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

March 31, 2025

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

Dear Chair Randolph and the California Air Resources Board,

The Global Reporting Initiative (GRI) welcomes the opportunity to respond to the California Air Resources Board (CARB) Information Solicitation. As the global standard setter for sustainability reporting, GRI commends California for the landmark adoption of its Climate Disclosure Legislation, and we look forward to seeing it successfully implemented under CARB's oversight.

GRI is an independent standard setter that has pioneered sustainability reporting since 1997. Today, over 14,000 companies worldwide use the GRI Standards to report their impacts on the economy, environment, and people, including human rights. GRI is the most widely used sustainability reporting framework and, though voluntary, it is now mandated in 6 jurisdictions around the world. We provide a structured approach for organizations to disclose their sustainability impacts transparently, with over 100 licensed software partners who offer a range of reporting solutions for companies to facilitate reporting. Of the 2,340 companies in the US with revenue of USD 250 million or higher, 872 use GRI Standards. At an adoption rate of 37%, it is on par with the global average (36%) and represents roughly 66% of market capitalization based on our calculations.

The Global Sustainability Standards Board (GSSB) recently approved an update to the GRI 305: Emissions Standard (GRI 102: Climate Change), which enables an organization to report its most significant impacts on climate change and how the organization manages these impacts. In addition to GHG emissions (Scopes 1, 2, and 3), it also covers impacts related to climate transition and adaptation plans, GHG removals in the value chain, carbon credits, and just transition. The GRI 102: Climate Change is based on the key authoritative literature such as the Greenhouse Gas Protocol and therefore provides a sound basis for organizations to comply with other reporting requirements.

At GRI, we firmly believe that impact materiality reporting is a critical complement to financial materiality. Corporate reporting that considers both how businesses impact the economy, environment and people, as well as how sustainability challenges affect business' financial risks and opportunities, provides investors, governments, and other stakeholders with more comprehensive and decision-useful information. This includes critical insights for governments on corporate contributions to climate objectives, as well as information for investors on the most significant impacts of an entity that are or will eventually become financially material issues. **We urge CARB to recognize the value of disclosing a company's most significant impacts. Specifically, we propose that CARB:**

- Recognize emissions **disclosures under GRI's climate-related Standards as compliant with SB 253**; both are based on the 'GHG Protocol Corporate Accounting and Reporting Standard' and the 'GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard'. With hundreds of listed US-based companies already reporting using GRI Standards, including GRI 305: Emissions, CARB could reduce complexity by accepting GRI disclosures as compliant. Furthermore, this would facilitate further alignment with global reporting practices.
- **Encourage companies to include climate-related GRI disclosures in the SB 261 "Climate-Related Financial Risk Report"**. This provides a comprehensive picture of entities' short, mid, and long-term sustainability and progress toward California's broader climate goals. Additionally, it would help businesses align with the European Sustainability Reporting Standards including ESRS E1 Climate Change.

GRI is committed to a streamlined global corporate reporting system. We see interoperability between California's climate disclosure rules, GRI, ISSB, and other leading frameworks as essential to ensuring more comprehensive disclosure, minimizing reporting costs for businesses operating across jurisdictions, and ensuring that California's disclosures remain globally relevant.

We reiterate our appreciation for California's leadership in climate reporting, not least as other states seek to follow your lead, and remain available for further discussion to support your efforts to finalize and implement this important legislation.

Sincerely,

Cristina Gil White

Chief Engagement Officer

Alison McMeekin

Senior Manager, Policy

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.

3.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?

To meet California-specific needs, CARB should create space for impact materiality reporting in the "Climate-Related Financial Risk Report" (SB 261), ensuring disclosure of companies' most significant climate-related impacts and not just financial risks. This would provide a more comprehensive picture of an entity's long-term sustainability as well as critical information on corporate contributions to California's broader climate goals.

The GRI Standards offer the most widely used impact materiality framework and prepare companies for compliance with the CSRD, which mandates disclosure of both financially material risks and sustainability impacts. Encouraging impact disclosures now will help California maintain global competitiveness and ensure that corporate disclosures remain comparable.

To keep regulations current and aligned, CARB could establish a periodic review mechanism for external standards and engage with GRI and other standard-setters to maintain relevance and harmonization.

3.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?

CARB can reduce duplication by allowing reporting entities to use disclosures under existing frameworks, such as ISSB and GRI, to satisfy disclosures under SB 253 or 261. Ensuring interoperability with ISSB, which has integrated TCFD, will help entities to meet multiple requirements and help reduce fragmentation in the reporting landscape.

While not mandatory, companies faithfully reporting against GRI 305: Emissions 2016 could be considered compliant with SB 253 as both frameworks are based on the 'GHG Protocol Corporate Accounting and Reporting Standard' and the 'GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard'.

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?

The costs associated with SB 253 and 261 will largely depend on the extent to which reporting entities can use existing disclosures mandated by other jurisdictions or issued voluntarily to comply. GRI offers a tested method and innumerable examples of impact disclosures for companies operating in California to follow.

Digitization efforts by standard setters, including those of GRI, will bring costs down further in the coming years. GRI will soon launch its sustainability taxonomy, enabling organizations to issue reports in a digital format and apply digital tags to reported information. The taxonomy is based on XBRL – a standardized format for organizing and exchanging business information. This creates new opportunities for interoperability, by facilitating the use of the same data across various reporting standards.

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

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

The GRI Standards are the most widely used sustainability reporting standard. They take an "impact materiality" approach; companies disclose how their activities affect the environment, society, and the economy, regardless of whether those impacts pose a financial risk to the entity. By contrast, TCFD focuses solely on financial materiality.

The EU's CSRD has adopted both, requiring companies to report on impacts, risks, and opportunities. While ongoing legislative discussions may simplify the ESRS, impact reporting remains a core element at the time of writing.

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

Though a voluntary standard, GRI is increasingly recognized in national legislation. According to our collaborative research, the number of disclosure-related policies grew four-fold between 2006 and 2023. GRI Standards were referenced in 18% of the 2,677 distinct ESG and sustainability policies contained in the 2024 database. Six of these policies explicitly mandate the use of GRI Standards as a legal requirement. We expect the number of jurisdictions mandating disclosure using GRI Standards to rise.

For its part, the EU CSRD sets a global precedent for mandatory sustainability reporting by applying a "double materiality" approach. GRI and EFRAG have worked closely to ensure a high level of interoperability between GRI Standards and the ESRS regarding impact reporting.

It still stands that, in 2029 (for FY 2028), select non-EU companies including those "doing business in California" will be required to comply with CSRD. Given this, an increasing number of corporations and jurisdictions are expected to integrate impact reporting to maintain comparability and competitiveness. While the final form of the simplified ESRS is still under discussion, one of the best ways for companies to prepare for CSRD compliance is to disclose impacts using GRI Standards alongside risks and opportunities using ISSB.

We thus reiterate the calls of this submission to ensure interoperability between GRI standards and California's Climate Disclosure Legislation to the greatest extent possible.