



September 11, 2025

Submitted electronically via <https://ww2.arb.ca.gov/>
Liane M. Randolph
Chair
California Air Resources Board
1001 I Street,
Sacramento, CA 95814

Re: Comments on the implementation of SB 253 and SB 261 following the August 21, 2025 Climate Disclosure Workshop

Dear Chair Randolph:

The Securities Industry and Financial Markets Association (“SIFMA”)¹ appreciates the opportunity to submit this letter to the California Air Resources Board (“CARB”) to inform the implementation of the Climate Corporate Data Accountability Act (“SB 253”) and the Climate-Related Financial Risk Act (“SB 261”), each as amended by the Greenhouse gases: climate corporate accountability: climate-related financial risk Act (“SB 219”).

Many SIFMA members have been working to implement new climate disclosure regulations now required or under development by regulators and governmental authorities across the globe. Additionally, many firms have been voluntarily disclosing greenhouse gas (“GHG”) emissions and information regarding climate-related financial risks for some time, often based upon international voluntary frameworks and standards developed by non-governmental entities to inform voluntary disclosure practices, such as the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”), the Greenhouse Gas Protocol (the “GHG Protocol”), the Sustainability Accounting Standards Board standards, the World Economic Forum Stakeholder Capitalism Metrics and the Global Reporting Initiative standards.

Our members may also consider financially material climate-related information disclosed by others when making investment and other business decisions. As such, SIFMA is well positioned to provide views as to how regulations adopted by CARB can elicit reliable and useful information for users while limiting the burden imposed on reporting companies. We have

¹ SIFMA is the leading trade association for broker-dealers, investment banks and asset managers operating in the U.S. and global capital markets. On behalf of our industry’s nearly 1 million employees, we advocate on legislation, regulation, and business policy affecting retail and institutional investors, equity and fixed income markets and related products and services. We serve as an industry coordinating body to promote fair and orderly markets, informed regulatory compliance, and efficient market operations and resiliency. We also provide a forum for industry policy and professional development. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit <http://www.sifma.org>. SIFMA appreciates the assistance of Michael Littenberg and Marc Rotter of Ropes & Gray LLP in the preparation of this response.

provided below a list of recommendations to further inform CARB's approach to regulation under SB 253 and SB 261.²

- SB 253 Reporting Deadline for Scope 1 and Scope 2 Emissions. *A June 30 deadline does not provide companies with sufficient time to prepare reliable disclosure and obtain assurance.*

During CARB's August 21, 2025 virtual public workshop on SB 253, SB 261 and SB 219 (the "August Workshop"), CARB staff proposed a June 30 deadline for scope 1 and scope 2 reporting under SB 253.³ A June 30 reporting deadline does not provide companies with sufficient time to collect and reconcile data, prepare materials for reporting, complete internal reviews and approvals by various bodies necessary to ensure the accuracy and completeness of reporting and obtain assurance from a third party assurance provider.⁴

As noted in the March 8th SIFMA Letter and for the reasons set forth therein, companies should not be required to publish reports under SB 253 until 12 months following the last day of the fiscal year that is covered under the report (for example, a company with a fiscal year ended December 31 would be required to publish their report by December 31 of the following year).

A June 30 deadline may require companies to rely on preliminary or incomplete data, making it difficult to obtain assurance and greatly increasing the risk of errors that will

² SIFMA has made three other CARB submissions. The first was written comments to CARB on March 8, 2025, providing a discussion of key principles that should inform CARB's approach to regulation under SB 253 and SB 261, along with specific responses to select questions included in CARB's Information Solicitation (the "March 8th SIFMA Letter"), available at [SIFMA letter in response to CARB Climate Disclosure 3-8-25.pdf](#). The second, on August 14, 2025, was a document summarizing key takeaways from SIFMA's June 17 virtual meeting with CARB staff, available at [Takeaways from SIFMA-CARB Meeting.pdf](#). Finally, on August 29, 2025, SIFMA submitted a letter addressing CARB's proposal to publish a list of companies that CARB believes would be required to report under SB 253 and SB 261 under the approach discussed by CARB staff at the August 21, 2025 virtual public workshop on SB 253, SB 261 and SB 219 (the "August Workshop" and the letter, the "August 29th SIFMA Letter"), available at [SIFMA Comments on Second CARB Workshop Submitted August 29, 2025.pdf](#)

³ CARB Presentation Slides posted August 20, 2025, available at <https://ww2.arb.ca.gov/sites/default/files/2025-08/SB%20253%20261%20workshop%20slides%208-21.pdf>.

