



What you need to know about California climate disclosure regulations

California's climate disclosure laws, SB 253 and SB 261, require companies that meet defined thresholds to report greenhouse gas emissions (GHG) and climate-related financial risks.

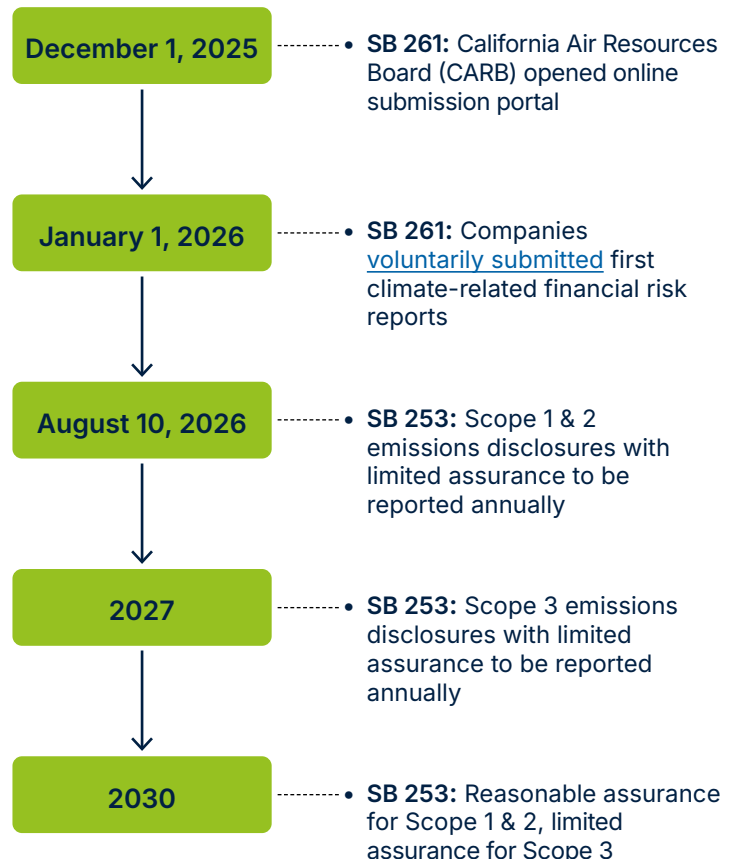
- **SB 253** mandates full-scope emissions reporting.
- **SB 261** focuses on financial exposure to climate impacts across operations and supply chains.

Who needs to report?

U.S.-based public or private companies "doing business" in California — defined as having sales, employees or assets in California.

- **SB 253:** Companies with over \$1 billion in annual global revenue.
- **SB 261:** Companies with over \$500 million in annual global revenue.¹

When do you need to report?



¹Enforcement of SB 261 is currently paused due to a Ninth Circuit injunction.

How do you report?

Companies subject to these regulations can submit their reports via digital platforms provided by the CARB, which are available on their [program page](#).

For SB 261, CARB allows entities to use one of three frameworks when reporting on climate-related financial risks:

- Task Force on Climate-related Financial Disclosures (TCFD) recommendations.
- International Financial Reporting Standards (IFRS) S2
- A report aligned with a regulated exchange or government entity.

Disclosures must include a summary that identifies the chosen framework, any omissions and the rationale for those omissions.

What do you need to include in your reports for CARB?

Reports for SB 253 must include Scope 1 & 2 and eventually Scope 3 emissions. First submissions require limited assurance, but over time will require reasonable assurance. See the timeline above for details.

SB 261 requires disclosure of climate-related financial risks and strategies for mitigation and adaptation. However, companies are not required to conduct quantitative scenario analyses or report Scope 1, 2 or 3 emissions under the Metrics and Targets section, allowing flexibility in how risks are assessed and communicated. See the checklist on this page for the minimum SB 261 requirements.

Why should you report?

According to CARB, the penalties for noncompliance by a qualifying entity are as follows for each bill:

- **SB 253:** Up to \$500,000 per year for noncompliance (e.g., non-filing or late submissions).
- **SB 261:** Enforcement of SB 261 has been paused pending a court injunction. However, over 120 companies have voluntarily submitted SB 261 reports which can be found on [CARB's website](#).

SB 261 climate-related financial risk report checklist

Governance

Describe your organization's governance structure, if any, for identifying, assessing and managing climate-related financial risks. Details should include:

Discussion of any management oversight of climate-related risks and opportunities.

A description pertaining to Board oversight of those climate-related risks and opportunities (if the reporting entity has a Board).

Strategy

Describe the actual and potential impacts of climate-related risks and opportunities on the company's operations, strategy and financial planning (where material). This includes describing:

The climate-related risks and opportunities the organization has identified over the short, medium and long term

The impact of climate-related risks and opportunities on the organization's operations, strategy and financial planning

The resilience of the organization's strategy, if any, taking into consideration the future impacts of climate change under various climate scenarios. As noted above, the discussion regarding climate scenarios may be qualitative in nature. Where a qualitative scenario-based assessment is feasible and relevant for a particular company, CARB encourages its inclusion.

Risk Management

Describe how the reporting entity identifies, assesses and manages climate-related risks, including a description of:

The process the reporting entity uses for identifying, managing and assessing climate-related risks, and how those considerations and processes are integrated in the organization's overall risk management.

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities adopted to reduce and adapt to climate-related risk, where such information is material.