March 21, 2025

California Air Resources Board
1001 I Street
Sacramento, CA 95814

Submitted via comment portal and email (climatedisclosure@arb.ca.gov)

**RE: California Climate-Disclosure Information Solicitation**

Dear Members of the California Air Resources Board,

On behalf of the California Society of CPAs (CalCPA) and the American Institute of CPAs (AICPA), we appreciate the opportunity to provide comments to the California Air Resources Board (CARB) regarding the information solicitation to inform the implementation of California climate disclosure legislation— SB 253, the Climate Corporate Data Accountability Act (Wiener, Statutes of 2023), and SB 261, the Climate Related Financial Risk Act (Stern, Statutes of 2023), both as amended by SB 219 (Wiener, Statutes of 2024).

CalCPA and the AICPA represent Certified Public Accountants (CPAs) and related professionals in public accounting firms and businesses across California, the nation, and the globe. As leading voices, CalCPA and the AICPA collaborate with policymakers, government agencies, regulatory bodies and other key stakeholders to shape policies that advance the public interest and help CPAs and our members meet the needs of their clients and employers. CalCPA and the AICPA also provide CPAs and our members with up-to-date information and practical guidance to support their personal and professional growth as trusted advisers to individuals, businesses, governments, nonprofits, and organizations of all sizes.

Additionally, the AICPA sets ethical standards, auditing standards for private companies not included within the jurisdiction of the Public Company Accounting Oversight Board (PCAOB), nonprofits, and government entities and attestation standards. The AICPA also develops and grades the Uniform CPA Exam used for CPA licensure and provides specialized credentials and resources, including for sustainability reporting and assurance, to drive competency and quality within the CPA profession.

While California's climate-disclosure legislation was under consideration, CalCPA and the AICPA actively engaged with legislative staff and stakeholders to provide input to help ensure the language aligned with existing reporting and assurance standards employed by a CPA. These recommendations helped refine key amendments, improving clarity and consistency with established reporting and assurance practices.

After the legislation passed, CalCPA and the AICPA established a climate-disclosure working group of experienced CPA firm leaders specializing in sustainability reporting and assurance. Representing global and California-based firms, these professionals have deep expertise in reporting and assurance standards at the global, national and state levels. The group reviewed California's statutes and CARB's

Information Solicitation[1] to develop a response to help streamline implementation and compliance for affected entities. This response also draws on their experience in supporting reporting and assurance requirements intended to provide the public with reliable, consistent, and useful information.

Our engagement in California's climate-disclosure legislation helped inform a white paper issued by the AICPA and the Center for Audit Quality,[2] *Sustainability Reporting and Assurance: Key Considerations for Legislators and Regulators.*[3] This paper provides policymakers with detailed insights on sustainability reporting and assurance, many of which are reflected in our comments to CARB. We believe it serves as a valuable reference for implementing and overseeing California's new climate-disclosure policies.

We provide these comments to support the development of an effective and efficient climate-disclosure framework. Transparency and accountability in sustainability reporting and assurance are crucial for building stakeholder trust and meeting market and public expectations. To strengthen confidence in reported information, we encourage legislators and regulators to incorporate recognized sustainability reporting and assurance standards, which already outline different levels of assurance, and establish uniform requirements for assurance practitioners. Our feedback aims to enhance transparency, consistency and reliability in sustainability reporting by assisting CARB's implementation of a clear regulatory framework in an efficient and cost-effective manner. General comments are outlined below, with responses to some of the questions posed by CARB in **Attachment 1**.

**Implementation Clarity**
Given CARB's Dec. 5, 2024 Enforcement Notice[4] stating that CARB will exercise its enforcement discretion for the first reporting cycle – provided entities make a "good faith effort" to comply, we recommend CARB clarify and provide guidance around the related assurance requirements.

While we appreciate CARB's approach in allowing entities to work toward compliance without the risk of strict enforcement during the implementation period, this may result in reports that are incomplete, inaccurate or not aligned with reporting requirements. Assurance standards require management to take responsibility for reported data before a CPA can provide assurance. If an entity is unwilling or unable to do so, assurance cannot be provided. Therefore, companies would benefit from clear guidance on regulatory expectations regarding "good faith effort" to comply.