⁴ Many companies that do not have a December 31 fiscal year end report greenhouse gas emissions based on their fiscal year, rather than a calendar year. That practice is helpful to stakeholders. Providing greenhouse gas emissions data and financial results for the same periods allows for a better and more readily accessible understanding of how economic activities and financial results relate to greenhouse gas emissions. It also can allow companies to leverage existing reporting procedures and controls. That approach is also mandated by SB 253, which requires reporting "for the entity's prior fiscal year."

Setting a single date for all companies to report by, regardless of their fiscal year ends, will result a reporting deadline that is impossible to comply with for some companies. Using the date CARB proposed in the August Workshop as an example, a company with a June 1 fiscal year end cannot reasonably be expected to report greenhouse gas emissions data within a month of that fiscal year end. Any reporting deadline CARB ultimately adopts should be structured to require reports within a specified number of days of a company's fiscal year end – not a single calendar date that applies to all companies regardless of their fiscal year end.

undermine confidence in the data being presented. A June 30 deadline gives companies less than six months after fiscal year end to collect, reconcile, and assure scope 1 and scope 2 emissions data. For financial institutions, this data is sourced from hundreds of offices and subsidiaries across multiple jurisdictions. Each local office relies on utility providers, landlord or facility managers to supply energy use and fuel consumption data, and bills and records may not be finalized until months after fiscal year end. If a company cannot assemble complete and verified data by a June 30 deadline, it may have to rely on estimates, proxies or incomplete information. This could limit the ability to complete internal controls and assurance reviews and may result in disclosures that need to be revised once more accurate data becomes available. Such outcomes would reduce comparability across entities and risk undermining confidence in the reporting process.

Moreover, SB 253 may greatly increase demand for the services of external assurance providers that have limited resources and personnel with the necessary expertise, making it both more difficult and expensive to obtain assurance and potentially reducing the reliability of the assurance process. Compressing the timeline by which companies need to obtain assurance by requiring reports by June 30 will substantially exacerbate those challenges, especially in the first several years of reporting.

Beyond these near-term challenges, the assurance requirement itself will become significantly more demanding over time. SB 253 phases in limited assurance for scope 1 and scope 2 emissions starting in 2026 and escalates to reasonable assurance for scope 1 and scope 2 emissions beginning in 2030. Limited assurance itself is not a “light touch.” It requires evidence-based testing, sampling of invoices and demonstration of internal controls. Reasonable assurance requires substantially greater effort and time to obtain. Limited assurance requires a negative conclusion (“we did not find anything to suggest the disclosure is materially misstated”). In contrast, reasonable assurance requires a positive conclusion (“we reviewed all relevant evidence and this disclosure is accurate”). It requires significantly more evidence, a broader audit scope and more extensive testing than limited assurance. Obtaining reasonable assurance is a resource-intensive process that cannot be rushed. A deadline of six months after fiscal year end (June 30 for companies with a December 31 fiscal year end) simply does not provide for sufficient time to obtain reasonable assurance. When reasonable assurance requirements come into effect, compliance would become impractical, with companies being put into the untenable position of needing to choose between publishing data without assurance by that deadline as a best efforts means trying to come as close to compliance as possible or to pressure assurance providers into rushed, incomplete reviews. Neither of those approaches accomplishes the goals of SB 253.

It makes little sense to establish a deadline today that both regulators and companies know will not be feasible once the reasonable assurance requirement takes effect. A deadline of 12 months after fiscal year end (for example, December 31 for companies with a December 31 fiscal year end) is necessary to provide companies with sufficient time to produce accurate and assured disclosure in compliance with the statutory requirements.

