliance impossible, and will certainly exacerbate costs of compliance.

A reasonable grace period provides in-scope companies time to develop, implement, test, and refine necessary systems, controls, and procedures before the commencement of data collection. In the absence of such a grace period, a "ready, fire, aim" compliance timeline would very likely result in disclosures that miss the target.

Considering all these factors, we believe that a more realistic compliance timeline would promote more accurate and meaningful disclosures by all in-scope companies, which would further the overarching purposes of SB 253 and SB 261. The importance of accurate data is noted in the text of SB 253 itself, which states that "[a]ccurate and comprehensive data…is required to determine a company's direct and indirect GHG emissions."[56]

2. Regardless of whether CARB adopts the Society's proposed compliance timeline, companies should not be penalized during their first year of reporting except in the event of a failure to file.

As noted throughout this letter, reporting companies seeking in good faith to comply with SB 253 and SB 261 will face substantial challenges, including those arising from: (1) the nature and scope of the data to be disclosed; (2) the current lack of maturity and standardization for collecting and calculating climate-related data across all companies, but especially among private companies; (3) the need to develop and implement disclosure controls and procedures around climate-related data and reporting after CARB's implementation regulations are issued; (4) the need to rely on third parties with respect to whose climate-related data collection a company has no control and limited visibility; (5) significant costs, including hiring of in-house staff and engaging third-party consultants, advisors, and third-party assurance providers; and (6) other significant practical challenges of defining, identifying, and measuring climate-related risks, and integrating them into risk management frameworks.

Recommendation. Considering these challenges, we respectfully request that companies not be penalized during their first year of reporting except in the event of a failure to file.

We believe this recommendation is consistent with the spirit of CARB's December 2024 enforcement notice.[57] In addition, we note that SB 253 already provides companies with a "safe harbor" for misstatements with regard to Scope 3 emissions disclosures made "with a reasonable basis and disclosed in good faith",[58] and specifies that penalties assessed on Scope 3 reporting between 2027 and 2030 will only occur for non-filing.[59] We propose to extend these safe harbors to all disclosures required under SB 253 and SB 261 (not just Scope 3 information), and for all companies in their initial year of reporting regardless of when a company comes in scope (not just in the initial year of the statutes' effectiveness).

Rationale for recommendation. While the challenges discussed above are exacerbated in the case of Scope 3 emissions, they also apply substantively to Scope 1 and 2 GHG emissions and climate-related risk disclosures. It is critical that express limits on administrative penalties also apply to the first data reports generated under SB 253 containing Scope 1 and Scope 2 emissions, as well as climate-related risk reports produced under SB 261, since these climate-related disclosures will be considerably more difficult for companies to prepare in a reliable manner than other business information typically prepared by many companies.

3. We encourage CARB to further engage with private Potentially In-Scope Companies.

Initial feedback from our private company members indicates that the challenges summarized above are likely to be exacerbated for private companies (see Companies #5, #10, and #29 in Appendix B). In addition to the lack of mature climate reporting processes and related resources, many private companies face challenges due to their investment structure, with private investors driving a focus on exit strategies, maximizing returns, and financial growth. These circumstances can place greater limitations on the availability of climate tracking and reporting staffing and resources for a private company.

Therefore, we encourage CARB to further engage with private companies as part of its rulemaking, and consider whether it is appropriate to make further accommodations to account for the circumstances

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[56] Section 1(h) of SB 253.

[57] California Air Resources Board, The Climate Corporate Data Accountability Act, Enforcement Notice, December 5, 2024.

[58] Section 2(f)(2)(B) of SB 253.

[59] Section 2(f)(2)(C) of SB 253.

facing such companies that are in scope. We would be willing to further discuss the perspectives of our private company members with CARB.

V. Conclusion

As noted above, we would welcome the opportunity to further discuss our recommendations with CARB and to provide additional information to support CARB's adoption of regulations that enhance the predictability, practicality, and cost-effectiveness of the SB 253 and SB 261 reporting requirements. We recognize some of these recommendations may require legislative amendments in addition to CARB rulemaking. We would welcome an opportunity to work together with both CARB and the California legislature in creating requirements that are predictable, practical, and cost-effective.

Respectfully submitted,

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Appendix

Appendix A: Illustrative Time Table of Proposed Initial Compliance Timelines

Appendix B: Society Member Interviews

Appendix A

Illustrative Time Table of Proposed Initial Compliance Timelines

The below table assumes that (1) CARB adopts its regulations on or before July 1, 2025, as contemplated by SB 219 and (2) that the reporting company uses a calendar-year fiscal year (which is not the case for many companies).

Company Type	Look-Back Years	First Measurement Year	First Reporting Year[60]	First Limited Assurance (Scope 1 and Scope 2)	Next Reporting Year
Company is in-scope when CARB adopts regulations[61]	FYB[62] 2024 and FYB 2025	FYB 2026 (if thresholds are met in both look-back years)	2027 with respect to FYB 2026	Not earlier than 2029 with respect to FYB 2028	• SB 253: 2028 with respect to FYB 2027 (if thresholds are met in both FYB 2025 and FYB 2026) • SB 261: 2029 with respect to FYB 2028 (if thresholds are met in both FYB 2026 and FYB 2027)
Company first meets applicable thresholds in FYB 2027	FYB 2027 and FYB 2028	FYB 2029 (if thresholds are met in both look-back years)	2030 with respect to FYB 2029	Not earlier than 2032 with respect to FYB 2031	• SB 253: 2031 with respect to FYB 2030 (if thresholds are met in both FYB 2028 and FYB 2029) • SB 261: 2032 with respect to FYB 2031 (if thresholds are met in both FYB 2029 and FYB 2030)

60 We recommend that, on an ongoing basis, reporting deadlines under both SB 253 and SB 261 should be, at the earliest, 6 months after the end of a reporting entity's relevant fiscal year. Therefore, for a company that uses a non-calendar year fiscal year, the reporting year listed in this column may be in the following calendar year.

61 If CARB adopts regulations after July 1, 2025, but before July 1, 2026, each of the years listed in this row would pushed back by one year.

62 As used in this table, "FYB" refers to any fiscal year beginning in the calendar year listed.

Appendix B

Society Member Interviews

Company 1

Company 1 likely meets the requirements of "doing business in California" under California's SB 253 and SB 261. Aside from California SB 253 and SB 261, the company is subject to climate reporting in the US (SEC) and has operations in the EU that may subject the company and/or certain of its consolidated subsidiaries to CSRD reporting requirements.

The company voluntarily publishes ESG reports, but they are not climate-focused or TCFD-aligned. The company does not report to CDP.

GHG Emissions

The company discloses Scope 1 and Scope 2 GHG emissions, but not under the GHG Protocol methodology. The company does not collect or disclose Scope 3 emissions data.

The company begins compiling its emissions data soon after its fiscal (calendar) year-end and usually completes GHG emissions data collection within approximately four months after its fiscal year-end. It typically publishes its ESG report, including GHG data, five months after its fiscal year-end.

The company does not obtain third-party assurance over its climate reporting.

Climate Risk Reporting

The company does not currently report climate risks in alignment with the TCFD recommendations. Although it publishes an ESG report five months after fiscal year-end, this report is not TCFD-aligned.

Staffing

The company employs one full-time employee focused on its ESG-related disclosure/reporting. Various functional areas are involved including Facilities/Environmental Engineering, HR, Marketing, and Legal. To meet requirements under California's laws, the company expects it will need to hire at least one intern initially and may need to hire an additional full-time employee eventually.

External Service Providers

The company spends approximately $500,000 annually on external vendor services, including for carbon accounting services, sustainability consulting services, ad hoc legal advice, and PR/marketing services to create its ESG report. It estimates spending at least another $150,000 for assurance under the CSRD, and possibly $200,000-250,000 for assurance under SB 253 and CSRD collectively, depending on the extent to which California requirements will harmonize with the CSRD requirements.

Company 2

Company 2 likely meets the requirements of “doing business in California” under California’s SB 253 and SB 261. Aside from California SB 253 and SB 261, the company is subject to climate reporting in the US (SEC). It is not subject to any other climate reporting requirements.

The company voluntarily publishes an annual ESG Report, which includes a TCFD Index. It completes the CDP Questionnaire, but does not publish its CDP responses.

