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Submitted electronically via https://ww2.arb.ca.gov/
Lauren Sanchez
Chair
California Air Resources Board
1001 I Street
Sacramento, CA 95814

**Re: Comments on Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation**

Dear Chair Sanchez:

The Securities Industry and Financial Markets Association ("SIFMA")[1] appreciates the opportunity to provide comments to the California Air Resources Board ("CARB") regarding 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 are actively working to comply with new climate disclosure regulations being implemented by regulators worldwide. In addition to these requirements, many firms have already been voluntarily reporting their greenhouse gas ("GHG") emissions and climate-related financial risks, often using international voluntary frameworks such as the TCFD recommendations, the GHG Protocol, SASB standards, World Economic Forum Stakeholder Capitalism Metrics, and GRI standards. SIFMA members also use climate-related information disclosed by others to inform investment and business decisions. Given this experience, SIFMA is well-positioned to offer insights on how CARB regulations under SB 253 and SB 261 can produce reliable disclosures while minimizing the burden on reporting companies. Accordingly, SIFMA has provided the recommendations below to further inform CARB's regulatory approach under SB 253 and SB 261.[2]

[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.

[2] SIFMA has made five 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

**Recommendations**: SIFMA urges CARB to make three targeted revisions to its proposed rules implementing SB 253 and SB 261: (1) adopt a December 31 reporting deadline for all disclosure under SB 253; (2) clarify the definition of "revenue" in the proposed rules to conform with the approach suggested by CARB staff at its November 18, 2025 workshop (the "November Workshop"); and (3) refine the fee administration framework to provide for a single consolidated invoice to parent entities, clarify that CARB will determine which entities are in scope, and establish a robust dispute and reconciliation process. Additionally, we recommend that CARB clarify that it will not use the proposed definitions of "parent" and "subsidiary" to prescribe the organizational boundaries that should be used when preparing a consolidated report. These changes will enhance reliability, administrability, and alignment with established disclosure and assurance practices.

1. SB 253 Reporting Deadline for Scope 1 and Scope 2 Emissions. *The reporting deadline should be December 31.*

   SIFMA urges CARB to set the reporting deadline for disclosure in proposed § 96076(a) at December 31 and retain CARB's proposed definition of "applicable preceding fiscal year" in proposed § 96076(b). An August 10 deadline is incompatible with the time required to produce assured emissions disclosures: SIFMA member survey data indicates that internal data collection and review can for many institutions take in excess of four to five months, and third-party assurance can require up to an additional three to six months, a combined timeline that presses up against and often extends past August 10. A December 31 deadline generally accommodates this process, aligns with established GHG reporting practices, and positions the program for success as Scope 3 requirements phase in.

   When CARB proposes Scope 3 reporting requirements, SIFMA also urges CARB to align the timing of Scope 3 emissions disclosure with a December 31 deadline for Scope 1 and Scope 2 emissions disclosure. A single, calendar-based reporting deadline that is consistent across all scopes would provide clarity and certainty for reporting entities, support consistent administration and enforcement by CARB, and reflect the interconnected nature of emissions data collection, internal review, and assurance processes.

   To assess the feasibility of an August 10 reporting deadline, SIFMA surveyed its members regarding their current GHG emissions reporting practices. SIFMA's membership includes numerous large, medium and small broker-dealers, investment banks and asset managers, many of whom have substantial experience in GHG emissions reporting. All 16 respondents currently report Scope 1 and Scope 2 emissions, and 11

SIFMA Letter"), available here. The second, on August 14, 2025, was a document summarizing key takeaways from SIFMA's June 17 virtual meeting with CARB staff. The third, 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 fourth, on September 11, 2025, SIFMA submitted a letter addressing the August 21, 2025 Climate Disclosure Workshop, available here. Finally, on October 27, 2025, SIFMA submitted a letter addressing the draft reporting template CARB provided for Scope 1 and Scope 2 GHG emissions pursuant to SB 253, available here.

currently report at least some Scope 3 emissions. Thirteen respondents obtain assurance over their Scope 1 and Scope 2 reporting, and a smaller number obtain assurance over at least some Scope 3 information. As such, the survey respondents are well positioned to share practical experience regarding the time and processes required for sophisticated institutions to produce reliable GHG emissions disclosures.

The first step in producing GHG emissions disclosures is to gather the relevant information internally and review it for accuracy, followed by internal governance and sign off processes involving senior management and relevant committees. Half of respondents indicated that, for Scope 1 and Scope 2 emissions, this initial data collection and internal review process alone takes at least four to five months, with several respondents indicating that it takes significantly longer. These internal processes typically support the preparation of emissions information across multiple scopes, rather than being conducted independently for each scope.