In addition, to support stakeholders, CARB should update its rulemaking timeline, clarify how it will address statutory deadlines if rulemaking is delayed, and provide implementation guidance on reporting and clarity on assurance requirements for the first reporting cycle. Clear regulations and guidance are essential for both companies and assurance providers to promote effective and efficient compliance.

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[1] CARB Information Solicitation to Inform Implementation of California Climate-Disclosure Legislation: Senate Bills 253 and 261, as amended by SB 219: https://ww2.arb.ca.gov/sites/default/files/2025-01/ClimateDisclosureQs_Dec2024_v2.pdf

[2] The Center for Audit Quality (CAQ) seeks to strengthen trust in corporate reporting by enhancing audit quality, credibility and transparency while advancing and addressing key issues affecting the auditing and assurance process: https://www.thecaq.org/about-us

[3] Sustainability Reporting and Assurance: Key Considerations for Legislators and Regulators https://www.aicpa-cima.com/resources/download/sustainability-reporting-and-assurance-key-considerations-for-legislators

[4] CARB Dec. 5, 2024 Enforcement Notice https://ww2.arb.ca.gov/sites/default/files/2024-12/The%20Climate%20Corporate%20Data%20Accountability%20Act%20Enforcement%20Notice%20Dec%202024.pdf

## Sustainability Reporting Standards

California's climate disclosure laws require reporting in conformance with Greenhouse Gas Protocol standards and the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) or its successor. We believe reporting in accordance with established sustainability reporting standards should also be accepted. Since the TCFD disbanded and transferred oversight of climate-related disclosures to the IFRS Foundation's International Sustainability Standards Board (ISSB), which introduced IFRS Sustainability Disclosure Standards (IFRS S1 & IFRS S2), climate-disclosure regulations should accept these as recognized reporting standards. Allowing interoperability with respect to recognized reporting standards that have undergone due process fosters consistency and comparability across entities, simplifies compliance for companies already subject to climate-disclosure requirements, and enhances transparency, improving the integrity and reliability of reported information.

## Assurance Standards

Assurance required by climate disclosure laws and regulations should follow recognized assurance standards to ensure quality, consistent engagements that provide reliable and meaningful data. Additionally, recognized assurance standards establish a baseline for practitioners, promoting consistency in how sustainability assurance is conducted while ensuring the integrity, reliability and consistency of reported information. In the U.S., AICPA assurance standards guide CPAs in assurance engagements, which are subject to ongoing monitoring and quality control. Outside the U.S., the International Auditing and Assurance Standards Board (IAASB) provides assurance standards for CPAs and non-CPAs.

As experts in assurance, CPAs provide confidence in information used by decision-makers across various fields. CPAs conduct independent assurance by objectively evaluating evidence and concluding or opining on reported information, such as sustainability data. These services are performed in accordance with standards developed through a transparent public process and can provide different levels of assurance. Under the AICPA's Statements on Standards for Attestation Engagements, practitioners can provide either a review (limited assurance) or an examination (reasonable assurance), both resulting in an independent assurance report. Since greenhouse gas (GHG) emissions disclosure requirements introduce different assurance levels over time, using recognized assurance standards that CPAs are already familiar with and inherently accommodate different levels of assurance provides clarity for both practitioners and report users.

CPAs perform sustainability assurance engagements in accordance with established assurance standards, meaning the engagement is performed by adhering to all of the applicable prescribed requirements, procedures, and principles of the standards. In contrast, non-CPA providers often apply varying standards or conduct engagements "based on" recognized standards, using them as a reference rather than adhering fully to prescribed requirements. This inconsistency can result in engagements with differing levels of rigor, increasing the risk of decisions based on incomplete or inaccurate information.

To maintain consistency, comparability and reliability in assurance engagements and reports, we recommend using terminology aligned with recognized assurance standards. The use of non-standard terms can create confusion for practitioners, preparers and report users, making it harder to apply standards correctly.

## Assurance Practitioner Qualifications

Independent third-party assurance strengthens confidence in sustainability reporting. To help ensure the effectiveness of the assurance requirements of sustainability-related laws and regulations, minimum qualifications should be established for assurance practitioners regarding independence, competency, ethics, oversight and quality management. These requirements should be at least as rigorous as those followed by CPAs when assuring financial and nonfinancial information to help ensure consistency, comparability and reliability. In the U.S., CPAs are licensed by state boards of accountancy after completing extensive education, passing a rigorous exam, and gaining supervised experience. They follow strict independence rules, a professional code of conduct, and ongoing continuing education to stay current with laws, standards, and industry trends—helping ensure the quality and reliability of their services.