GHG Emissions

The company discloses Scope 1 and Scope 2 GHG emissions, with Scope 2 information based on utility bills from landlords. The company also discloses Categories 1, 2, 4, 5, 6, 7, and 15 of its Scope 3 emissions, which the company has determined are the only relevant categories of Scope 3 emissions for the company.

The company’s decision regarding the emissions categories it discloses are tied to its efforts to monitor its water usage, waste disposal, governance practices, risks and opportunities, as well as its progress towards science-based targets and other public commitments. The decision is also driven in part by information requests under major ratings and rankings frameworks.

The company begins compiling its emissions data in December, before its fiscal (calendar) year-end. Given the large number of leased properties, it often does not have reasonably complete GHG emission data for the preceding fiscal year until March. After data collection is completed, the company requires at least an additional one to two months to prepare the data for reporting.

The company does not currently obtain assurance from any third parties on climate-related information. It has met with assurance providers to begin the process in preparation for compliance with SB 253, and estimates a three-month period to complete assurance for the initial reporting year. It estimates assurance to cost $35,000 per year.

Climate Risk Reporting

The company reports in partial alignment across all four pillars of the TCFD recommendations. The company currently publishes its report three to four months after its fiscal (calendar) year-end.

However, to comply with regulatory requirements under the California laws, the company expects it will require a longer timeline (potentially seven to eight months after its fiscal (calendar) year-end) to be ready to publish the required disclosures. It expects needing the longer timeline to ensure cross-functional collaboration across the enterprise in assessing risks/opportunities.

The company also expects additional costs to comply with regulatory requirements under the California laws. The company expects its initial costs for compliance to be ~$200,000, and ongoing annual total costs to be $90,000 or more per year, covering the costs of consultants, physical risk assessment modeling, and assurance.

Staffing

The company employs one full-time employee dedicated to climate or ESG reporting and one management-level leader that spends approximately 50-60% of time on ESG. It estimates that these employees currently spend an average of 60 hours per week year-round on climate- and ESG-reporting efforts. It expects needing additional staffing time and resources to comply with SB 253 and SB 261.

In addition, various other functions support the company’s climate- and ESG-reporting efforts, including Legal, Finance & Accounting, HR, Facilities, Risk Management, and Marketing & Communications.

External Service Providers

In addition to the assurance-related costs referenced under “GHG Emissions,” the company engages a sustainability consultant for TCFD-aligned reporting at a cost of $100,000 per year. The company also engages legal counsel for sustainability disclosure compliance, with an estimated cost of $40,000 per year. Furthermore, it engages PR/marketing service providers to support climate- and ESG-reporting efforts.

In addition to the assurance-related costs, the company expects the overall costs of its climate- and ESG-related reporting to increase if California requires it to provide significant additional disclosures compared to those currently provided by the company, which could divert those resources from the company's efforts and budget to reduce GHG emissions and otherwise achieve climate-positive impacts.

Company 3

Company 3 likely meets the requirements of “doing business in California” under California’s SB 253 and SB 261. Aside from California SB 253 and SB 261, the company is subject to climate reporting in the US (SEC) and has operations in the EU and UK that will subject the company and/or certain of its consolidated subsidiaries to CSRD reporting requirements and the UK Climate-related Financial Disclosures and Streamlined Energy and Carbon Reporting requirements, respectively. It is also subject to several IFRS S2 mandatory reporting jurisdictions.

The company voluntarily discloses its GHG emissions in a company climate report based on the TCFD framework, a CDP report, and a company ESG report.

GHG Emissions

The company collects and discloses Scope 1, 2, and 3 GHG emissions. The company gathers data relating to Scope 1 GHG emissions; scope 2 location-based GHG emissions, market-based GHG emissions, purchased electricity, steam, and chilled water GHG emissions; and Scope 3 emissions in 10 categories.

The company requires approximately 12 weeks after the end of each fiscal year to collect data, and then it takes around eight weeks to review, finalize, and have the data externally validated by a third party.

Climate Risk Reporting

The company reports in alignment with all four pillars of the TCFD recommendations. The company begins evaluating its climate-related risks and opportunities for the preceding calendar year approximately two to three months after its fiscal (calendar) year-end and publishes its report five to six months after its fiscal (calendar) year-end.

The company does not expect additional resourcing or financial implications due to SB 261.

Staffing

The company has three full time employees who dedicate four to five months for work on climate reporting. The company’s ESG, Finance, and Legal departments help with climate reporting.

External Service Providers

The company currently spends annually around $250,000 a year on carbon accounting, $500,000 on engineering consultants, $250,000 on legal services for support with CRSD, $1,000,000 for strategic counsel and guidance on climate plans, $400,000 for its ESG Report, $300,000 for its Climate Report, and $200,0000 for its CDP report. The company also pays $45,000 for limited third-party assurance. Additional costs may be incurred in subsequent years for additional carbon accounting support.

Company 4

Company 4 likely meets the requirements of “doing business in California” under California’s SB 253 and SB 261. The company is a US public company subject to climate reporting in the US (SEC). It is currently evaluating whether it and/or certain of its consolidated subsidiaries will be subject to the CSRD reporting requirements if the EU omnibus package proposals are adopted as proposed.

The company voluntarily discloses its GHG emissions in a sustainability report and annual CDP climate change questionnaire.

GHG Emissions

The company discloses Scope 1, 2, and all categories of Scope 3 emissions data.

Climate Risk Reporting

The company does not currently do climate risk reporting.

Staffing

The company currently has seven full-time employees dedicated to climate reporting who devote around ten-to-twenty hours per week for eight months of the year, which is anticipated to become a year-round staffing requirement to attain and maintain compliance with the California laws.

External Service Providers

The company has external carbon accounting services; environmental engineering consultants; legal services; and sustainability consultants. The company pays roughly $105,000 per year to prepare and manage its climate data. The company obtains limited third-party assurance for its historical Scope1, 2, and certain Scope 3 emissions data that costs approximately $30,000 a year.

To comply with California climate rules SB 261 and SB 253, the company expects it will need to pay for carbon accounting, environmental engineering consultants, more legal services, and sustainability consultants.

Company 5

Company 5 does not currently meet the revenue thresholds under either SB 253 or SB 261. It will be indirectly subject to GHG emissions reporting requirements through its two shareholders, who are expected to be directly subject to SB 253.

In addition, the company's revenues are currently just below the $500 million threshold under SB 261, and it expects to grow by 10% per annum. Therefore, it is possible that the company will come in scope of SB 261 in the coming years. However, because it derives revenues from public agencies across North America, and each contract could generate revenues of several million dollars a year, there could be significant year-over-year fluctuation in its annual revenues. As a result, the company may not be aware that it has crossed the compliance threshold for SB 261 until after its fiscal (calendar) year-end, when it would already required to publish a report under SB 261.

As a private company based primarily in the US, the company is not subject to any other climate reporting requirements.

GHG Emissions

The company does not publicly disclose any GHG emissions data. It currently measures Scope 1, Scope 2, and two categories of Scope 3 (business travel and gas) emissions to satisfy information requests from its shareholders.

The company begins compiling its emissions data soon after fiscal year-end and provides its emissions data to its shareholders by the end of its second fiscal year quarter, after approximately five months of data gathering and preparation.

The company does not obtain any third-party assurance on its climate reporting.

Climate Risk Reporting

The company does prepare or disclose a climate risk report today to its shareholders as part of its annual ESG reporting activities. It does not voluntarily publish a TCFD-aligned report as it is not required by its shareholders. It is focused on spending its resources to grow the operations of the company, rather than expanding the scope of its reporting. It is also not a major decision factor of its customer base when choosing vendors for their particular service.

The company expects significant costs and resources to comply with SB 261 if and when it comes into scope of the law.

Staffing

The company does not have any employees with full-time responsibility over climate or ESG reporting. It has two compliance specialists working part-time to gather climate-related data from across different functions who devote 10-20% of their time to such efforts during the reporting season. The company's general counsel has overall responsibility for reporting and compliance associated with the shareholders' ESG and climate requirements.

External Service Providers

The company uses internal staffing resources to collect its climate-relate data. In addition, it spends approximately $25,000 annually on external vendor services, including carbon data collection software, collection, and reporting.

