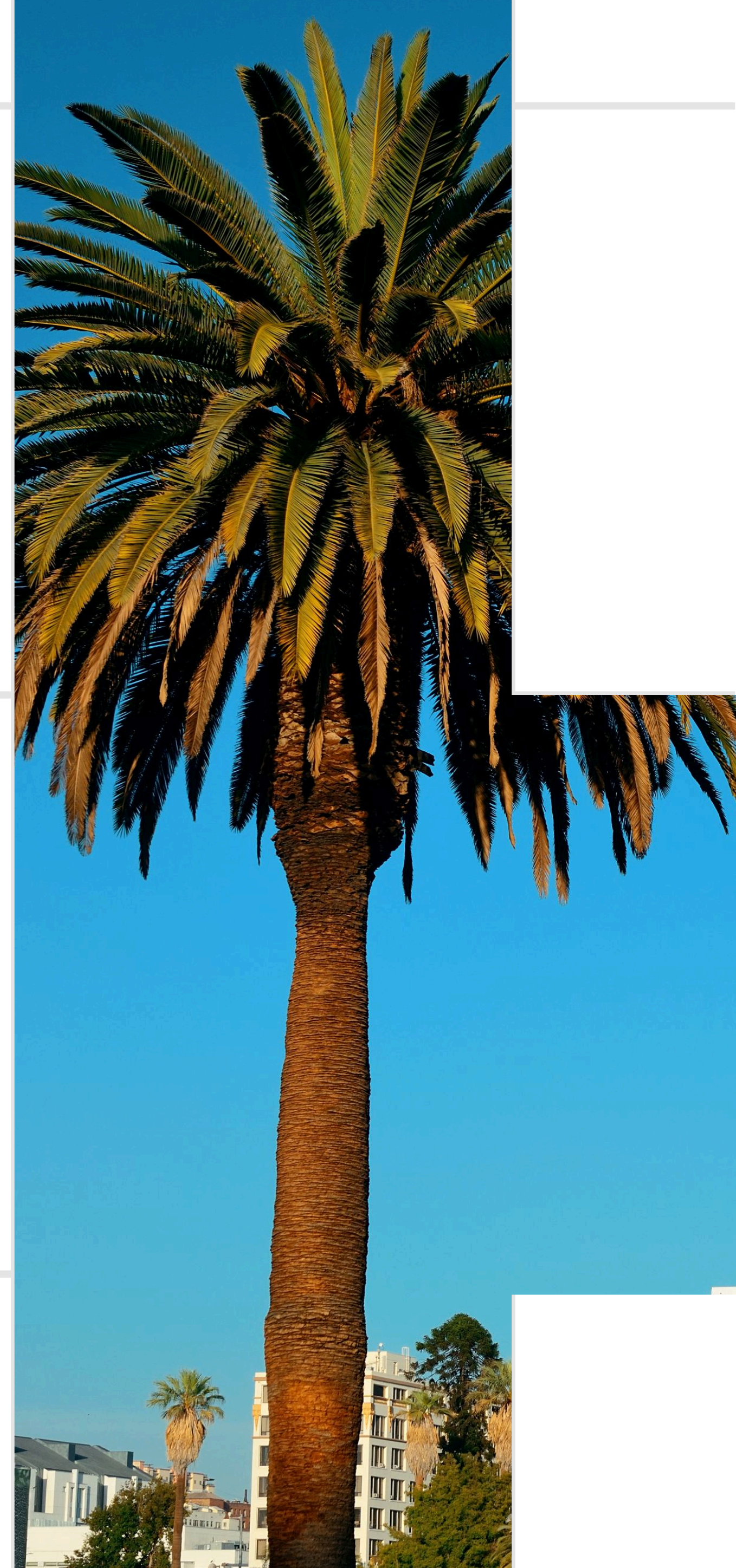




California climate disclosure laws:

A strategic guide to compliance and competitive advantage



Executive Summary

California has established the most comprehensive corporate climate disclosure regime in the United States through the enactment of **SB 253** (Climate Corporate Data Accountability Act) and **SB 261** (Climate-Related Financial Risk Act), subsequently amended by **SB 219**. These legislative measures mandate detailed greenhouse gas (GHG) emissions reporting and climate-related financial risk disclosures from thousands of large corporations beginning in 2026.