Obtaining third-party assurance is a subsequent and distinct step in the reporting process. Respondents reported that obtaining assurance can require significant additional time, with several institutions indicating that assurance requires three to six additional months. The length of time required depends on factors including the scope of assurance, the complexity of the reporting entity's operations, the assurance providers familiarity with the reporting entity and the provider's capacity. Respondents also noted that timelines may lengthen in future years as companies strengthen internal controls and independent review processes, and in some cases consider transitioning to new assurance providers, in response to emissions reporting transitioning from a voluntary exercise to a regulatory requirement. Timelines for reporting may further be extended if companies are required to disclose information with different level of detail or presentation than is typical under existing practice and other regimes.[3] These pressures will be compounded by assurance provider capacity constraints as SB 253 and other climate disclosure regimes expand the number of companies seeking independent assurance.

The challenges of meeting an August 10 deadline would likely be even greater for companies with fewer resources and less experience reporting GHG emissions than the respondents to SIFMA's survey.

SIFMA acknowledges that assurance is optional for the first year of reporting.[4] However, establishing a reporting deadline that is incompatible with obtaining assurance would disincentivize companies from pursuing assurance for the first year of reporting, even where they are otherwise prepared to do so.

[3] For example, see our October 27, 2025 letter to CARB addressing the draft reporting template CARB provided for Scope 1 and Scope 2 GHG emissions pursuant to SB 253, available here.

[4] CARB staff indicated that limited assurance of Scope 1 and Scope 2 emissions data will not be required in the slides presented at the November Workshop and in Question 20 of its publication "California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Programs: Frequently Asked Frequently Asked Questions About Regulatory Development and Initial Reports."

Reporting deadlines that do not accommodate the full cycle of data collection, internal review, and assurance create a risk that companies will be forced to rely on estimates or incomplete information. Compressed timelines can impede internal controls and assurance review processes, increase the likelihood of subsequent revisions, and reduce comparability and confidence in reported data.

These concerns will intensify as the program matures. Respondents that currently publish Scope 3 emissions information indicated that gathering and validating Scope 3 data takes substantially longer than for Scope 1 and Scope 2, reflecting reliance on third-party information, methodological complexity, and extended internal review processes. For example, companies required to calculate and report on Scope 3 category 15 financed emissions will be confronted with significant challenges, especially in providing calculations for the numerous asset classes for which no widely agreed methodology for calculating emissions data is available.[5] An August 10 deadline for Scope 1 and Scope 2 emissions, which is already impractical for assured GHG emissions disclosures, will become increasingly difficult to sustain as Scope 3 disclosure requirements are phased in beginning in 2027 and become even more difficult as the assurance requirements become substantially more extensive with a shift to reasonable assurance for Scope 1 and Scope 2 emissions and limited assurance for Scope 3 emissions in 2030.[6]

Establishing a unified December 31 deadline now avoids locking in a timeline that CARB will need to revisit in the coming years. A December 31 deadline serves both regulatory clarity and data integrity, and will strengthen the effectiveness, credibility, and durability of California's climate disclosure program.

CARB's proposed definition of "applicable preceding fiscal year" in proposed § 96076(b) continues to be both important and appropriate to permit companies that have a fiscal year end other than December 31 sufficient time to produce reporting.[7]

2. Covered Entities and Revenue Definition Consistencies. *CARB should resolve the discrepancy between the definition of "revenue" provided in CARB's proposed regulations and materials from its November Workshop and its workshop on May 29, 2025 (the "May Workshop") by cross-referencing the Form 100, Schedule F, Line 1a definition of gross receipts and explicitly excluding from the definition any income*

[5] While not within the scope of the current rulemaking, when proposing rules regarding Scope 3 emissions reporting, CARB should follow the approach taken in the Greenhouse Gas Protocol, as discussed in the March 8th SIFMA Letter, and provide companies with sufficient time to adapt to the development of new methodologies for Scope 3 reporting.

[6] When the assurance requirements for Scope 1 and Scope 2 GHG emissions under SB 253 move to reasonable assurance beginning in 2030, reporting processes under SB 253 will become more onerous than many other mandatory climate reporting regimes, including the European Union's Corporate Sustainability Reporting Directive. Reporting entities will need significant additional time to obtain assurance at a level that will not be required for mandatory climate disclosure reporting in other jurisdictions.

[7] While not within the scope of the current rulemaking, when proposing rules regarding the content of reporting under SB 253, CARB should acknowledge that certain companies report GHG emissions on a basis other than their fiscal year and provide flexibility to do so.

*sources in the financial sector, such as interest, fees, dividends, and investment income, in its final regulations*.

At the November Workshop, CARB stated that corporations should calculate "revenue" (for purposes of determining if they were required to report under SB 253 or SB 261) by reference to what they reported on California FTB Form 100, Schedule F, Line 1a ("gross receipts") for the applicable fiscal year. However, the definition of "gross receipts" under Rev. & Tax. Code § 25120(f)(2), which CARB proposed adapting as the definition "revenue" for purposes of SB 253 and SB 261, includes amounts not reported under that line item.[8] CARB should align the regulations with its workshop guidance by revising the proposed regulatory definition of "revenue" to reference the amount reported on Line 1a of Schedule F.