These costs are expected to be significantly higher if and when the company comes into scope of SB 261, and the company will need time to vet and engage such vendors before it can make its first report under SB 261.

Company 6

Company 6 is currently only subject to localized climate reporting, but is preparing to report under the CRSD, CSDDD, California climate rules SB 253 and SB 261, and the Australia carbon reporting requirements.

The company voluntarily publishes its climate data under its CDP questionnaire and an annual sustainability report. The company also works with Ecovadis, the Responsible Business Alliance, and SBT.

GHG Emissions

The company collects and discloses Scope 1, Scope 2, and eight categories of Scope 3 emissions data. These represent the metrics applicable to the company's business. All GHG emissions are assured under limited assurance.

The company begins collecting GHG emissions data around November 1 of the year, though the majority of the data becomes available in February of the following year. It then takes a further two to three months to evaluate and prepare the data and obtain assurances, and the information is typically published in May or June.

Climate Risk Reporting

The company reports in alignment with all four pillars of the TCFD Recommendations. The company begins evaluating its climate-related risks approximately five to six months into each calendar year, and publishes its TCFD report in July or August of the following year. The reporting is done bi-annually.

Staffing

The company currently employs six full time employees to manage its climate reporting who work within the Environmental Sustainability team, Supply Chain, and the ESG Communications team. Other teams, contribute hours (not full-time) and include: finance, R&D, supply chain & operations, procurement, product marketing, product line management, services, real estate, legal, strategy, and more.

The company anticipates it may need to hire additional employees to comply with upcoming climate reporting requirements, including California's climate laws.

External Service Providers

The company obtains limited third-party assurance for $20,000 a year. However, it predicts it will have to pay $250,000 to $350,000 to switch to reasonable assurance for Scopes 1 and 2.

To comply with SB 261, the company expects to pay an additional $500,000 to $800,000 in fees. This would cover consulting fees, increased headcount, and software acquisition and data migration to help quantify risk. The company believes that low supply and high demand for these services is resulting in outsized pricing for scenario analysis risk quantification.

Company 7

Company 7 likely meets the requirements of “doing business in California” under California’s SB 253 and SB 261. Aside from California SB 253 and SB 261, the company is subject to climate reporting in the US (SEC).

The company voluntarily publishes an annual ESG report and completes the CDP Questionnaire. The company also publishes a TCFD report.

GHG Emissions

The company discloses Scope 1 and Scope 2 GHG emissions.

Climate Risk Reporting

The company publishes a TCFD report, but has not identified any financially material climate-related risks or opportunities. Therefore certain of the TCFD recommendations are only addressed at a very high level.

External Service Providers

The company estimates that it pays around $10 million every year associated with disclosure of metrics beyond what is required by current securities laws, and which it believes will satisfy the California climate disclosure regulations. This estimate includes headcount and consulting costs for corporate and business unit sustainability reporting, audit fees for enterprise GHG emissions reporting, as well as expenses related to various GHG emissions reporting tools and databases. The company predicts that if it needs to move to reasonable assurance for Scopes 1 and 2 and limited assurance for Scope 3, it would cost the company an additional $600,000 to $700,000 per year.

Company 8

Company 8 likely meets the requirements of “doing business in California” under California’s SB 253 and SB 261. Aside from California SB 253 and SB 261, the company would be subject to climate reporting in the US (SEC) and has operations in the EU that will likely subject the company to CSRD reporting requirements beginning to report in 2029 for 2028 under the current requirements.

The company voluntarily publishes an annual ESG report. It completes the CDP Questionnaire. The company has subsidiaries that likely would not meet the requirements of doing business in California and that are not currently included in voluntary reporting because of operational differences from the company’s primary business.

GHG Emissions

The company discloses Scope 1 and Scope 2 GHG emissions. The company has minimal Scope 2 emissions given its operations.

The company has been working on enhancing its ability to collect and disclose Scope 3 emissions over the years. It currently reports Scope 3 Categories 1-4, 6, 7, and 15 emissions.

The company collects emissions data from the prior calendar year starting in January. Final calculations and verification of GHG emissions inventory is generally complete and ready for publication in the second quarter.

The company obtains reasonable assurance over Scope 1 and Scope 2 emissions metrics and limited assurance over reported Scope 3 emissions metrics. Today, this assurance process is conducted by a third-party professional consulting firm specializing in environmental science that is accredited with the ANSI National Accreditation Board under ISO 14065 and costs approximately $70,000 per year and takes approximately 12 weeks given the company’s long history of GHG emissions reporting. Estimated costs from a larger, traditional financial auditor firm are much higher. Therefore, CARB requirements with respect to assurance provider qualifications and methodology could have a significant impact on (1) whether the company can use the same assurance providers and methodology for both CSRD and SB 253 and (2) the overall cost of assurance.

Climate Risk Reporting

With support from a third-party consulting firm, the company has been conducting a TCFD-aligned climate risk assessment every other year and has reported the results in its annual ESG Report.

Staffing

The company employs an average of 1.5 full-time employees focused on its current emissions inventory/data gathering and emissions calculation efforts, which costs at least $300,000 per year.

External Service Providers

In addition to the assurance-related costs referenced under “GHG Emissions,” the company spends approximately $200,000 annually for a system used to gather, control, and validate information and data that is publicly disclosed in its ESG report, included GHG data. These costs do not include internal costs associated with data collection, report preparation, or review and audit, which are covered by many associates throughout the enterprise.

Company 9

Company 9 likely meets the requirements of "doing business in California" under California's SB 253 and SB 261. Aside from California SB 253 and SB 261, the company is subject to climate reporting in the US (SEC). It is not subject to any other climate reporting requirements.

Notably, the company is currently undergoing a transformative transaction that could take it outside of the scope of SB 253 and SB 261. The transaction is currently in the sign-to-close period, and the company is incurring additional costs and burdens to prepare for the possibility of being required to comply with the California laws if closing does not take place by year-end.

The company voluntarily publishes an annual Corporate Impact Report, which includes GRI and SASB Indexes, but not TCFD. It completes the CDP Questionnaire, but does not publish its CDP responses.

GHG Emissions

The company discloses Scope 1 and Scope 2 GHG emissions. Although it gathers data on Scope 3 GHG emissions, it does not disclose any Scope 3 metrics at this time due to limited data availability, as well as evolving standards around Scope 3 data collection.

The company begins compiling its emissions data soon after fiscal (calendar) year-end and completes its process approximately four months after fiscal year-end.

The company does not currently obtain assurance from any third parties on climate-related information. It has obtained a pre-assurance assessment of its Scope 1 and Scope 2 GHG emissions metrics from a traditional financial auditing firm, with a cost of $150,000 for the assessment. The estimate from that assurance provider to provide limited assurance over Scope 1 and Scope 2 GHG emissions metrics is between $200,000 to $250,000 per year.

Climate Risk Reporting

The company does not report in alignment with the TCFD recommendations. The company assesses its climate risks as part of its enterprise risk management framework, which framework is annually reviewed starting in approximately six months after its fiscal (calendar) year-end.

In order to report in alignment with the TCFD recommendations under SB 261, the company expects its initial and ongoing annual total costs to exceed $400,000 per year.

Staffing

The company does not currently employ any full-time staff dedicated to climate or ESG reporting. The ESG and sustainability teams that manage the company's other reports, initiatives, and disclosures span various functions, including ESG, Sustainability/Facilities, Enterprise Risk Management, and Finance.

The company expects that it would need to expend additional staffing resources if it were required to comply with SB 253 and SB 261, which may or may not be possible in light of the ongoing transaction. Additional hours required are not quantifiable; however, the company expects that it will need to hire additional support if subject to SB 253 and SB 261.

External Service Providers

In addition to the assurance-related costs referenced under "GHG Emissions", the company has started to work with a sustainability consultant for TCFD-aligned reporting, with a cost of more than $175,000 per year. The company also engages environmental engineering consultants for advice on climate-related efforts and legal counsel for sustainability disclosure compliance. It remains to be seen whether additional or duplicative costs will be incurred in light of the ongoing transaction, including whether the company will be required to align service providers or methodologies with the transactional counterparty.