These regulations represent a fundamental shift in corporate accountability, elevating climate disclosure to the rigour and scrutiny of financial reporting. For corporate sustainability officers, chief financial officers, and compliance professionals, these laws demand the establishment of robust data management systems, transparent audit trails, and governance frameworks capable of withstanding independent third-party verification.

Although the California Air Resources Board (CARB) is still in the process of finalising the implementing regulations, critical compliance deadlines are fast approaching. This comprehensive guide provides detailed analysis of the requirements, compliance timelines, and strategic actions organisations must undertake; while demonstrating how **KEY ESG's enterprise sustainability data platform** enables organisations to comply with the California climate disclosure laws, as well as other sustainability regulations.

Important Update: On December 1, 2025, the Ninth Circuit Court granted a temporary injunction against enforcement of SB 261 pending appeal. CARB has announced it will not enforce SB 261 against covered entities for failing to meet the January 1, 2026 statutory reporting deadline. CARB will provide an alternate reporting date after the appeal is resolved, with oral argument scheduled for January 9, 2025. Entities may voluntarily report via the docket opened December 1, 2025.

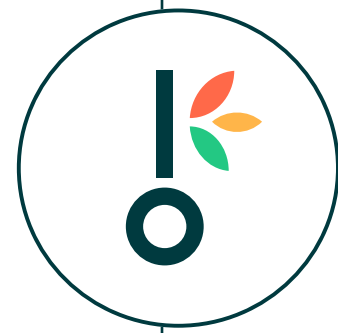
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KEY ESG is a leading enterprise sustainability data platform that enables organisations to measure, manage, and report their environmental, social, and governance performance with confidence. Purpose-built for the rigour of modern climate disclosure requirements, KEY ESG's platform combines sophisticated data quality controls, seamless enterprise system integration, and comprehensive audit trail capabilities with AI-accelerated reporting tools. Organisations worldwide rely on KEY ESG to transform regulatory compliance into strategic advantage, building stakeholder trust through transparent, verifiable sustainability disclosure. With deep expertise in California's climate laws, international reporting frameworks, and assurance readiness, KEY ESG provides both the technology infrastructure and advisory support that organisations require to navigate the evolving disclosure landscape.



Proskauer Rose LLP is a leading international law firm with extensive experience advising clients on environmental, social, and governance matters, including climate-related disclosure obligations. With a distinguished practice spanning corporate governance, securities regulation, and environmental compliance, Proskauer's ESG and sustainability team provides strategic counsel to public and private companies navigating complex regulatory frameworks. The firm's lawyers work closely with clients to interpret evolving disclosure requirements, assess compliance obligations, and develop governance structures that satisfy regulatory expectations whilst supporting business objectives. Proskauer's deep understanding of California's climate disclosure laws, combined with expertise in TCFD, ISSB, and other international frameworks, positions the firm as a trusted adviser to organisations preparing for the new era of climate transparency and accountability.

This whitepaper represents a collaboration between KEY ESG's platform and regulatory expertise and Proskauer's legal and compliance counsel, providing organisations with both the technical implementation guidance and legal perspective necessary for successful California climate disclosure compliance.

Partners



Legislative framework and background

California's climate disclosure legislation emerged from growing recognition that investors, regulators, and stakeholders require standardised, verifiable information about corporate climate impacts and financial vulnerabilities. The legislative package consists of three interconnected bills:

SB 253 (Climate Corporate Data Accountability Act): Mandates annual disclosure of Scope 1, 2, and 3 (GHG) greenhouse gas emissions with independent assurance.

SB 261 (Climate-Related Financial Risk Act): Requires biennial disclosure of climate-related financial risks aligned with internationally recognised frameworks.

SB 219: Amends SB 253 and SB 261 clarifying implementation timelines and reporting requirements for SB 253 and SB 261.