At the May Workshop, CARB acknowledged feedback in its workshop materials (slide 24) that "income sources in the financial sectors such as interest, fees, dividends, and investment income should not be considered revenue as they do not represent GHG emissions." CARB staff then stated at the November Workshop that "certain financial institutions such as holding companies and mutual funds would be excluded by virtue of the definition of revenue staff are proposing as they generally do not report gross receipts." CARB should provide additional clarity on this point to companies operating in the financial sector and explicitly incorporate that approach in its final regulations.

3. Fees. *CARB should further clarify in the final regulations or subsequent guidance its role in determining which entities are in scope and administering fees under SB 253 and SB 261.*

We recommend that CARB clarify in the final regulations several aspects of its proposed administration of fees in order to reduce uncertainty among reporting entities, support efficient administration of SB 253 and SB 261, and minimize unnecessary administrative burdens on reporting entities.

In the proposed rules, CARB proposes a flat, per-entity fee structure and indicates that CARB will issue written fee determination notices to reporting entities on an annual basis. However, the proposed rules do not make it clear how CARB will determine which entities are subject to the fee, how CARB will identify the total number of reporting entities for fee calculation purposes, or how fees will be invoiced and collected where reporting is conducted on a consolidated basis.

CARB should clarify that it is responsible for determining which entities are reporting entities under SB 253 and covered entities under SB 261. While the proposed rules would require entities to maintain records demonstrating whether they meet the applicable "revenue" and "doing business in California" thresholds, the proposed rules

[8] We believe there may be other misalignments between the definition and the line item referred to in the CARB guidance as well including, for example, with respect to how income from affiliated entities is reported, especially where an entity serves as a "pass-through" or "conduit" to support affiliated excluded insurance companies.

also contemplate that CARB will issue fee determination notices to reporting entities. Clarifying that CARB is responsible for identifying which entities are in scope under SB 253 and SB 261 would avoid confusion, promote consistent application of SB 253 and SB 261, and better support consolidated, parent-level reporting structures.

If, alternatively, CARB intends to rely on information submitted by entities to determine the total number of reporting entities or covered entities, as applicable, for purposes of calculating the per-entity fee, CARB should clearly specify the information required, the form in which it must be submitted, and the timeline for submission. Because fees are assessed on a per-entity basis and consolidated reporting is permitted under SB 253 and SB 261, relying solely on consolidated reports would not necessarily provide CARB with sufficient information to determine the total number of reporting entities for fee calculation purposes.

In addition, in alignment with prior guidance indicating that fees may be paid at the parent company level, CARB should clarify how it intends to invoice and collect fees where a parent company submits consolidated reporting on behalf of multiple subsidiaries. To reduce the administrative burden and improve payment efficiency, CARB should produce a consolidated invoice under which CARB issues a single fee determination notice to a parent entity filing a consolidated report, which itemizes the fees attributable to each reporting entity and/or covered entity within the applicable corporate group and permits the parent entity to remit a single payment on behalf of all reporting entities and/or covered entities.

Additionally, CARB should establish a formal invoice dispute process, allowing reporters to challenge the identification of in-scope entities and any resulting changes to the per-entity flat fee. The proposed rules are silent on how disputes would be resolved or how adjustments would be made where the number of reporting entities and/or covered entities changes following a dispute. We believe this process is necessary given the potential for inaccuracies in CARB's preliminary lists of in-scope entities. Providing a defined dispute resolution and reconciliation process would improve transparency and ensure fair and predictable fee administration.

Finally, CARB's initial rulemaking does not directly address the substance of reports that will be required under SB 253 and SB 261. However, it does include broad definitions of "parent" and "subsidiary." When proposing rules on the content of reports under SB 253 and SB 261, CARB should not use those definitions to prescribe the organizational boundaries that should be used when preparing a consolidated report. As discussed in the March 8th SIFMA Letter, CARB should adopt the same approach as was taken by the SEC in adopting its climate-disclosure rules and allow companies to set to their own organizational boundaries for purposes of consolidated reporting.

SIFMA appreciates CARB's engagement with stakeholders as it develops the regulatory framework for SB 253 and SB 261. The recommendations outlined above are intended to help CARB achieve its objectives of enhancing climate-related transparency and accountability, while ensuring that the resulting requirements are practical, administrable, and aligned with established

reporting and assurance practices. By adopting the recommendations described above, CARB can facilitate high-quality, decision-useful disclosures without imposing unnecessary burdens on reporting companies. SIFMA and its members remain committed to supporting CARB's efforts as the rulemaking process continues.

If you have any questions or would like to discuss any of 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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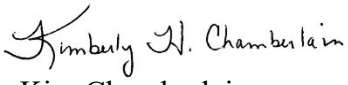

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