Company 10

Company 10 likely meets the requirements of “doing business in California” under California’s SB 253 and SB 261. As a US private company, it is not currently subject to any other climate reporting laws.

The company does not currently collect or publish GHG emissions data. It publishes a sustainability report, but the report is not prepared with reference to the TCFD.

GHG Emissions

The company does not currently collect or disclose any GHG emissions data, as it is not required to do so under any other law or from any other stakeholders.

To comply with SB 253, it will need to collect, report, and obtain assurance over GHG emissions data for the first time.

Climate Risk Reporting

The company does not currently collect or disclose TCFD-aligned climate risk information, as it is not required to do so under any other law or from any other stakeholders.

To comply with SB 261, it will need to collect relevant information and report under the TCFD recommendations for the first time.

Staffing

The company has approximately 7.5 full-time employee roles dedicated to sustainability reporting, including members of the Sustainability, Community, Sourcing, Finance, and Legal teams. Hours are not quantifiable but they are significant.

External Service Providers

To comply with SB 253 and SB 261, the company expects that it could incur significant external vendor costs, since it does not currently have the infrastructure for GHG or TCFD reporting.

To build out a platform to support carbon accounting and GHG data collection, the company has received an estimate of $1.2 million. The company estimates that a carbon accountant to support its GHG reporting will cost approximately $145,000. If CARB requires a climate scenario analysis, the company estimates that it will spend between $150,000 and $500,000, based on quotes from various vendors. In addition, it estimates that limited assurance over GHG emissions metrics will cost approximately $130,000 to $175,000 per year.

Company 11

Company 11 likely meets the requirements of "doing business in California" under California's SB 253 and SB 261. Aside from California SB 253 and SB 261, the company is subject to climate reporting in the US (SEC) and has operations in the EU that will subject the company and/or certain of its consolidated subsidiaries to CSRD reporting requirements.

The company voluntarily publishes TCFD, SASB and impact reports. It completes the CDP Questionnaire.

GHG Emissions

The company discloses Scope 1 and Scope 2 GHG emissions. However, the company has minimal operational emissions given its operations.

The company has been working on enhancing its ability to collect and disclose Scope 3 emissions over the years. It currently reports upstream Scope 3 emissions, and is working towards reporting downstream Scope 3 emissions when it has sufficiently enhanced data quality. Currently, however, it believes that key categories of Scope 3 emissions information, particularly downstream emissions, are of low quality and extremely difficult to collect. Of particular concern is Category 3.11, Use of Sold Products. This is because downstream users are individuals (not companies) that use the company's software, and the company would need to use a global map based on locations and energy usage in order to estimate such emissions, which poses a significant challenge for a company (like the company) and would be impossible for a company without such capabilities. In addition, there is no universally accepted method under recognized standards to apportion the company's Category 3.11 emissions—in other words, the same Category 3.11 emissions is counted multiple times across multiple companies' Scope 3 emissions, including companies that provide the platforms, servers and hardware on which the company's software is used. Even with respect to key categories of upstream Scope 3 emissions, the company expects that it currently overestimates emissions because it currently estimates such data based on supplier spend information.

The company compiles its emissions data throughout the year. It conducts an initial review of preliminary data six to eight weeks after fiscal year-end, and usually completes GHG emissions data collection three or four months after fiscal year-end and reports data five or six months after fiscal year end.

The company does not obtain third-party assurance over its climate reporting, but is planning to obtain assurance over its GHG emissions for the first time this year in order to prepare for SB 253 and the CSRD. It has received estimates of $50,000 per year from smaller assurance providers for limited assurance over Scope 1 and Scope 2 emissions ($100,000 to include Scope 3), and approximately three to five times higher cost estimates if such assurance is provided by larger, traditional financial auditor firms. Therefore, CARB requirements with respect to assurance provider qualifications and methodology could have a significant impact on (1) whether the company can use the same assurance providers and methodology for both CSRD and SB 253, and (2) the overall cost of assurance.

Climate Risk Reporting

The company reports in partial alignment across all four pillars of the TCFD recommendations. The company publishes its report biennially. For the years where a TCFD report is issued, it is published approximately 10 months after its fiscal year-end.

In order to report in alignment with the TCFD recommendations under SB 261, the company expects its initial and ongoing annual total costs to be around $200,000 per year. Depending on CARB's requirements under SB 261, the additional costs of compliance could vary significantly. For example, if scenario analysis is required, the costs could be significantly more expensive.

Staffing

The company employs an average of 2.5 full-time employees focused on its current climate- and ESG-related disclosure/reporting. The company's employees devote an estimated 1,800 hours per year on climate- and ESG-related reporting. Various functional areas are involved including Finance, Workplaces, Brand and Communications, Technology, ESG, Sustainability.

External Service Providers

In addition to the assurance-related costs referenced under “GHG Emissions”, the company engages an emissions accounting platform provider to support its GHG emissions collection and reporting, with a cost of approximately $200,000 per year.

Company 12

Company 12 likely meets the requirements of “doing business in California” under California’s SB 253 and SB 261. Aside from California SB 253 and SB 261, the company is subject to climate reporting in the US (SEC). It is not subject to any other climate reporting requirements.

The company voluntarily publishes an annual sustainability update, which includes a TCFD table with narratives addressing the four main TCFD pillars. It does not report to CDP. The company underwent its IPO within the past 10 years. It has taken significant time and resources to build up its voluntary climate reporting and expects to require additional time and costs to comply with SB 253 and SB 261.

GHG Emissions

The company discloses Scope 1 and Scope 2 GHG emissions. The company is just beginning the process of gathering data on Scope 3 GHG emissions and does not currently report any Scope 3 information.

The company begins compiling its emissions data soon after fiscal year-end (close to calendar year-end). Given the global nature of the company’s supply chain and its many physical retail locations, GHG emissions data is often not available until at least three to four months after its fiscal year-end. It generally completes the preparation of its Scope 1 and Scope 2 emissions data for disclosure six months or longer after fiscal year-end.

The company does not currently obtain assurance from any third parties on climate-related information. To comply with SB 253, it will need to obtain assurance for the first time, and estimates limited assurance over Scope 1 and Scope 2 to cost around $50,000 per year.

Climate Risk Reporting

The company reports in partial alignment across all four pillars of the TCFD recommendations. The company currently publishes a short TCFD narrative table in its annual sustainability update, which is released 10 months after its fiscal year-end.

One reason for the company’s current reporting timeline is the fact that the same staffing resources allocated to financial and risk related climate- and ESG-related reporting efforts are also dedicated on annual SEC reporting during the several months of each fiscal year.

The company expects significant additional costs and resources to comply with SB 261 if CARB requires significantly more granular disclosure compared to the generally TCFD-aligned table it discloses today.

Staffing

The company employs one full-time employee dedicated to climate or ESG reporting. Hours are not quantifiable, but they are significant today, even without factoring enhancements required for regulatory compliance. The company expects needing additional staffing time and resources to comply with SB 253 and SB 261.

External Service Providers

In addition to the assurance-related costs referenced under “GHG Emissions”, the company engages a sustainability consultant to support its GHG emissions data collection and reporting, with a cost of $60,000 per year.

Company 13

Company 13 likely meets the requirements of “doing business in California” under California’s SB 253 and SB 261. Aside from California SB 253 and SB 261, the company is subject to climate reporting in the US (SEC) and has operations in the EU that will subject the company and/or certain of its consolidated subsidiaries to CSRD reporting requirements.

The company voluntarily publishes an annual sustainability report, which includes TCFD, GRI, and SASB Indexes. The company completes the CDP questionnaire.

GHG Emissions

The company discloses Scope 1, Scope 2, and all relevant Scope 3 emissions.

The company begins compiling its emissions data soon after fiscal (calendar) year-end. It publishes its sustainability report, including Scope 1, Scope 2, and Scope 3 emissions metrics, approximately four months after fiscal year-end.

The company obtains reasonable assurance on Scope 1 and Scope 2 and limited assurance on Scope 3 emissions. Today, this assurance process takes approximately 12 weeks and costs between $250,000 to $300,000 per year.

Climate Risk Reporting

The company reports in substantial alignment across all four pillars of the TCFD recommendations, including as part of its CDP response. The company publishes its report approximately four months after its fiscal year-end.

