Workiva

Date: March 21, 2025

To: California Air Resources Board (CARB)
1001 I Street
Sacramento, CA 95814

Subject: Response to solicitation for SB 253 and 261

Dear CARB Board members:

Workiva appreciates the opportunity to provide comments in response to the questions proposed by CARB regarding the implementation of Senate Bills 253 and 261, both as amended by SB 219. We support our customers' compliance obligations to assist the State of California's overarching goal of improving transparency in business disclosures when reporting specified greenhouse gas ("GHG") emissions and climate related financial risks.

Founded in 2008, Workiva delivers the world's leading cloud platform for assured integrated reporting to meet stakeholder demands for action, transparency, and disclosure of financial and non-financial data. Our SaaS platform unifies customers' financial reporting, Governance, Risk, and Compliance (GRC), & sustainability data together in one controlled, secure, and audit-ready platform. According to our 2025 Executive Benchmark on Integrated Reporting, a survey of more than 1,600 corporate executives and institutional investors, 97% of executives believe integrated financial and sustainability data helps identify performance gaps that enhance financial growth opportunities, and 85% of executives intend to move forward with their existing plans to disclose greenhouse gas emissions irrespective of any political developments in their countries.[1]

Workiva provides reporting solutions that support structured data requirements for the SEC, FERC, ESMA, as well as statutory authorities in multiple countries. Workiva provides more than 6,300 organizations across the globe with SaaS platform solutions to help solve some of the most complex reporting and disclosure challenges, including numerous companies incorporated in and operating out of the State of California. We understand the fundamental needs for transparency, interoperability, and auditability of data for our customers, and we appreciate the opportunity to provide input based on our global experience and structured data expertise. Based on this experience, we are pleased to offer thoughts on select questions from the solicitation below.

[1] https://www.workiva.com/resources/2025-executive-benchmark-integrated-reporting

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 appreciate the approach taken to ensure that implementation of these statutory requirements does not duplicate efforts of companies who are reporting similar disclosures in other (and often multiple) jurisdictions. Managing differing regulatory and statutory requirements across jurisdictions can be particularly challenging for small and medium enterprises. We encourage CARB to look to existing international disclosure frameworks, both mandatory and voluntary, including the European Sustainability Reporting Standards ("ESRS"), the International Financial Reporting Standards ("IFRS") sustainability standards issued by the International Sustainability Standards Board ("ISSB"), and CDP (formerly, the Carbon Disclosure Project) in the development of its reporting requirements.

Ideally, CARB would allow companies to submit their own standards-aligned annual sustainability reports, so long as they meet the State's minimum reporting requirements, rather than requiring production of new reports solely for the State. This would reduce the duplication of effort required for reporting entities. If California adopts existing standards, such as the ESRS and/or ISSB standards and Greenhouse Gas Protocol ("GHG Protocol") for reporting, it will have the added benefits of keeping California laws current as these standards evolve, as well as helping to facilitate more consistent reporting across entities and on a global scale.

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?

According to our global 2024 Sustainability Practitioner Survey of more than 2,000 finance, sustainability, and risk professionals, 87% of respondents find it challenging to adapt reporting processes to comply with new regulations.[2] While the evolving regulatory landscape is driving positive change to prevent greenwashing, differing reporting requirements across multiple jurisdictions can create a significant administrative burden on companies and unnecessary confusion in the marketplace.

As indicated above, Workiva encourages CARB to adopt flexible reporting rules that allow companies to submit standards-aligned reports they produce for other jurisdictions. CARB could require digital

[2] https://www.workiva.com/resources/2024-sustainability-practitioner-survey

tagging (such as XBRL) throughout submitted disclosures to enable companies to report via their chosen method while still allowing for extraction of data and comparison of data from different companies, enabling meaningful analysis of climate data across sectors. Examples of customer case studies can be found here[3], including those headquartered in California[4].

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?

Organizational Boundaries Consolidation Approach:
As stated previously, while we generally recommend aligning to existing standards and reporting frameworks such as ISSB and ESRS, these standards differ in their approach on boundary setting and consolidation. Whereas ISSB aligns with the Greenhouse Gas Protocol flexibility in choosing a preferred consolidation approach between equity share or control approach (either financial or operational), ESRS requires reporters to use only the operational control approach. We would therefore advise CARB to align with the ISSB and GHG Protocol, offering flexibility in organizational boundaries and consolidation approach. We recommend CARB include disclosure requirements for companies to explain why they have selected the chosen consolidation approach, as was required in the former SEC climate disclosure rule.