Thank you for considering our comments. The CPA profession remains committed to working with CARB, policymakers, businesses and other stakeholders to ensure climate disclosure information is reliable, consistent, and useful for decision-makers. As CARB reviews stakeholder feedback and develops implementation plans, including draft regulations, we welcome the opportunity to discuss our points further.

You can contact us at Jason.Fox@calcpa.org and Marta.Zaniewski@aicpa-cima.com.

Sincerely,

Marta Zaniewski

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**Attachment 1: Responses to Questions Posed by CARB**

**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?**
    b. **Should federal and state government entities that generate revenue be included in the definition of a "business entity" that "does business in California?"**
    c. **Should SB 253 and 261 cover entities that are owned in part or wholly owned by a foreign government?**
    d. **Should entities that sell energy, or other goods and services, into California through a separate market, like the energy imbalance market or extended day ahead market, be covered?**

    We recommend that CARB use clear and consistent definitions throughout its regulations and, where possible, align with existing definitions. This will reduce the reporting burden, ensure consistency and comparability, and help companies determine their compliance status.

    If CARB adopts the "doing business in California" definition from Revenue and Tax Code Section 23101, it should be explicitly referenced in the regulations. Additionally, CARB should clarify:

    - Which entities are included or excluded, such as nonprofits, investment companies and funds, and employee benefit plans.

    - The definition of "total annual revenues," with industry-specific examples (e.g., differences in reporting for banks, financial institutions, and oil and gas companies).

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

    We do not have observations or recommendations on this matter.

**General: Standards in Regulation**

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

    Using recognized standards ensures consistent and comparable disclosures across companies, simplifies compliance with existing and proposed regulations, and enhances transparency and trust in the reported information. For example, the IFRS Foundation's International Sustainability Standards Board (ISSB) creates standards for investors and other stakeholders on sustainability risks and opportunities. Over 30 countries outside the U.S. have or are adopting the ISSB standards or will base their own standards and regulations on those standards.[5] Since multi-national companies subject to the California laws are likely to have subsidiaries required to apply the ISSB standards, CARB can ease reporting burdens by explicitly permitting disclosures in accordance with the ISSB standards to satisfy the requirements of SB 253 – consistent with how the law already allows disclosures under such standards to satisfy the requirements of SB 261.

    Additionally, we recommend that CARB's regulations allow sufficient flexibility for entities to satisfy the requirements by using other internationally accepted standards that provide equivalent information. Another example would be the European Sustainability Reporting Standards.

    Recognizing that the global regulatory landscape and market needs for sustainability reporting are rapidly evolving, CARB should establish a periodic review process and update regulations as needed.

**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 do not have observations or recommendations on this matter.

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

    We do not have observations or recommendations on this matter.

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[5] Progress on Corporate Climate-related Disclosures—2024 Report: https://www.ifrs.org/content/dam/ifrs/supporting-implementation/issb-standards/progress-climate-related-disclosures-2024.pdf

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

   We do not have observations or recommendations on this matter.

**SB 253: Climate Corporate Data Accountability Act**

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

   Since the GHG Protocol is the most widely used emissions accounting and reporting framework, we support maintaining its flexibility. However, while SB 253 mandates emissions reporting, the GHG Protocol also includes certain mandatory disclosures beyond Scope 1, 2, and 3 emissions, such as contextual information and disclosure of the base year. This additional information, which is typically included in accompanying notes to the emissions statement, is useful for understanding the related reporting boundaries and methodology. CARB should clarify whether companies are required to report these additional disclosures as required by the GHG Protocol.

   Additionally, related to reporting requirements, CARB should clarify the reporting periods for non-calendar year entities and whether reporting deadlines will accommodate different fiscal periods.

   We also noted that SB 253 and SB 261, both as amended by SB 219, allow reports to be consolidated at the parent company level. In many cases, the parent company of an in-scope U.S. entity will be outside the U.S. We recommend CARB clarify whether a U.S. entity can rely on the reporting of its non-U.S. parent.