Staffing

The company has approximately 10 full-time equivalent employee roles dedicated to sustainability reporting (which includes climate reporting), comprising team members from Sustainability Reporting, Sustainability, Global Supply Chain, Legal, site level environmental and accounting professionals, various subject matter experts, and executives. The company estimates that the FTEs spend approximately 34,000 hours on sustainability reporting (which includes climate reporting) each year.

External Service Providers

In addition to the assurance-related costs referenced under “GHG Emissions,” the company spends approximately $400,000 annually on external vendor services, mainly for advisory services and software to support its climate reporting efforts.

Company 14

Company 14 likely meets the requirements of “doing business in California” under California’s SB 253 and SB 261.

The company voluntarily publishes an annual sustainability report. For the past 15 years, the company has also voluntarily completed the CDP Questionnaire for Climate Change.

GHG Emissions

The company discloses Scope 1, Scope 2, and relevant categories of Scope 3 GHG emissions, as determined under the GHG Protocol, in its response to the CDP Questionnaire.

The company has enhanced its Scope 3 disclosures over time. Along with Scope 1 and Scope 2 GHG emissions, it has disclosed Scope 3 Category 4 for several years in its voluntary sustainability report. Last year and for the first time, the company added Scope 3 Category 11 to the disclosures made in its voluntary sustainability report, since it has set an SBTi-validated target covering Category 11. The company also has an SBTi-validated target covering Scope 1 and Scope 2 GHG emissions.

The company begins compiling its emissions data soon after fiscal year-end. It publishes its voluntary sustainability report, including Scope 1, Scope 2, and Scope 3 Categories 4 and 11 metrics, approximately six or seven months after its fiscal year-end. A full GHG inventory is reported to CDP by CDP’s scoring deadline, which falls approximately eight months after the company’s fiscal year-end.

The company obtains limited assurance on Scope 1, Scope 2, and all relevant categories of Scope 3 GHG emissions metrics. Today, this assurance process takes approximately four weeks, given the company’s long and fairly well established history of GHG emissions reporting.

Climate Risk Reporting

The company provides climate-related information in its response to the CDP Questionnaire, which claims to be aligned with the IFRS S2 standard. The company also provides an index of alignment between its various disclosures and the TCFD recommendations in its annual voluntary sustainability report, which it publishes approximately six or seven months after its fiscal year-end, and submits its response to the annual CDP Questionnaire by CDP’s scoring deadline, which is approximately eight months after the company’s fiscal year-end.

Under the January 1 timeline in SB 261, the company would only be able to provide information for the fiscal year ended 11 months prior, since the company’s fiscal year-end falls at the end of January. Alternatively, the company’s disclosure under SB 261 would cover the previous fiscal year, which is consistent with other public filings and reports that the company makes.

The company expects significant additional costs and resources to comply with SB 261 if CARB requires a standalone climate risk report or disclosures that vary from its current CDP response or TCFD-aligned disclosures in its sustainability report, or if the disclosure period required to be covered by CARB in the currently ambiguous “biennial” report varies from the period covered by its current disclosures.

Staffing

The company employs fewer than two dozen employees tasked with full-time responsibility for managing sustainability matters and none are exclusively focused on climate-related matters. Hours are not quantifiable, but they are significant today. The company expects needing additional staffing time and resources to comply with SB 253 and SB 261.

External Service Providers

The company spends approximately $500,000 annually on external vendor services, including carbon data management, consulting, and external assurance. These costs do not include internal costs or all external costs associated with data collection, report preparation, or review and audit, which are covered by many associates throughout the enterprise and beyond.

Increased and enhanced disclosure obligations, including heightened assurance requirements, would significantly impact the company's resource planning. Further, if CARB imposes different scoping, methodology, or provider requirements than those currently required by other frameworks and standards, including those to which the CDP Questionnaire is aligned, the company could incur significant additional and duplicative costs associated with complying with these new requirements.

Company 15

Company 15 likely meets the requirements of "doing business in California" under California's SB 253 and SB 261. Aside from California SB 253 and SB 261, the company is subject to climate reporting in the US (SEC) and has operations in non-US jurisdictions (e.g., the EU and Australia) that would subject the company or certain of its consolidated subsidiaries to climate reporting requirements.

The company voluntarily publishes annual sustainability disclosures and data book, which includes TCFD-aligned disclosures. The company does report to CDP.

GHG Emissions

The company discloses Scope 1, Scope 2, and Scope 3 Categories 1 and 11 GHG emissions. The company has decided to disclose these two categories of Scope 3 emissions because it has determined under the GHG Protocol and the WRI Scope 3 Evaluator tool that these are the relevant and significant categories of Scope 3 emissions for the company.

The company begins compiling its emissions data soon after fiscal year-end (October 31). It publishes its sustainability report, including Scope 1, Scope 2, and Scope 3 Categories 1 and 11 metrics, approximately three months after fiscal year-end.

The company obtains assurance on Scope 1, Scope 2, and the two reported categories of Scope 3 emissions. Today, this assurance process takes approximately 10 weeks and costs around $80K per year.

Climate Risk Reporting

The company reports in alignment with the TCFD recommendations via the CDP. The company publishes its report approximately three months after its fiscal year-end.

Under the January 1 timeline in SB 261, the company would only be able to provide information for the fiscal year ended 14-months prior since the company has an October 31 fiscal year-end.

Staffing

In order to meet its current climate- and ESG-related reporting needs, the company employs a sustainability team consisting of the following:

- Director of Sustainability
- 2 Program Managers
- Sustainability Controller
- Manager, Corporate Sustainability Reporting
- Sustainability Accountant
- Attorney to support ESG reporting
- Corporate Communications to support production of the annual sustainability disclosure
- Investor Relations part time support (special projects like EU Taxonomy and CSRD preparation).

External Service Providers

The company spends approximately ~$100K annually on external vendor services, including environmental engineering consultants to provide current level of assurance, legal advisors to review and advise on interpretation and reporting, and an accounting firm for double materiality assessment under the EU's CSRD. Due to the new reporting requirements across jurisdictions in which the company operates, the company expects to engage a new assurance provider going forward.

Company 16

Company 16, with approximately 2,200 employees nationwide, likely meets the requirements of "doing business in California" under California's SB 253 and SB 261. Aside from California SB 253 and SB 261, the company is subject to climate reporting in the US (SEC).

The company voluntarily publishes an annual sustainability report, which includes TCFD-aligned and SASB-aligned information. It does not report to CDP.

GHG Emissions

The company discloses estimated Scope 1 and Scope 2 GHG emissions. It also discloses estimated Scope 3 Category 11 emissions, which the company believes is its largest category of Scope 3 GHG emissions.

The company begins compiling its emissions data soon after fiscal year-end (November 30) and reports its GHG emissions data approximately five months after fiscal year-end in its sustainability report.

The company does not currently obtain third party assurance on its disclosed emissions.

Notwithstanding its mature GHG emissions data collection and reporting processes, the company still faces significant data challenges regarding Scope 3 emissions reporting. Many categories of Scope 3 information are difficult to obtain at a reasonable quality.

Climate Risk Reporting

The company reports in general with the TCFD and SASB standards as part of its sustainability report. The report is published approximately five months after its fiscal year-end.

Under the January 1 timeline in SB 261, it would be impossible for the company to provide information for the immediately prior completed fiscal year since the company has a November 30 fiscal year-end and would not be able to complete data collection and reporting within a month, even if it expends significant additional costs and resources.

Staffing

The company has two employees with full-time responsibility for climate and sustainability reporting. The company estimates that its staff spends approximately 900 hours per year on climate and sustainability reporting.

External Service Providers

The company incurs costs of approximately $150,000 per year on outside resources to collect and analyze GHG emissions. It also obtains advice from external legal professionals in connection with GHG- and climate-related disclosures.

To comply with SB 253 and SB 261, the company expects it would incur additional costs of at least $100,000 (excluding additional legal and assurance costs), notwithstanding its already robust climate and sustainability reporting infrastructure.

Company 17

Company 17 likely meets the requirements of “doing business in California” under California’s SB 253 and SB 261. Aside from California SB 253 and SB 261, the company is subject to climate reporting in the US (SEC).