It is worth noting that the GHG Protocol standards are currently being revised, with expected publication in 2027, with updates expected on boundary and consolidation guidance. While not yet formally drafted, current documentation suggests the GHG Protocol Corporate Standard may recommend companies pursue financial control approach, which has been updated to include equity share, and better aligns with financial statements, while providing optionality for companies to pursue operational control approach. These considerations can be reviewed in greater detail in the GHG Protocol Governance Repository[5] (Corporate Standard, Subgroup B). Given the magnitude of changes regarding organizational boundaries and consolidation approach, we recommend CARB align with the current GHG Protocol, with future revisions to be reflected in California's reporting requirements as the standard updates. We believe these revisions will provide further clarity and standardization in boundary setting and consolidation.

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[3] https://www.workiva.com/customers
[4] https://www.workiva.com/customers/energy-recovery-boosts-sustainability-management-efficiency-workiva
[5] https://ghgprotocol.org/standards-development-and-governance-repository

Consolidated vs. Entity Reporting:
We recommend CARB initially pursue consolidated group-level reporting, with the option to pursue entity level reporting in subsequent years. While entity level reporting provides a more detailed analysis capability, improved accountability, risk identification and benchmarking, it entails a higher reporting burden (and methodological variability), with data parsing challenges specific to scope 3 emissions. A consolidated group report can provide investors with a more holistic view of the company and aligns with statutory financial statements. We believe this approach promotes standardization while providing flexibility, and balances reporting burden with the value of decision-useful information provided.

Greenhouse Gases Reported:
As stated above, we recommend CARB align with ESRS and the GHG Protocol, requiring companies to report on the seven regulated Kyoto Protocol GHGs within their inventories, and separately report biogenic emissions and greenhouse gas removals.

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:

We believe CARB's current intended approach of allowing companies to utilize emissions inventories produced for voluntary reporting efforts for 2026 reporting (reflecting FY 2025) provides a reasonable time horizon for companies to comply with CARB's expected reporting requirements. This allowance should be provided only for year 1 reporting to the first wave of companies, as others have sufficient time to adjust their practices to meet formalized requirements when they are released in July of this year.

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

The Center for Audit Quality reports that 98% of S&P 500 companies voluntarily report climate data, through impact reports, on their websites, or through reporting frameworks such as CDP.[6] Best practice indicates that companies generally report their emissions data on an annual basis, and we would recommend that CARB adopt an annual reporting schedule for companies, requiring reports within 6 months of a company's fiscal year end.

[6] https://www.thecaq.org/sp-500-and-esg-reporting

What software systems are commonly used for voluntary reporting?

Systems such as Workiva's sustainability software provides a holistic approach for sustainability reporting and management across the organization. Our platform combines financial reporting, governance, GRC, and sustainability reporting.

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?

Workiva would recommend that CARB allow companies to provide annual reports (including the climate-related risk reports for SB 261) that cover a single fiscal year, in lieu of biennial reports. Requiring a report to cover two fiscal years would be inconsistent with voluntary reporting practices and mandatory reporting requirements in other jurisdictions. For example, the ISSB recommends that sustainability reports be published at the same time as year-end financial reports, with a one-year transition period allowing sustainability reporting to be published within nine months of the fiscal year end. Most companies publish their voluntary sustainability reports within six months of their fiscal year end.

Companies require time after year end to finalize invoices, extract data, calculate GHG emissions associated with purchasing, which also potentially must be verified by a third party. Over time, as mandatory sustainability reporting becomes more common, and companies are able to implement the systems needed to calculate and verify emissions data, this timeline could potentially be adjusted to align with the company's financial reporting cadence. Aligning with ISSB perspective, GHG information should ideally be published in the main financial package of the company (or as close to it as possible) for financial and capital markets and other stakeholders to be able to make use of this information. Irrespective of an integrated document, financial and carbon year alignment should be the goal with simultaneous publications.

We appreciate the opportunity to comment and thank you for considering our recommendations. If you have any additional questions or concerns, please do not hesitate to contact me at corporatesustainability@workiva.com.

Thank you,

/s/ Mandi McReynolds

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