Comparative analysis: SB 253 vs. SB 261

Dimension	SB 253	SB 261
Primary focus	Mandatory GHG emissions disclosure across all three scopes	Climate-related financial risk reporting using established frameworks
Covered entities	U.S.-based entities doing business in California	U.S.-based entities doing business in California
Revenue threshold	>\$1 billion annual global revenue	>\$500 million annual global revenue
Reporting frequency	Annual	Biennial
First filing deadline	August 10, 2026 (Scopes 1 and 2) [1]	Statutory Deadline: January 1, 2026 (for most recent /best available fiscal year data); However, enforcement suspended pending resolution of Ninth Circuit appeal. Alternative deadline to be announced by CARB following appeal resolution
Verification requirements	For first filing in 2026, independent third-party assurance only required if already prepared	Self-published; no external assurance mandated
Framework alignment	GHG Protocol	TCFD, ISSB (IFRS S2), or equivalent

[1] If the reporting entity's fiscal year ends between January 1 and February 1, 2026, the reporting data will be from FY 2026; If it ends between February 2 and December 31, 2026, the data will be from FY 2025 to give each entity at least 6 months after their fiscal year end to submit their report.

KEY ESG perspective:

The convergence of California's requirements with international frameworks creates an opportunity for forward-thinking organisations to implement unified disclosure infrastructure. KEY ESG's platform architecture enables organisations to manage multiple regulatory regimes through a single, integrated system, reducing redundancy and ensuring consistency across all disclosure channels.

Strategic context and global alignment

These California laws position covered entities at the forefront of global climate disclosure practices. The requirements align substantively with:

- **International Sustainability Standards Board (ISSB)** IFRS S2 Climate-related Disclosures
- **Task Force on Climate-related Financial Disclosures (TCFD)** framework
- **Corporate Sustainability Reporting Directive (CSRD)** in the European Union
- **U.S. Securities and Exchange Commission (SEC)** climate disclosure considerations (currently on indefinite hold)

Organisations that strategically approach California compliance as part of a comprehensive global disclosure strategy will achieve operational efficiencies and maintain consistent stakeholder communications across jurisdictions.[2]

[2] Of note, a number of other states, including New York, New Jersey, Illinois, Washington and Colorado, have proposed similar bills that are under consideration.

Applicability and covered entities

Determining in-scope organisations

Both SB 253 and SB 261 apply to U.S.-based entities meeting specific revenue thresholds that conduct business operations in California. However, until CARB promulgates its final rulemaking, now anticipated sometime in the first quarter of 2026, there is no finality on key definitions and, as a result, on the scope of applicability.

As most recently proposed on November 18, 2025, the definition of "doing business in California" draws from California Revenue and Tax Code Section 23101, which CARB is using as its foundational framework.

Revenue Thresholds:

- **SB 253:** Entities with annual global revenue exceeding \$1 billion
- **SB 261:** Entities with annual global revenue exceeding \$500 million

Doing business in California:

An entity is considered to be doing business in California if it is actively engaged in transactions for financial or pecuniary gain and meets any one of the following criteria:

- **Organisational domicile:** The entity is organised or commercially domiciled in California
- **Sales threshold:** California sales exceed \$735,019 (2024), which includes sales by an agent or independent contractor of the entity [1]

[1] CARB’s most recent definition proposed on November 18, 2025 rejected the additional conditions that previously were to be considered “doing business in California”: (i) a property threshold: where real or personal property in California exceeds \$73,502 (2024) in value or 25% of the entity’s real and tangible personal property; (ii) a compensation threshold: where compensation payments in California exceed \$73,502 (2024) or 25% of the total compensation paid by the entity; and (iii) California sales constituting 25% of the entity’s total sales.

Entity coverage matrix

Entity category	Revenue threshold	SB 253 applicability	SB 261 applicability
U.S. corporations, LLCs, partnerships	>\$1 billion	✓ Yes	✓ Yes
U.S. corporations, LLCs, partnerships	\$500M - \$1B	✗ No	✓ Yes
Foreign entities with U.S. operations	Any	✗ No [2]	✗ No [2]
Nonprofit organisations	Any	✗ No	✗ No
Insurance companies	>\$500 million	✗ No [3]	✗ No
Government entities	Any	✗ No	✗ No
CA Independent System Operator	Any	✗ No	✗ No
Entities with only teleworking CA employees	Any	✗ No	✗ No

[2] SB 253 and SB 261 only apply to a business entity formed under the laws of California, the laws of any other state of the United States or the District of Columbia, or under an act of the Congress of the United States.

[3] SB 261 explicitly exempts insurance companies. Although there is no similar explicit exemption under SB 253, CARB’s most recent proposal is that the exemption also would extend to SB 253.