If CARB believes that the benefits of requiring earlier disclosure of scope 1 and 2 emissions exceed the significant costs and risks to data accuracy resulting from that approach, then we believe a deadline of nine months after fiscal year end (for example, September 30 for companies with a December 31 fiscal year end) for reporting scope 1 and scope 2 emissions would at least mitigate the risks and costs described above and would be more feasible to comply with than a June 30 deadline.

- SB 253 Reporting Deadline for Scope 3 Emissions. *The scope 3 emissions reporting deadline should be no earlier than 12 months following the last day of their fiscal year that is covered under the report and should be aligned with the scope 1 and scope 2 emissions reporting deadline.*

While CARB did not address a deadline for scope 3 emissions reporting under SB 253 in its August Workshop, we believe that it is critical to consider the full extent of reporting that will be required under SB 253 when developing regulations in order to develop a regime that will provide useful, reliable and complete information to stakeholders without unnecessarily requiring companies to engage in duplicative work and incur unnecessary costs. Towards that end, we believe that scope 1, scope 2 and scope 3 emissions disclosure should be due on the same date and that a June 30 deadline is unworkable for scope 3 emissions.

Scope 3 emissions reporting depends on third-party data that is outside an entity's control and is often delayed, inconsistent, or incomplete and, for financial institutions, may require obtaining data from thousands of other parties across multiple jurisdictions, many of whom lack mature disclosure systems. Data from vendors that support scope 3 reporting is typically not available until later in the year, and methodologies continue to evolve. Financial institutions often face a 12-18 month lag in counterparties' emissions data, meaning scope 3 disclosures inherently trail by one or two years. Requiring disclosure of scope 3 emissions by June 30 may therefore force companies to disclose based on incomplete or outdated information, undermining the purpose of SB 253. Twelve months after fiscal year end (for example, December 31, 2027 for companies with a December 31, 2026 fiscal year end) is the earliest achievable deadline for scope 3 emissions reporting, providing the minimum time necessary to assemble reliable, decision-useful disclosures.

As noted above, disclosure of scope 1, 2 and 3 emissions should be aligned to a single timeline and requiring scope 3 emissions to be reported by June 30 would produce disclosures that are unreliable and not decision-useful, undermining the intent of SB 253. Setting an earlier deadline for scope 1 and scope 2 emissions disclosures than for scope 3 emissions reporting would create inefficiencies, inconsistency and confusion for investors. Companies would be required to take assurance providers through repetitive walkthroughs, control testing and methodological explanations two times per year, driving up costs without improving disclosure quality. With staggered reporting deadlines, investors would see partial information based on scope 1 and scope 2 emissions data, only to have the reported emissions profile change once the scope 3 emissions data is published later in the year. Aligning all scopes on a single reporting deadline of 12 months after fiscal year end is the only approach that reduces duplication,

improves comparability between companies by providing a more fulsome picture of each company's emissions and provides stakeholders with complete, reliable and decision useful disclosures.

- SB 261 Reporting Period. *CARB should permit SB 261 reports to be submitted either on a calendar year or fiscal year basis, based on the most recent data available since the publication of the entity's last report.*

In the *California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Programs, Frequently Asked Questions Related to Regulatory Development and Initial Reports*, posted July 9, 2025 (the "July 9 FAQs"), CARB acknowledged feedback from stakeholders that climate risk-related data is often collected on a fiscal year basis and that it takes time to process climate information into a report. Based on this feedback, CARB indicated that "it is reasonable to expect that initial climate-related financial risk reports submitted by January 1, 2026, may cover fiscal years (FY) 2023/2024 or FY 2024/2025 depending on the organization. However, CARB suggested in the July 9 FAQs that this flexibility as to the reporting period only applies to "initial" reports to be submitted by January 1, 2026. CARB should adopt a similar approach to all future disclosures under SB 261, permitting biennial reports to be submitted either on a calendar year or fiscal year basis, based on the most recent data available at the time the report is due and, consistent with existing sustainability reporting practices, reporting on only the most recent period rather than a two-year period.