The company voluntarily publishes an annual ESG report, which includes a TCFD Index. For the past 15 years, the company has voluntarily completed the CDP Questionnaire.

GHG Emissions

The company discloses Scope 1 and 2 GHG emissions. In its CDP report, the company discloses Scope 1, Scope 2, and all Scope 3 categories other than Categories 14 and 15, which it has determined are not relevant under the GHG Protocol. In its ESG report, it discloses Scope 1, Scope 2, and the four most relevant categories of Scope 3 emissions, with reference to the CDP report for other categories.

The company has a fiscal year-end of January 31, but reports GHG emissions on a calendar year basis. The company begins compiling its GHG emission data shortly after calendar year-end. It requires two to three months to collect data, and an additional 90 days to complete the audit/assurance process. It then reviews and drafts the relevant disclosures. The total process takes approximately six months from beginning data collection to publication. The company publishes GHG emissions metrics in its ESG report released around five to six months after fiscal year-end.

The company obtains limited assurance on Scope 1, Scope 2, and Scope 3 Category 11 (its biggest Scope 3 category) emissions metrics. Today, given the company’s long- and fairly well-established history of GHG emissions reporting, this assurance process takes approximately 45 days and costs approximately $12,000 for Scope 1 and Scope 2, and additional $5,000 for Scope 3 Category 11. The company estimates assurance costs would be approximately $25,000 if required to cover all relevant categories of Scope 3.

Climate Risk Reporting

The company reports across all four pillars of the TCFD recommendations, including as part of its CDP reporting. The company includes a TCFD Index in its ESG report released around five to six months after fiscal year-end and submits its CDP report around eight months after fiscal year-end.

The company expects significant additional costs and resources to comply with SB 261 if CARB requires significantly more granular disclosure compared to the generally TCFD-aligned table it discloses today.

Staffing

The company employs one full-time subject matter expert dedicated to climate disclosure/reporting.

External Service Providers

The main external vendor costs of the company are the assurance-related costs referenced under “GHG Emissions.”

Company 18

Company 18 likely meets the requirements of "doing business in California" under California's SB 253 and SB 261. Aside from California SB 253 and SB 261, the company is subject to reporting in the US (SEC) and has operations in the EU that will subject the company and certain of its consolidated subsidiaries to CSRD reporting requirements. Additionally, the company and certain of its subsidiaries are subject to various diverging sustainability reporting requirements in other jurisdictions including Brazil, Taiwan, the UK, and Indonesia.

The company voluntarily publishes an annual ESG Report, which is informed by the SASB standards and TCFD recommendations. The company has submitted data to CDP for several years.

GHG Emissions

The company discloses Scope 1, Scope 2 GHG emissions, and certain categories of Scope 3 GHG emissions (operational emissions such as business travel and downstream leased assets, as well as certain financed emissions under Category 15). Scope 3 categories are selected for disclosure based on data availability, among other factors.

Climate Risk Reporting

The company reports on climate-related risks annually and its reports are informed by the TCFD recommendations. Consistent with its peers, the company discloses at least some information responsive to each TCFD recommendation; however, certain TCFD recommendations are not met in full.

The company releases its TCFD-informed report approximately nine months after fiscal year-end.

Staffing

The company employs six full-time employees that are primarily focused on climate- and ESG-related reporting. In addition to the six FTEs, significant hours are spent on climate- and ESG-related reporting by employees across various functions, including Sustainability, Finance, Compliance, Legal, Internal Audit, Risk Management, Investor Relations, Corporate Communications, and subject matter experts relevant to specific disclosures.

External Service Providers

The company incurs significant costs to produce its sustainability reporting annually, including legal, financial, environmental engineering, and sustainability consulting services. The company expects these costs to increase as a result of the California requirements.

Company 19

Company 19 likely meets the requirements of "doing business in California" under California's SB 253 and SB 261. Aside from California SB 253 and SB 261, the company is subject to climate reporting in the US (SEC).

The company voluntarily publishes an annual Sustainability Report, which includes SASB and GRI Indexes, and references the TCFD recommendations. It does not report to CDP.

GHG Emissions

The company discloses Scope 1 and Scope 2 GHG emissions, but does not collect or disclose Scope 3 emissions data.

The company begins compiling its emissions data soon after fiscal (calendar) year-end and completes its process approximately five months after fiscal year-end.

The company does not obtain third-party assurance over its climate reporting. The company has engaged a third-party consultant to complete an assurance readiness review to prepare for SB 253.

Climate Risk Reporting

The company's Sustainability Report references the TCFD recommendations. The company publishes its report approximately seven months after its fiscal (calendar) year-end.

Staffing

The company has no full-time employees dedicated solely to sustainability reporting, but has a core internal team of five people that work on sustainability strategy and reporting, as well as a cross-functional council that includes leaders from various departments. The company estimates that its staff spends at least 275 hours per year on climate and sustainability reporting.

The company indicates that the following functional areas in the company are all involved in climate reporting efforts: legal, compliance, finance, real estate, manufacturing, merchandising, IT, clinical services, communications, people / human resources, and philanthropy.

External Service Providers

The company engages a sustainability consultant to assist with its GHG inventory and sustainability report preparation, with costs over the past three years averaging $218,000 per year. It also obtains advice from external legal and financial services professionals in connection with GHG- and climate-related disclosures.

To comply with SB 253 and SB 261, the company expects that it will incur significant additional external vendor costs, including engaging a carbon accountant and increasing its assurance- and legal-related spend.

Company 20

Company 20 likely meets the requirements of "doing business in California" under California's SB 253 and SB 261. Aside from California SB 253 and SB 261, the company is subject to climate reporting in the US (SEC) and has operations in Canada that could subject the company and/or certain of its consolidated subsidiaries to ISSB-aligned reporting requirements. The company is regulated by several energy regulators, which also impose emissions-related reporting requirements on the company.

The company voluntarily publishes an annual sustainability report. It completes the CDP Questionnaire.

The company has built up its climate reporting infrastructure over at least a five-year period to produce the reporting it publishes today.

GHG Emissions

The company discloses Scope 1 and Scope 2 GHG emissions. The company discloses Scope 3 Categories 3 and 6. Scope 3 categories are selected for disclosure based on relevance and data availability.

The company begins compiling its emissions data shortly after fiscal (calendar) year-end, and usually completes its evaluation of such data within six months. It discloses GHG emissions in its CDP report nine months after fiscal year-end.

The company obtains limited assurance over reported Scope 1, Scope 2, and Scope 3 emissions metrics. Today, this assurance process costs more than $16,000 per year and takes approximately eight weeks given the work the company has done in prior years.

Climate Risk Reporting

The company reports in partial alignment across all four pillars of the TCFD recommendations, including as part of its CDP reporting. Disclosures are based on feedback from shareholder engagement.

The company begins compiling its climate risk data for TCFD reporting shortly after fiscal (calendar) year-end, but analysis and third-party information usually begin four months after year-end. This information is included in the CDP report submitted nine months after fiscal year-end, and in its sustainability report published in Q4.

Staffing

The company currently has five to 10 employees who are focused part-time on its climate- and ESG-related reporting efforts, who collectively devote approximately 175 hours per year on such efforts. The current staffing resources have been built up over a five-year ramp up period. In addition, stakeholders from across the company's functions support these efforts.

External Service Providers

The main external vendor costs of the company are the assurance-related costs referenced above under "GHG Emissions."

Company 21

Company 21 is subject to the following climate reporting requirements: CA SB 253/261, US (SEC), CSRD (2028 non-EU parent reporting), ISSB (UK subsidiary), Canada (voluntary - subsidiary), and Australia (subsidiary)

The company voluntarily publishes an annual SASB-aligned ESG report.

GHG Emissions

The company discloses Scope 1 and Scope 2 GHG emissions and Scope 3 Category 1 GHG emissions (selected for reporting based on level of exposure) in its ESG report. Its emissions disclosure is in accordance with the GHG Protocol. Scope 3 Category 1 emissions calculations are based on USEEIO model.

The company does not obtain assurance of its GHG emissions.

Climate Risk Reporting

The company does not report in alignment with or with reference to any of the TCFD recommendations.

Staffing

The company employs one full-time employee for climate disclosure/reporting, but anticipates needing additional staff to meet forthcoming regulatory requirements.