Parent-subsidiary reporting considerations

Parent companies may file consolidated reports encompassing their subsidiaries. As most recently proposed by CARB, for purposes of determining when entities can consolidate reporting [1]: (a) The parent owns more than 50% of the subsidiary’s shares [2] or voting power, or there is greater than 50% of common owners, directors or officers among the parent and subsidiary; and (b) The subsidiary qualifies as a covered entity.

Critical note: The subsidiary does not need to break out its own climate-related financial risk information separately under SB 261.

Even when reporting occurs at the parent level, CARB's proposed fee structure assesses charges on a per-entity basis. Each in-scope subsidiary represents a separate fee obligation, regardless of consolidated reporting.

[1] CARB’s definition of a “subsidiary” is tied to the “direct corporate association” definition used in California’s Cap-and-Invest program under Title 17, California Code of Regulations §95833.

[2] Or the parent has the right to acquire more than 50% of the subsidiary's shares.

Estimated coverage

Based on CARB's preliminary analysis utilising the California Secretary of State's Business Entity database and revenue modelling:

- **SB 253:** Approximately 2,596 entities anticipated to be in scope
- **SB 261:** Approximately 4,160 entities anticipated to be in scope

CARB published a preliminary list of covered entities on September 24, 2025. However, the list may not be comprehensive and organisations bear ultimate responsibility for determining their applicability status; absence from CARB's published list does not eliminate compliance obligations if the statutory thresholds are met.

KEY ESG perspective

The wide scope and complex applicability criteria of the California climate disclosure laws demand detailed analysis of corporate structures. KEY ESG’s platform supports this through its organisational hierarchy and entity management features, allowing sustainability teams to map reporting entities, visualise ownership relationships, and assess applicability thresholds with accuracy. The platform enables users to document and track parent–subsidiary relationships, allocate reporting responsibilities, and maintain a transparent record of how disclosure obligations have been determined across the group.

3 Reporting requirements

SB 253: Emissions reporting

- Scopes 1 & 2: First report due August 10, 2026 (2025 or 2026 data, depending on the end date of the entity's fiscal year).
 - However, entities that did not collect or were not planning to collect reporting data as of December 5, 2024 [1], are not expected to submit Scope 1 and 2 reporting data in 2026 and instead must submit a statement to CARB on company letterhead that they did not submit a report because they were not collecting or planning to collect data as of CARB's enforcement notice date.
- Scope 3: First report due 2027 (2026 data).
- Assurance: Limited assurance (Scopes 1 & 2) no longer required for first filing in 2026 [2] but likely to be required starting in 2027; expected to move to reasonable assurance by 2030. [3]
- Methodology: Must follow GHG Protocol. [4]
- Verification: Independent third-party verification required.
- Annual frequency.
- CARB released draft reporting template for Scopes 1 & 2, subject to public feedback; use of template voluntary for 2025 data.

[1] The date of CARB's Enforcement Notice for SB 253.

[2] Limited assurance is only required for the 2026 filing if the entity already has that data.

[3] Regulations for post-2026 filings to be promulgated by CARB at some point after the initial final rule-making is promulgated in 1Q 2026.

[4] The GHG Protocol is in the process of updating its GHG standards and guidance. To that end, on October 20, 2025, the GHG Protocol announced a public consultation requesting feedback on proposed updates to its Scope 2 Guidance, which is open for public comment until December 19, 2025..

