

# PRI RESPONSE

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## CALIFORNIA AIR RESOURCES BOARD INFORMATION SOLICITATION TO INFORM IMPLEMENTATION OF CALIFORNIA CLIMATE DISCLOSURE LEGISLATION: SENATE BILLS 253 AND 261, AS AMENDED BY SB 219

21 March 2025

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## ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate, and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. We welcome the opportunity to respond to the California Air Resources Board (CARB) information solicitation to inform implementation of SB 253 and SB 261, as amended by SB 219.

## ABOUT THIS CONSULTATION

CARB is soliciting feedback to help inform its work to implement Senate Bills (SB) [253](#) and [261](#), both as amended by [SB 219](#). These laws impose climate-related disclosure requirements—including GHG emissions, climate-related financial risks, and the measures adopted to address them—on US public and private companies that do business in California and meet certain annual revenue thresholds.

SB 253, the Climate Corporate Data Accountability Act, requires US-based entities with over USD\$1 billion in annual revenue that do business in California to annually report Scope 1, 2, and 3 GHG emissions. SB 219 amends parts of SB 253 regarding regulatory timelines, the timing of scope 3 emissions reporting, fee payment, and other provisions.

SB 261, the Climate Related Financial Risk Act, requires US-based entities with more than USD\$500 million in annual revenue doing business in California to biennially report any climate-related financial risks they have identified and any measures they have adopted to reduce and adapt to those risks. SB 219 amends parts of SB 261 on the timing of fee payment, among other provisions.

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# KEY RECOMMENDATIONS

The PRI welcomes CARB's request for feedback to inform implementation of SB 253 and 261. Reporting pursuant to these requirements will help to provide investors with the comparable, decision-useful<sup>1</sup> climate-related data they need (and currently lack) from companies to inform their investment decision-making processes, enabling them to allocate capital more efficiently, and account for climate-related financial risks and opportunities.

CARB's efforts to adopt these requirements can help ensure they are effectively implemented by companies, for the benefit of investors who the primary audience of public corporate reporting. Furthermore, the PRI supports applying the requirements to public and private companies, as well as entities that are in part or wholly owned by a foreign government. This wide scope of applicability is beneficial as investors require access to climate data across their portfolios, regardless of size, sector, and region.

The PRI's key recommendations are as follows:

- Support interoperability by permitting substituted compliance for entities reporting pursuant to other rules and standards—including the EU Corporate Sustainability Reporting Directive (CSRD)<sup>2</sup>, requirements aligned with IFRS S2 *Climate-related Disclosures*<sup>3</sup> or the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), and voluntary reporting guided by these initiatives—to ensure comparable reporting for investors and reduce burdens for preparers subject to climate disclosure rules within and outside of California, provided those reports satisfy the requirements of California law.
- Work with the California legislature to build on these requirements to further align with IFRS S2 in the future in order to provide investors with additional narrative and quantitative information they need on entities' management of climate-related financial risks and opportunities.
- Align reporting timelines with those of financial reports to ensure connectivity with the financial statements, as well as comparable data for investors across companies and time periods.

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<sup>1</sup> As set out in the PRI's [Investor Data Needs framework](#), to be decision-useful, sustainability information must be available, accessible, verifiable, comparable across multiple dimensions, a faithful representation, and relevant to investors.

<sup>2</sup> The CSRD is currently under review as part of the Omnibus simplification package of the European Commission. The PRI has [previously provided](#) its positions and detailed recommendations to the EU Commission and relevant governing bodies on this disclosure regime as well as the Omnibus [currently being considered](#).

<sup>3</sup> The climate reporting standard of the IFRS Foundation's International Sustainability Standards Board (ISSB).

# DETAILED RESPONSE

## 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?**

Investors need decision-useful sustainability reporting from investees regardless of size, sector, and region. Therefore, it is important that disclosure rules apply across a broad range of companies, with phase-in where needed to manage the reporting burdens of entities earlier in their sustainability reporting journey.

**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?**

To ensure interoperability for preparers subject to climate disclosure rules within and outside of California, CARB should permit substituted compliance<sup>4</sup> for entities reporting pursuant to other rules and standards—including the EU Corporate Sustainability Reporting Directive, requirements aligned with IFRS S2 *Climate-related Disclosures* or the TCFD recommendations, and voluntary reporting guided by these initiatives. This would benefit companies that operate across multiple jurisdictions by

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<sup>4</sup> The PRI supports allowing reporting entities to submit reports prepared for other jurisdictions, so long as those reports satisfy the requirements established by the Legislature.

reducing their overall reporting burden, and investors by improving consistency of reporting from portfolio companies.

Further, we recommend that CARB cooperate with the California legislature on additional requirements in the future that would further align disclosures with IFRS S2.

This would provide investors with the comparable, high-quality<sup>5</sup> narrative and quantitative information they need on entities' climate-related financial risks and opportunities, including:

- How they are identified, assessed, and managed, including relevant governance arrangements, incentives, and management responsibilities.
- Their current and potential effects on the entity and how these are determined.
- Planned strategic changes and targets in response, how they will be implemented, and progress.

There is strong support among investors for regulatory adoption of the reporting standards of the IFRS Foundation's International Sustainability Standards Board (ISSB). In May 2024 PRI published a [call to action](#) for jurisdictions to commit to adoption of both ISSB standards at pace. This was issued in collaboration with the London Stock Exchange Group, UN Sustainable Stock Exchanges initiative and World Business Council for Sustainable Development—and endorsed by 121 investors, companies, stock exchanges, and other organizations.

**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 assurance<sup>2</sup>” in MRR be utilized, and if not why?**

PRI supports the proposed assurance requirements but is unable to comment on third-party verification or assurance options or standards.

**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 require a standardized reporting year, aligned with entities' financial reporting. This is needed to ensure comparable data for investors across companies and time periods—for instance, by helping to harmonize emissions calculation periods. It is important that climate information is provided

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<sup>5</sup> The ISSB standards are underpinned by the structure and concepts of accounting standards from the International Accounting Standards Board (IASB) and build on the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations, among other well established voluntary sustainability reporting frameworks. They have also been endorsed by the International Organization of Securities Commissions (IOSCO), which has recommended that its member jurisdictions consider ways in which they might adopt, apply or otherwise be informed by the standards.

at the same time as financial statements to ensure connectivity in the data that is reported, and, by extension, the relevance of this data for investors.

**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?**

Many US companies are already preparing climate-related disclosures that are well-aligned with the TCFD recommendations.<sup>6</sup> We expect climate reporting to improve further as many US companies with operations abroad begin to implement the ISSB standards—with over 30 jurisdictions having now adopted the ISSB standards into law or taking steps to do so—and the European Sustainability Reporting Standards (ESRS) as required by the EU Corporate Sustainability Reporting Directive. As shown in our comparative analysis of climate disclosure rules and standards, both ISSB standards and ESRS build on the TCFD recommendations with additional disclosure requirements across the “governance”, “strategy<sup>7</sup>”, “risk management”, and “metrics & targets” pillars. These additions will produce useful reporting for investors, and as noted in our response to Question 3 should be considered for future development of California’s own requirements.

*The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of CARB to promote the application of climate-related disclosure requirements.*

Please send any questions or comments to [policy@unpri.org](mailto:policy@unpri.org).

More information on [www.unpri.org](http://www.unpri.org)

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<sup>6</sup> IFRS Foundation, [Progress on Corporate Climate-related Disclosures](#), 2024 Report, pages 41-44.

<sup>7</sup> PRI, [Climate Disclosure Rules and Standards: A Comparative Analysis](#), June 2024, pages 23-24.