The company has not estimated the costs of compliance for SB 253 and SB 261.

Company 22

Company 22 is subject to California's climate rule SB 253, but is exempt from SB 263 as an insurance company. Aside from California, the company is subject to Canada's disclosure requirements.

The company voluntarily publishes an annual Corporate Sustainability Report and is considering whether to respond to the CDP Questionnaire for the first time this year.

GHG Emissions

The company currently discloses Scope 1 and Scope 2 GHG emissions and is in the beginning stages of gathering Scope 3 data for 2024, and has engaged a third party vendor to assist with these efforts, in advance of Canada's mandatory reporting for fiscal year 2026 so that it has sufficient time to work through complications in doing so. Emissions and TCFD information are disclosed in the annual Corporate Sustainability Report posted on the company's website.

The company begins data collection the first month following its fiscal year-end for reporting (currently) eight months after its fiscal (calendar) year-end. It does not currently obtain assurance and does not have a cost estimate.

Climate Risk Reporting

The company reports in partial alignment with all four pillars of the TCFD recommendations. The company begins evaluating its climate-related risks and opportunities for the preceding calendar year approximately five months after its fiscal (calendar) year-end and publishes its report eight months after its fiscal (calendar) year-end.

Staffing

The company dedicates one full-time employee to sustainability reporting, including climate disclosure/reporting, and involves three to four others from Legal, IR, and Finance on a part-time basis. Various functional areas are involved in research, engaging relevant stakeholders, collecting information, drafting, reviewing, vetting / internal controls, reporting, and providing data to third parties.

External Service Providers [Please clarify whether the below are current or expected]

The company will need to engage consultants to provide assurance (cost unknown at this time); consultants to complete a second climate risk materiality assessment (approximately $20,000); consultants to support compliance with Canadian B-15 regulation (approximately $65,000) and pays for a third-party tool to capture and calculate Scopes 1, 2, and 3 emissions in line with GHG Protocol (approximately $110,000).

Company 23

Company 23 likely meets the requirements of "doing business in California" under California's SB 253 and SB 261. Aside from California SB 253 and SB 261, the company is subject to climate reporting in the US (SEC).

The company voluntarily publishes an annual ESG report, which includes TCFD and SASB Indexes, and completes the CDP Questionnaire.

GHG Emissions

The company discloses Scope 1, Scope 2 (market and location-based) GHG emissions, and certain categories of Scope 3 GHG emissions (categories 3 (fuel- and energy-related activities), 5 (waste generated in operations), and 6 (business travel). It is preparing for initial disclosure of category 15 (investments)) in its ESG report and CDP Questionnaire. Scope 3 categories are selected for disclosure based on data availability and stakeholder demand, among other factors.

The company begins compiling its emissions data soon after fiscal (calendar) year-end and completes its process and obtains assurance approximately five months after fiscal year-end.

Assurance is obtained from an engineering firm for all disclosed emissions at a limited level.

Climate Risk Reporting

The company reports in partial alignment across all four pillars of the TCFD recommendations. The company publishes its report approximately six months after its fiscal (calendar) year-end.

Staffing

The company employs three full-time and four part-time employees focused on or involved in its ESG-related disclosure/reporting, one of whom is focused on climate risk specifically and two with significant involvement in climate risk. Hours spent are not quantifiable; however, employees spend ~200 hours on the CDP response (excludes time of third-party service provider). Various functional areas are involved including Legal, the SEC Reporting team, Environmental & Social Risk Management, and Corporate Real Estate.

External Service Providers

The company engages environmental engineering consultants for assurance and advice on climate-related efforts and legal counsel for sustainability disclosure compliance and is exploring various platforms to support its efforts.

Company 24

Company 24 likely meets the requirements of “doing business in California” under California’s SB 253 and SB 261. Aside from California SB 253 and SB 261, the company is subject to climate reporting in the US (SEC).

The company voluntarily publishes an annual sustainability report but it is not TCFD-aligned. It does not report to CDP.

GHG Emissions

The company discloses Scope 1 and Scope 2 GHG emissions. It also discloses Scope 3, including Category 1 emissions, which the company believes is its largest category of Scope 3 emissions.

The company begins compiling its emissions data soon after fiscal (calendar) year-end and completes its data inventory approximately two months after fiscal year-end. It takes the company another two to three months to prepare the data for reporting.

The company does not currently obtain assurance from any third parties on climate-related information. To comply with SB 253, it will need to obtain assurance for the first time, as it does not face assurance requirements under any other law or from any other stakeholders.

Climate Risk Reporting

The company does not prepare TCFD-aligned reporting. To comply with SB 261, it will need to prepare a TCFD-aligned report for the first time, as it does not face TCFD requirements under any other law or from any other stakeholders.

Depending on CARB’s requirements under SB 261, the company may need to expend substantial time, costs, and resources to comply. For example, if SB 261 were to require companies to conduct a scenario analysis, the company believes it would need to spend an additional $60,000-$80,000 per year based on estimates received from vendors.

Staffing

The company has one employee with full-time responsibility for climate and sustainability reporting. The company estimates that its staff spends 80-160 hours per year on climate and sustainability reporting.

External Service Providers

The company engages an external vendor to assist with its GHG inventory at a cost of approximately $50,000 per year.

To comply with SB 253 and SB 261, the company expects that it could incur significant additional external vendor costs, including to prepare TCFD reporting and obtain assurance.

Company 25

Company 25 is subject to California's SB 253 but is excluded from SB 261 as an insurance company. Aside from California and the SEC, the company is subject to and preparing to comply with the new Canadian sustainability-related reporting requirements and subject to the CSRD based on its operations in Ireland.

The company voluntarily publishes a partially aligned TCFD report, a SASB report, and a standalone sustainability report. The company stopped completing the CDP questionnaires after polling investors who said they were not reading the information and undertaking a cost/benefit analysis. As an insurance company, the company is subject to the NAIC Climate Risk Disclosure Survey requirements, which allow TCFD-aligned reporting as substituted compliance. All company responses to the NAIC Climate Risk Disclosure Survey are already publicly available on the California Department of Insurance's website.

GHG Emissions

The company discloses Scope 1 and Scope 2 GHG emissions, and some Scope 3 GHG emissions in its TCFD report, sustainability report, and on its corporate sustainability web pages. Regarding Scope 3, the company discloses category 6 (business travel) and category 15 (investments), the categories for which it has accurate and reliable information. It otherwise reports on climate-related metrics that it determines to be material to the company and relevant for investors.

The company receives its emissions data for reporting approximately three to four months after its fiscal (calendar) year-end. Assurance of GHG emissions takes approximately one additional month. The company currently spends approximately $17,000 on assurance for its disclosed emissions but is unsure of the assurance costs to comply with SB 253.

Climate Risk Reporting

The company reports in alignment with the TCFD recommendations, with the exception of Strategy: resilience of strategy and Metrics & Targets: climate-related targets. The company begins evaluating its climate-related risks and opportunities for the current fiscal (calendar) year for purposes of TCFD or similar (e.g., CDP, IFRS S2, SASB, GRI) disclosure/reporting approximately eight months into the year and publishes its report for that year approximately six months after its fiscal (calendar) year-end. So, for example, evaluation of risks and opportunities for 2024 commences in August/September 2024 with a report to follow in June 2025.

Staffing

The company employs 12 employees dedicated in part to climate disclosure/reporting (five of which are focused on US reporting). The entire process, from gathering the information to publishing the report, is extremely time consuming, engaging many people, including senior-level people, throughout the company. Various functional areas are involved in research, engaging relevant stakeholders, collecting information, drafting, reviewing, vetting / internal controls, reporting, and providing data to third parties.

External Service Providers

The company engages an assurance provider for its GHG emissions; legal counsel for sustainability disclosure; financial sustainability-related consultants; and sustainability consultants to assist with its various reports (referenced above) and sustainability web pages.

Company 26

Aside from California SB 253 and SB 261, Company 26 is subject to climate reporting in the US (SEC).

The company voluntarily publishes an annual Impact Report (inclusive of SASB and TCFD) and completes the annual CDP questionnaire. The Impact Report includes information about the company's GHG inventory, as well as qualitative information about how the company is managing its climate change response, risks, and opportunities. The company also publishes additional information on its website.