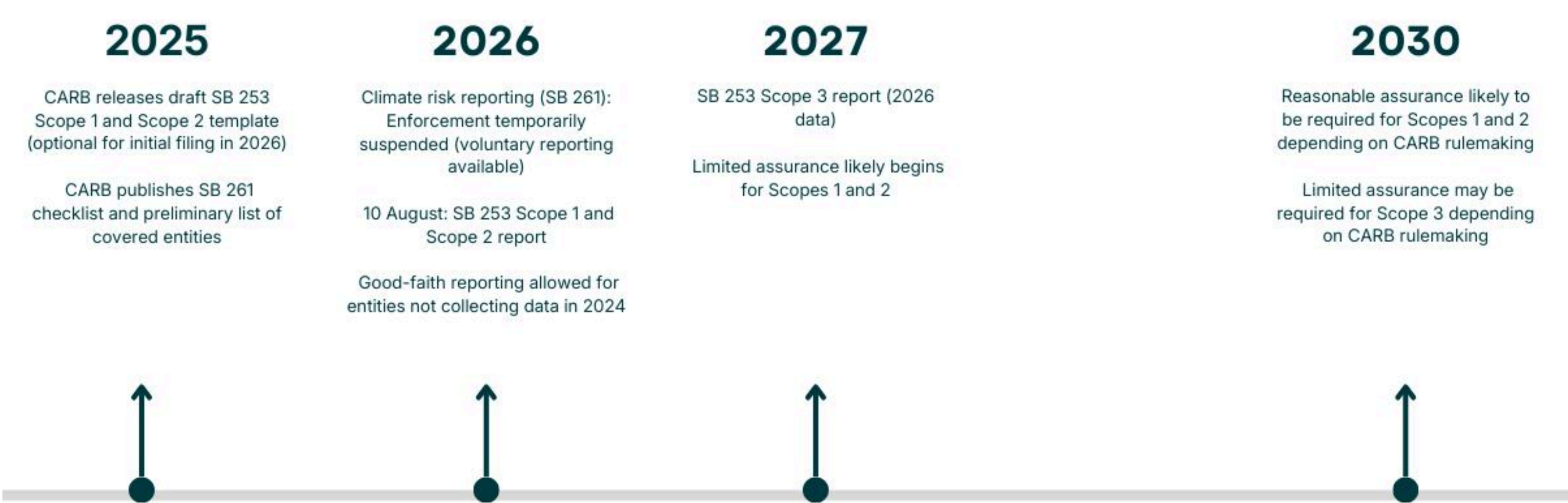
SB 261: Climate risk reporting

- Per statute, first report due January 1, 2026 – must be posted on the entity's website. However, CARB will not enforce pending resolution of the Ninth Circuit appeal.
- Voluntary submissions may be made to CARB docket opened December 1, 2025. CARB to issue new mandatory submission deadline.
- Must align with TCFD or ISSB (IFRS S2) frameworks.
- Disclosures must cover all four pillars: Governance, Strategy, Risk Management, Metrics/Targets.
- Biennial frequency (every two years).
- CARB published a draft checklist for compliance with climate-related financial risk disclosures

Four-pillar disclosure framework

Pillar	Minimum requirements
Pillar 1: Governance	<p>Minimum requirements:</p> <ul style="list-style-type: none">• Description of management's role in assessing and managing climate-related risks• Discussion of management's oversight of climate-related risks and opportunities, including Board oversight (if applicable)
Pillar 2: Strategy	<p>Minimum requirements:</p> <ul style="list-style-type: none">• Identification of material actual and potential climate-related risks and opportunities across short, medium, and long-term time horizons• Description of impacts of actual and potential climate-related risks and opportunities on company operations, strategy, and financial planning• Discussion of resilience of the organisation's strategy under different climate scenarios – may be qualitative or quantitative
Pillar 3: Risk management	<p>Minimum requirements:</p> <ul style="list-style-type: none">• Description of processes used for identifying and assessing climate-related risks• Description of processes used for managing climate-related risks• Integration of climate risk identification, assessment and management within overall enterprise risk management
Pillar 4: Metrics and targets	<p>Minimum requirements:</p> <ul style="list-style-type: none">• Disclosure of metrics used to assess climate-related risks and opportunities• Description of targets used to manage climate-related risks and capitalise on opportunities• Quantitative emissions metrics (optional in first cycle)

California climate disclosure timeline



Assurance, fees & penalties

Assurance for SB 253 disclosures

- Scopes 1–2: Limited assurance no longer required for 2026 (unless already have that data), limited assurance for future reporting years and reasonable assurance from 2030, subject to future CARB regulations to be promulgated.
- Scope 3: Limited assurance may be required from 2030.

Fees

SB 253: ~\$3,106 annually per entity.
SB 261: ~\$1,403 annually per entity.
Combined compliance: ~\$4,509 annually.

Penalties

SB 253: Up to \$500,000 per year.
SB 261: Up to \$50,000 per year.

“Good-faith compliance” safe harbour applies to SB 253’s first cycle only; ; penalties for SB 261 are subject to CARB’s enforcement discretion and will factor in whether and when good faith measures were taken to comply.

