



The California Air Resources Board

1001 I Street, Sacramento

CA 95814

21 March 2025

Dear Commissioner,

Microsoft Corporation welcomes the opportunity to respond to respond to the Agency's Information Solicitation to Inform Implementation of California Climate-Disclosure Legislation: Senate Bills 253 and 261, as amended by SB 219. Microsoft supported the passage of the legislation as it is in line with our position that the world needs consistent, comparable, and reliable emissions data to assess the global economy's risk exposure and navigate the path to a net-zero future. The response below sets out our position against the questions that are relevant for our organization.

General: Applicability

CA Revenue and Tax Code 23101 defines "doing business" as actively engaging in any transaction for the purpose of financial or pecuniary gain or profit . For taxable years beginning on or after January 1, 2011, a taxpayer is doing business in California if any of the following conditions has been satisfied:

- The taxpayer is organized or commercially domiciled in California.
- Sales, leases, or rentals of tangible personal property in California exceed the lesser of \$500,000 or 25% of the taxpayer's total sales.
- The amount paid in California by the taxpayer for compensation exceeds the lesser of \$50,000 or 25% of the total compensation paid by the taxpayer.



- The taxpayer's real and tangible personal property in California exceeds the lesser of \$50,000 or 25% of the taxpayer's total real and tangible personal property.

Microsoft supports interoperability between reporting regimes and ease of compliance, and so would recommend that CARB adopts the interpretation of 'doing business in California' that is found in the Revenue and Tax Code section 23101 as set out above. To maintain relevance we would recommend CARB adopt an approach that would commit the organization to consult should the CA legislature update the definition in the future. To ensure a level playing field ownership of entities operating in CA and in scope of SB253 and 261 should not be relevant, but to ensure this we would recommend that entities that are "owned in part or wholly owned by a foreign government" are in scope for reporting purposes. Microsoft would also support the inclusion of entities that sell energy, or other goods and services, into California through a separate market, like the energy imbalance market or extended day ahead market in reporting obligations providing they clear the agreed thresholds.

General: Standards in Regulation

Interoperability and international alignment with other reporting regimes is critical. SB253 and SB261 reference a number of existing and development environmental standards, for example the Greenhouse Gas Protocol, (GHGP) the International Sustainability Standards Board (ISSB), and the Task Force on Climate Related Financial Disclosures (TCFD). We therefore believe that climate reporting should be prepared in line with current and future standards adopted by government or regulatory agencies such as those reflected in CA's legislation.

An interoperable framework supports enhanced comparability in the climate disclosures made by separate companies, permits investors to make better informed investment decisions, encourages innovation, supports faster and more widespread adoption, and conserves companies' resources in developing climate change reporting and communications.



We would recommend a phased introduction and a learning approach to compliance is needed to guide and support reporting entities. More broadly, as standards bodies including the GHGP and ISSB continue to revise their standards, we support the adoption of new versions to remain current with these updates.

SB 253: Climate Corporate Data Accountability Act

Beyond emissions reported in Scope 1-3 inventories, many covered entities invest in market-based instruments such as environmental attribute certificates, including sustainable aviation fuel certificates, carbon removal credits, renewable energy certificates, and other commodity-specific or energy carrier certificates as part of their climate action and climate risk mitigation strategies. These mitigation actions are not captured consistently in company greenhouse gas inventories due to a lack of clear inventory accounting guidance. Many covered entities may wish to voluntarily disclose these mitigation and climate risk reduction efforts to address investor interest in climate-related financial risk strategies or to substantiate corporate climate claims.

SB 253 requires companies to report their GHG emissions in line with the Greenhouse Gas Protocol Guidance and Standards (GHGP). Page 60 of the GHGP's Corporate Accounting and Reporting Standard explicitly states that market-based mechanisms such as offsets and carbon credits "...should be reported in its public GHG report under optional information—either in relation to a target or corporate inventory."

However, the GHGP does not provide detailed guidance on quantifying or characterizing mitigation impacts from these instruments, nor does it provide a standardized and transparent reporting template or approach. To facilitate reporting for covered entities who voluntarily chose it, CARB should provide guidance in the form of suggested data, standard disclosure format, or sample reporting templates, and by endorsing additional sources of guidance that ensure transparency and consistency in reporting by companies that actively utilize market instruments. This would align with existing GHG Protocol guidance while addressing gaps in reporting on market-based instruments. To enable compliance with minimum additional administrative burden for those organizations in scope we



recommend reporting be permitted at any point during the calendar year for the company's prior fiscal year so that reporting cycles align with those of financial statements.

SB 261: Climate Related Financial Risk Disclosure

To ensure light cost compliance we recommend reporting be permitted at any point during the calendar year for the company's prior two fiscal years so that reporting cycles align with those of financial statements, and that reporting be permitted at any point during the two-year period so that reporting cycles align with existing voluntary reporting by companies.

Covered entities may also be in scope of the EU's CSDDD, EUT, and CSRD, or voluntary corporate reports like TCFD, CDP and sustainability reports. Entities in scope of SB252 and SB261 should be permitted to use existing returns to other regimes as part of their compliance process.

We look forward to discussing these issues with CARB and continuing to engage with the regulatory rule making process.

Microsoft Corporation