8. **SB 253 requires that reporting entities obtain “assurance providers.” An assurance provider is required to be third-party, independent and have significant experience in measuring, analyzing, reporting or attesting in accordance with professional standards and applicable legal and regulatory requirements.**
   a. **For entities required to report under SB 253, what options exist for third-party verification or assurance for scope 3 emissions?**
   b. **For purposes of implementing SB 253, what standards should be used to define limited assurance and reasonable level of assurance? Should the existing definition for “reasonable assurance2” in MRR be utilized, and if not why?**

   Many companies voluntarily obtain assurance on sustainability information. According to a study[6] of S&P 500 companies conducted by the Center for Audit Quality, 70% of reporting companies obtained assurance for some sustainability information. Independent third-party assurance is a robust process through which an independent practitioner evaluates and reports on subject matter to enhance confidence for decision-makers. Assurance services adhere to professional standards (e.g., AICPA attestation standards) developed through transparent, public processes. Practitioners must have adequate knowledge of the subject matter and possess the skills to apply appropriate procedures. CPAs, with their extensive experience in understanding business processes, assessing risks and evaluating information, are well-suited for these engagements.

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[6] CAQ: S&P 500 ESG Reporting and Assurance Analysis: https://www.thecaq.org/sp-500-and-esg-reporting

We recommend CARB:

- Establish minimum requirements for third-party assurance practitioners.
- Use “assurance” instead of “verification” consistently in regulations.
- Require engagements to follow recognized assurance standards (e.g., AICPA attestation standards).
- Align the definition of “reasonable assurance” with established assurance standards to reduce additional costs for entities that obtain assurance for other regulatory or business purposes.

These measures will promote consistency, reliability and transparency in sustainability assurance reporting.

**Assurance Practitioner Qualifications**
Independent CPAs are experts in assurance, providing confidence in information used by decision-makers across various areas beyond financial reporting, including GHG emissions. They perform procedures to obtain evidence to express an opinion or conclusion about the subject matter. These characteristics, among others described in this letter, make them well-suited to perform assurance engagements on GHG emissions reports submitted to the state of California.

CPAs are licensed by state boards of accountancy after completing extensive education, passing a rigorous exam, and gaining supervised experience. They follow strict independence rules, a professional code of conduct, and ongoing continuing education to stay current with laws, standards, and industry trends—helping ensure the quality and reliability of their services.

CPA firms have deep knowledge of sustainability regulations, access to subject matter experts, and established methodologies that comply with AICPA attestation standards. These factors enable them to deliver consistent, comparable and reliable assurance on GHG emissions, ensuring effective and efficient reporting.

Licensed CPAs and CPA firms are also required to follow quality control standards to help ensure that they meet professional standards when performing assurance engagements. These standards require that CPAs establish quality control systems and participate in a peer review program in which their work products are reviewed every three years by an independent outside party.

We recommend that CARB establish minimum requirements for third-party assurance practitioners related to independence, competency, ethics, oversight and quality management. These requirements should be clearly defined and at least as rigorous as the professional standards CPAs follow to ensure consistent, comparable and reliable assurance.

**Clarification of Assurance vs. Verification**
Question 8a above refers to verification. However, SB 253 requires assurance engagements, not verification. Independent assurance follows a structured process in which a practitioner gathers evidence and issues a report that enhances confidence in the reported information.

These engagements are performed in accordance with standards developed through a transparent, public due process by accredited bodies, helping ensure credibility.

The term “verified” is not recognized in assurance standards, meaning verification engagements may follow proprietary or undefined procedures that lack transparency. This could create confusion about the procedures performed, evidence gathered, and level of assurance provided. Therefore, CARB should use the term “assurance” consistently in regulations, as specified by the law.

**Recognized Assurance Standards & Levels of Assurance**
Recognized assurance standards provide for different levels of assurance:

- Review (Limited Assurance) – In a review, the practitioner obtains limited assurance – the same level of assurance as a financial statement interim or annual review – about whether the practitioner is aware of any material modifications that should be made for the information to be in accordance with the reporting standards.

- Examination (Reasonable Assurance) – In an examination, the practitioner obtains reasonable assurance – the same level of assurance as a financial statement audit – that the information is free from material misstatement and in accordance with the reporting standards in all material respects.