On November 18, 2025, the Ninth Circuit issued a temporary injunction against SB 261. CARB has announced it will not enforce SB 261 against covered entities for the January 1, 2026 reporting deadline, and penalties for non-compliance with that deadline will not be assessed.

CARB will provide an alternative reporting date following appeal resolution (oral argument scheduled January 9, 2025). Entities may voluntarily submit reports via [the docket opened December 1, 2025](#).

SB 253 (emissions reporting) remains fully enforceable with its August 10, 2026 deadline unchanged.

Requirement	2026	2027	2030
Scope 1-2 reporting (SB 253)	Yes	Yes (may be subject to limited third party assurance)	Yes (may be subject to reasonable third party assurance)
Scope 3 reporting	No	Yes (specific date yet to be determined)	Yes (may be subject to limited assurance)
Climate risk reporting (SB 261)	Yes	No (biennial)	Yes (biennial)

KEY ESG perspective:

Building verifiable, assurance-ready emissions inventories requires more than spreadsheets and manual processes. KEY ESG's platform embeds comprehensive data quality controls directly into the measurement process, ensuring sustainability data is trustworthy from the point of entry. The platform features embedded data validation that flags errors and anomalies in real time, formal review and sign-off workflows that create clear accountability, in-platform guidance and support that helps users enter accurate data from the start, and transparent, defensible audit trails linking activity data through calculations to reported emissions. This systematic approach to data quality reduces the cost and burden of external verification whilst strengthening verifier confidence in reported figures. When data quality is built into the process rather than checked retrospectively, organisations can trust their sustainability data with the same confidence they place in financial reporting systems.

While compliance costs are significant, the alternative costs of non-compliance, including financial penalties and reputational damage, substantially exceed proactive investment in appropriate systems and capabilities. KEY ESG's platform architecture is designed to minimise the total cost of compliance by automating data workflows, streamlining verification processes, and enabling efficient reporting across multiple regulatory regimes simultaneously. The result is a scalable compliance approach that not only meets CARB's expectations but also positions companies to reduce risk and build long-term credibility.

Implementation challenges & strategic opportunities

Primary implementation challenges

1. Scope 3 data complexity

Scope 3 value chain emissions typically represent 65% to 95% of total organisational carbon footprints but present significant measurement challenges including data availability from suppliers, attribution methodology complexities, data quality variability across primary and secondary sources, and systematic supplier engagement requirements.

2. Cross-functional integration

Climate disclosure requires unprecedented collaboration across organisational functions. Finance teams must provide budget data and cost allocation. Operations teams supply energy consumption and process emissions data. Procurement teams coordinate supplier data collection and supply chain engagement. Legal and compliance teams handle regulatory interpretation and risk assessment. Investor relations manages stakeholder communication and materiality assessment.

3. Assurance readiness

Building systems capable of supporting independent verification demands documentation standards comparable to financial reporting, robust internal controls and quality assurance processes, complete audit trail transparency from activity data through calculations to reported figures, and technical competency in GHG accounting methodologies.

4. Evolving regulatory landscape

CARB continues to refine implementation details, creating planning uncertainty as final regulations are developed and requirements potentially evolve in future reporting cycles. At the same time, similar legislation is currently under consideration in a number of other states.

Strategic opportunities

1. Global disclosure harmonisation

California's requirements align substantially with international frameworks including TCFD, ISSB, and CSRD. Organisations can implement unified disclosure infrastructure serving multiple regulatory regimes, reduce redundant data collection and reporting efforts, ensure consistent stakeholder communications across jurisdictions, and position for leadership as disclosure requirements expand globally.

2. Operational efficiency identification

Rigorous emissions measurement often reveals opportunities for energy efficiency improvements with attractive financial returns, supply chain optimisation reducing both emissions and costs, and process improvements enhancing productivity alongside sustainability.

3. Stakeholder confidence and market positioning

Transparent, verified climate disclosure strengthens investor confidence by demonstrating climate risk management and strategic positioning, enhances customer relationships by meeting procurement sustainability requirements, improves talent attraction by appealing to sustainability-conscious employees, and establishes competitive differentiation through leadership among peer organisations.

4. Strategic risk management

Systematic climate risk assessment enables enhanced understanding of physical and transition risks to operations, improved capital allocation incorporating climate resilience, strategic scenario planning for different climate futures, and integration of climate considerations into core business strategy.