GHG Emissions

The company discloses Scope 1, Scope 2, and all relevant categories of Scope 3 GHG emissions (i.e., not all categories) aligned with the GHG Protocol in its Impact Report and the CDP Questionnaire.

Complete activity data necessary for calculating emissions for reporting is first available about two months after the company's fiscal year-end, which is not a calendar year end. Scope 1 and Scope 2 data are typically ready for disclosure about six months following its fiscal year-end. Scope 3 data is more exhaustive, requires input from third parties, and can take several additional months to prepare, validate, and disclose.

Limited assurance verification of Scope 1 and 2 and select categories of Scope 3 emissions (business travel, fuel- and energy-related activities) takes approximately six to eight weeks. The company notes that assurance over all categories would be cost and burden intensive. Current assurance costs can range between $14,000-24,000 in addition to about 40 hours of internal staff time.

Climate Risk Reporting

The company reports with reference to the TCFD climate-related risks and opportunities recommendations. The company begins evaluating its climate-related risks and opportunities for the preceding year for purposes of TCFD or similar (e.g., CDP, IFRS S2, SASB, GRI) disclosure/reporting approximately six months after its fiscal year-end. It publishes its climate risk-related disclosures approximately 16 – 17 months after fiscal year-end and the CDP Questionnaire approximately 13 – 14 months after fiscal year-end.

Staffing

The company employs less than one full-time employee for climate disclosure/reporting currently and expects to need in excess of one full-time employee. Estimated hours currently spent on climate reporting efforts are 480 hours annually.

Various functional areas are involved in the company's climate reporting efforts: Sustainable Operations/Energy, Responsible Sourcing, Internal Audit, Transportation Analytics, Facilities, Retail Construction/Operations, Legal, Finance, Investor Relations, and Communications.

External Service Providers

The company engages an assurance provider for its GHG emissions and sustainability consultants and expects that it will need to expand its sustainability consulting engagements for its climate-related reporting/disclosure.

Company 27

Company 27 likely meets the requirements of “doing business in California” under California’s SB 253 and SB 261. Aside from California SB 253 and SB 261, the company is subject to climate reporting in the US (SEC). Assuming the EU Omnibus Simplification Package is adopted as proposed, the company’s operations in the EU will no longer subject it and/or certain of its consolidated subsidiaries to CSRD reporting requirements.

The company voluntarily publishes an annual sustainability report, which includes a TCFD index. The company completes the CDP Questionnaire.

The current company was established in a spin-off transaction completed less than five years ago, and the company took several years and made substantial expenditures to establish the necessary system for capturing and reporting sustainability data. For example, it took the company at least 1.5 years to build up the capacity to produce its first CDP report.

GHG Emissions

The company discloses Scope 1 and Scope 2 GHG emissions, and only recently began disclosing all relevant Scope 3 categories in its sustainability report and CDP response.

The company begins compiling its emissions data soon after fiscal (calendar) year-end. It publishes its sustainability report ~six months after its fiscal year-end and reports to CDP shortly thereafter.

The company obtained limited assurance on Scope 1 and Scope 2 emissions for the first time this year, at approximately $8,000 per year from a smaller assurance provider. The company intends to obtain limited assurance over Scope 3 Category 1—its most significant category of Scope 3 emissions—next year, with estimated additional costs of around $4,000 per year (or $12,000 total).

Climate Risk Reporting

The company reports in alignment with ISSB as part of its CDP reporting and its sustainability report includes a TCFD index.

Staffing

The company employs three employees tasked with full-time responsibility for climate- and ESG-related reporting, with the team being built up gradually over four years to enhance and support data collection and verification. The company expects needing additional staffing time and resources to comply with SB 253 and SB 261.

External Service Providers

In addition to the assurance-related costs referenced under “GHG Emissions,” the company spends approximately $400,000 annually on external vendor services, including approximately $70,000 for GHG emissions capture software, approximately $200,000 for sustainability consultants to assist with sustainability disclosures, approximately $16,000 in life cycle analysis costs, and additional costs for external legal advice related to sustainability reporting. These costs do not include internal costs associated with data collection, report preparation, or review and audit, which are covered by many associates throughout the enterprise.

Increased and enhanced disclosure obligations, including heightened assurance requirements, would significantly impact the company’s resource planning. For example, if California requires climate reporting for a different scope of entities or the use of different providers and/or methodologies for assurance than the company’s current reporting or assurance, respectively, the company could incur significant additional and duplicative costs associated with compliance.

Company 28

Company 28 likely meets the requirements of "doing business in California" under California's SB 253 and SB 261. Aside from California SB 253 and SB 261, the company is subject to climate reporting in the US (SEC) and is subject to CSRD in the EU (initially only for EU subsidiaries).

The company voluntarily publishes an annual sustainability report, which includes ISSB-aligned information. It completes the CDP Questionnaire, the S&P Corporate Sustainability Assessment, and a standalone GHG Statement.

GHG Emissions

The company discloses Scope 1 and Scope 2 GHG emissions. It collects all categories of Scope 3 GHG emissions. It discloses full Scope 1, Scope 2, and Scope 3 emissions in its CDP response, but only discloses Scope 1, Scope 2, and Scope 3 business travel and select downstream transport in its sustainability report.

The company begins compiling its emissions data soon after fiscal year-end (August 31) and reports its GHG emissions data five months after fiscal year-end in its sustainability report.

The company obtains limited assurance for the emissions data in its sustainability report but not for the other categories of Scope 3 emissions included in its CDP response. Today, this assurance process costs $270,000 per year and takes approximately 16 weeks given the work the company has done in prior years. The company anticipates that it could be required to use a different assurance provider or otherwise update its assurance processes under SB 253 and/or CSRD.

Notwithstanding its mature GHG emissions data collection and reporting processes, the company still faces significant data challenges regarding Scope 3 emissions reporting. In addition, the company believes it is premature to seek assurance over Scope 3, since many categories of Scope 3 information are difficult to obtain at a reasonable quality and there is a lack of consensus on any standardized procedure for Scope 3 assurance.

Climate Risk Reporting

The company reports in general with the ISSB standards as part of its sustainability report. The report is published approximately five months after its fiscal year-end.

Under the January 1 timeline in SB 261, it would be difficult for the company to provide information for immediately prior completed fiscal year since the company has a summer fiscal year-end and does not anticipate that it will be able to complete data collection and reporting unless it were to expend significant additional costs and resources.

Staffing

The company has five employees with full-time responsibility for climate and sustainability reporting. The company estimates that its staff spends 8,000 hours per year on climate and sustainability reporting in the US. Its EU entities also spend significant time working on climate and sustainability data and reporting.

External Service Providers

The company engages a sustainability consultant to assist with its GHG inventory and monitoring Scope 1 and 2 emissions. It also works with a third party to support CDP reporting and obtains advice from external legal and financial services professionals in connection with GHG- and climate-related disclosures.

Company 29

Company 29 likely meets the requirements of “doing business in California” under California’s SB 253 and SB 261. As a US private company, it is not currently subject to any other climate reporting laws.

The company does not currently collect or publish GHG emissions data. Although it publishes certain sustainability information, it does not prepare any climate reporting with reference to TCFD.

GHG Emissions

The company does not currently collect or disclose any GHG emissions data, as it does not face requirements to do so under any other law or from any other stakeholders.

To comply with SB 253, it will need to collect, report, and obtain assurance over GHG emissions data for the first time.

Climate Risk Reporting

The company does not currently collect or disclose TCFD-aligned climate risk information, as it does not face requirements to do so under any other law or from any other stakeholders.

To comply with SB 261, it will need to collect relevant information and report under the TCFD recommendations for the first time.

Staffing

The company has no full-time employee roles dedicated to sustainability reporting. Given the limited sustainability reporting work required, any sustainability reporting is handled under the direction of the Chief Administrative Officer and the General Counsel. The Company is currently evaluating what resources would be required to comply with the California laws.

External Service Providers

To comply with SB 253 and SB 261, the company expects that it could incur significant external vendor costs, since it does not currently have the infrastructure for GHG or TCFD reporting.

The Company expects it would need to outsource all efforts at a substantial cost that it is not yet able to quantify.