This approach would provide companies with flexibility and would reduce costs, administrative burdens and duplicative reporting that may be inconsistent with reporting procedures in other jurisdictions. For example, UK regulations require certain companies to annually disclose climate-related financial risks based on the Taskforce on Climate-related Financial Disclosure ("TCFD") framework. Such reports must cover a "reporting period of 12 months starting no earlier than 1 January of the previous calendar year." These regulations have led many subject companies to develop internal processes to report on a calendar year basis. For companies subject to both the UK regulation and California SB 261 reporting requirements, requiring reports to cover a particular fiscal year period may create tension, including increased compliance costs and inconsistent reporting that fosters confusion among stakeholders.

- Consolidated Reporting. *CARB should explicitly clarify that a subsidiary included in the consolidated report of its parent company is not required to separately report under SB 253 or SB 261, including in cases where the parent company is a U.S.- or foreign-based entity that does not itself have a standalone reporting obligation under SB 253 or SB 261 because it does not meet the definition of "reporting entity" or "covered entity" under the relevant statute.*

The California legislature clearly intended that CARB encourage and facilitate consolidated reporting under SB 253 and SB 261. As amended by SB 219, both SB 253 and SB 261 provide that an entity is not required to separately report under the relevant statute if that entity is included in the consolidated report of a parent company. Consolidated reporting is more useful for stakeholders, who generally make decisions

based on an enterprises' overall activities rather than the often narrow and non-representative slice of those activities that may be conducted by an individual subsidiary. For that reason, consolidated reporting is contemplated by other climate-related reporting standards and commonly produced by companies.

The guidance published by CARB on September 2, 2025 is consistent with that principle, stating that if “a subsidiary of a parent company qualifies as a covered entity under [SB 261 Section] 38533, the subsidiary is not required to prepare a separate climate-related financial risk report (if the parent company is reporting on its behalf).”

However, at the August Workshop, CARB did not confirm that a subsidiary will be exempt from reporting if included in the consolidated report of a parent company in cases where that parent company does not have a separate reporting obligation under SB 253 or SB 261. To resolve any potential ambiguity on this point, CARB should expressly affirm that the submission of a consolidated report will satisfy compliance for all potentially in-scope entities included within that consolidated report, regardless of whether the company producing the consolidated report itself has a standalone reporting requirement under SB 253 or SB 261.

- Excluded Entities under SB 253 and SB 261. *CARB should expressly affirm that SEC registered investment companies (such as mutual funds) and private investment funds are not required to report under SB 253 or SB 261.*

As noted in the March 8th SIFMA Letter, SEC registered investment companies (such as mutual funds) and private funds typically do not have employees or engage in their own operations. As such, and because their activities are generally limited to investing in other companies and financial instruments, they are differently situated than operating companies and should not be subject to reporting obligations under SB 253 and SB 261.

Exempting SEC registered investment companies and private investment funds would not relieve their investment advisers or portfolio companies of any obligations; those entities would still be required to comply if in scope.

- Reporting by Holding Companies and Affiliates of Insurance Companies Under SB 261. *CARB should expressly exclude holding companies and affiliates of insurance companies from the scope of SB 261.*

As noted in the March 8th SIFMA Letter, a holding company for a group primarily comprised of regulated insurance companies should be exempted from reporting under SB 261. Section 1(i) of SB 261 notes that the National Association of Insurance Commissioners has adopted a standard for insurance companies to report their climate-related risks in alignment with the TCFD framework. Accordingly, the definition of “covered entity” excludes insurance companies regulated by California’s Department of Insurance and companies that are in the business of insurance in any other state. If holding companies and affiliates of insurance companies (including non-insurance affiliates within a group) are not similarly excluded, the statutory exemption becomes meaningless for any insurance groups, including those controlled by a holding company.