Using recognized assurance standards, such as the AICPA’s Statements on Standards for Attestation Engagements, establishes a baseline for consistency in sustainability assurance. These standards are developed through a transparent process with public input.

**Ensuring Alignment with Established Terms**
The term “reasonable assurance” is specifically defined in recognized assurance standards. As outlined above, in an examination engagement performed under the AICPA attestation standards, the practitioner’s objective is to obtain reasonable assurance – that is high, but not absolute, level of assurance – about whether the subject matter as measured or evaluated against the criteria is free from material misstatement. Any alternative definitions, such as those in the MRR, may conflict with recognized and established standards which may create challenges for practitioners, preparers and report users. Misalignment could introduce additional costs for entities that obtain assurance for other regulatory or business purposes.

9. **How should voluntary emissions reporting inform CARB’s approach to implementing SB 253 requirements? For those parties currently reporting scopes 1 and 2 emissions on a voluntary basis:**
    a. **What frequency (annual or other) and time period (1 year or more) are currently used for reporting?**
    b. **When are data available from the prior year to support reporting?**
    c. **What software systems are commonly used for voluntary reporting?**

Our research shows that most companies voluntarily report emissions annually (prior fiscal year) on their websites or in public databases like CDP Questionnaires. However, we recommend that CARB engage with the business community to better understand reporting timelines, processes, and the systems currently used to measure and report emissions.

For many companies, reporting GHG emissions—especially Scope 3 emissions—will be a new requirement and may involve gathering data from entities that do not yet track this information.

Additionally, while companies may have existing processes for emissions reporting, these systems will likely need to evolve to ensure they produce accurate, reliable, and complete data that meets assurance standards. Engagement with the business community should entail obtaining an understanding of the sophistication of systems and processes to produce the required 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 does not require an assurance engagement. If this question relates to an internal assessment, we recommend CARB work closely with the business community to understand reporting timelines and internal review processes.

    Similar to the response in Question 9, we recommend that CARB engage with the business community to better understand reporting timelines.

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.)?**

    CARB should consider allowing flexibility in reporting based on business community feedback. Since companies must update their reports every two years, we recommend that the timing accommodate different fiscal years. This is because non-calendar yearend companies, should not be required to spend additional resources to adjust to different reporting deadlines.

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 do not have observations or recommendations on this matter.

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

    a. **What other types of existing climate financial risk disclosures are entities already preparing?**
    b. **For covered entities that already report climate related financial risk, what approaches do entities use?**
    c. **In what areas, if any, is current reporting typically different than the guidance provided by the Final Report of Recommendations of the Task Force on Climate-related Financial Disclosures?**
    d. **If not consistent with the Final Report of Recommendations of the Task Force on Climate-related Financial Disclosures, are there other laws, regulations or listing requirements issued by any regulated exchange, national government or other governmental entity that is guiding the development of these reports?**

    SB 261 requires entities to prepare a climate related financial risk report following the Task Force on Climate-Related Financial Disclosures (TCFD) framework or its successor. In October

2023, the TCFD disbanded and transferred oversight of climate-related disclosures to the ISSB, which introduced IFRS Sustainability Disclosure Standards (IFRS S1 & IFRS S2).

IFRS S1 provides for general disclosures, while IFRS S2 is specific to climate. Together these standards fully align with TCFD's four core recommendations – Governance, Strategy, Risk Management, and Metrics & Targets – and address all 11 TCFD disclosures, ensuring consistency and completeness in climate reporting.

Recommendations for CARB:

- Accept disclosures in accordance with IFRS S2 and applicable portions of IFRS S1 for SB 261 compliance, since IFRS S1 and IFRS S2 incorporate TCFD requirements.

- Clarify GHG emissions disclosure requirements. Consider exempting companies already reporting emissions under SB 253 from the need to also disclose emissions under SB 261.

- Clarify required TCFD disclosures. CARB should specify:

    - If all the 11 TCFD disclosures must be included in a climate-related financial risk report.

    - Whether GHG emissions reporting is required for companies that report under SB 261 and are not in the scope of the requirements for SB 253.

    - Whether companies must report opportunities alongside risks.

    - The extent that climate scenario analysis is expected to be reported.

Providing this guidance will ensure consistency, reduce confusion and help businesses comply effectively.