- List of Companies Potentially Subject to SB 253 and SB 261. *CARB should not publish a list of entities that it believes are subject to the SB 253 and SB 261 reporting requirements prior to the completion of the comment process.*

At the August Workshop, CARB staff indicated its plans to post a list of companies that it believes are subject to the SB 253 and SB 261 reporting requirements “in the coming weeks.” As noted in the August 29th SIFMA Letter and for the reasons set forth therein, we would strongly urge CARB to refrain from posting such a list.

During the August Workshop, CARB staff stated that the proposed “doing business in California” concepts were exploratory and subject to further public feedback. Publicly listing the names of companies that *may* be in scope of SB 253 and SB 261 prior to the completion of the comment process would be premature and inconsistent with CARB’s request for public input. Further, the commercial databases CARB proposes to use to create that list are unlikely to have complete or reliable data regarding many entities – including privately held companies that do not publicly report financial information and subsidiaries of companies that are included in consolidated financial reports of parent entities and do not separately report financial information. While we appreciate CARB’s efforts to provide additional certainty in advance of upcoming reporting deadlines, because any list would be based on preliminary concepts not yet even formally proposed in a rulemaking process and incomplete data, we believe publishing such a list would create more confusion than certainty. Additionally, it could alter the focus of the public input process from providing constructive feedback to debating which entities are and are not included on the list.

- SB 253 Reporting Methodology – GHG Protocol. *CARB should allow reporting in accordance with the GHG Protocol methodology as it is currently drafted.*

SB 253 mandates that disclosure be made in conformance with the GHG Protocol. The GHG Protocol has been developed over many years with significant input from both producers and users of disclosure and are well understood by relevant stakeholders.⁵ For the reasons set forth in the March 8 SIFMA Letter, and as contemplated by SB 253, CARB should allow companies to report in accordance with the GHG Protocol in its current form. To the extent the GHG Protocol is modified in the future, CARB should permit companies to report in accordance with the revised standard but should not require compliance with a revised standard without first undertaking a notice and comment rulemaking.

⁵ Importantly, the GHG Protocol the challenges faced by financial institutions in preparing scope 3 disclosures and the necessity to rely on vendor estimates, proxies or partial datasets that are difficult to reconcile. Data from the thousands of counterparties that a financial institution may engage with over the course of a fiscal year is often unavailable or, when available, not produced with consistent timing, quality or methodologies by different counterparties. The GHG Protocol appropriately addresses these challenges by, for example, allowing entities to prioritize significant categories, to use sampling and estimation methods, and to exclude categories if data is unavailable or of low quality, so long as those decisions are explained. Addressing those challenges in the manner adopted by the GHG Protocol is essential to allow financial institutions to produce reliable scope 3 information.

- SB 253 Assurance Standards and Providers. *CARB should provide for flexibility with regard to assurance standards and assurance providers.*

Many entities that would be required to report under SB 253 operate globally, may work with assurance providers based in different jurisdictions and may already obtain assurance using different existing standards. CARB should therefore not adopt prescriptive assurance standards and instead should permit the use of a range of widely recognized international and U.S. standards including, but not limited to, ISSA 5000 (IAASB), AA1000, ISO 14060, or AICPA. Moreover, CARB should permit any person that is independent of the reporting entity and that has sufficient expertise to serve as an assurance provider to provide assurance of SB 253 disclosures.

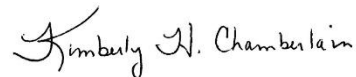
Restricting companies to a single assurance framework and/or a fixed list of acceptable assurance providers would create compliance challenges for multinational firms, significantly increase costs as companies might be required to undergo separate assurance processes or even use separate providers to obtain assurance over the same information in different jurisdictions and discourage harmonization. Allowing flexibility ensures firms can leverage existing assurance processes while maintaining credibility and alignment with international practice.

If you have any questions or would like to discuss these points further, please contact Melissa MacGregor (mmacgregor@sifma.org; 202 962 7300), Kim Chamberlain (kchamberlain@sifma.org; 202 962 7411), or our counsel Michael Littenberg (Michael.Littenberg@ropesgray.com; 212 596 9160) and Marc Rotter (Marc.Rotter@ropesgray.com; 212 596 9138) at Ropes & Gray LLP.

Sincerely,



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