How KEY ESG's platform addresses these challenges

KEY ESG's integrated platform directly addresses California's disclosure challenges whilst unlocking strategic value beyond compliance.

System integration and data centralisation

KEY ESG connects directly with companies' existing systems and data architecture to facilitate seamless sustainability data centralisation. The platform integrates with financial systems, operational databases, procurement platforms, energy management systems, and other enterprise applications, automatically pulling data from source systems to eliminate manual data transfer and reduce errors. This integration capability accelerates compliance preparation by working within established technology infrastructure rather than creating parallel systems, ensuring sustainability data flows efficiently from existing business processes into disclosure-ready formats.

Comprehensive data quality from point of entry

The platform embeds extensive data quality controls throughout the data entry and management process, ensuring sustainability data is trustworthy before it reaches external auditors. KEY ESG provides in-platform guidance and AI-powered support that helps users understand what data is needed and how to provide it accurately. Real-time error and outlier flagging immediately alerts users to potential data quality issues, enabling correction at source rather than discovery during audit. Formal data review and sign-off workflows create clear accountability, requiring designated reviewers to validate data before it progresses through the system. Embedded validation rules check data completeness, consistency, and reasonableness against expected parameters. This comprehensive approach to data quality means organisations can trust their sustainability data before audit, confident that robust controls have been applied from initial entry through to final reporting. The result is faster, more efficient assurance processes because verifiers encounter high-quality, well-documented data rather than needing to identify and remediate quality issues retrospectively.

Flexible data architecture for multiple purposes

The platform's configurable architecture allows companies to aggregate and disaggregate data flexibly, aligning simultaneously with regulatory requirements and operational reality. Organisations can structure data hierarchies by legal entity for compliance reporting, by business unit for performance management, by geography for regional target setting, and by product line for operational decision-making; all from a single, centralised data foundation. This flexibility means sustainability data centralised in KEY ESG serves multiple purposes: meeting California's entity-level disclosure requirements, supporting corporate-wide target setting and tracking, enabling business unit performance management, and facilitating strategic analysis across different organisational dimensions. Rather than maintaining separate data sets for different purposes, organisations maintain one trusted source that adapts to various reporting and analytical needs.



Streamlined data aggregation with comprehensive audit trails

The platform centralises sustainability data from across organisational functions, automating collection from finance, operations, procurement, and other teams whilst maintaining complete transparency about data lineage. Comprehensive audit trails document every data point from initial entry through calculations to final reporting, creating the defensible documentation that verification requires whilst building organisational confidence in data accuracy. Users can trace any reported figure back through transformation steps to original source data, satisfying both internal governance needs and external assurance requirements.

Scope 3 measurement and supplier engagement

Built-in Scope 3 calculation methodologies, supplier data collection workflows, and attribution models simplify the most complex aspects of emissions reporting. The platform manages supplier engagement systematically, tracks data quality throughout the supply chain, and documents methodology choices transparently. Suppliers can enter data directly into controlled workflows that include the same validation and quality checks applied to internal data, ensuring consistency across the entire value chain.

Integrated compliance management

Rather than treating California disclosure as an isolated requirement, KEY ESG connects climate reporting with broader ESG governance, risk management, and regulatory compliance systems. This unified approach reduces redundant effort whilst ensuring consistency across multiple disclosure frameworks including TCFD, ISSB, and CSRD. The same centralised, quality-controlled data serves multiple regulatory regimes, eliminating the inefficiency of parallel compliance processes.

Assurance-ready documentation through systematic data quality

Because data quality is ensured at entry through validation, guidance, review workflows, and AI-powered support, assurance readiness becomes a standard output rather than a retrofit burden. The platform automatically generates the comprehensive documentation that verifiers require: audit trails showing data lineage, methodology documentation explaining calculation approaches, control evidence demonstrating validation procedures, and sign-off records proving appropriate review and approval. Organisations approach verification with confidence, knowing their data quality processes meet professional standards before external review begins.

Strategic insight generation

Beyond compliance reporting, the platform's analytics capabilities identify operational efficiency opportunities, quantify climate-related risks and opportunities, support scenario analysis, and generate executive dashboards that integrate climate considerations into strategic decision-making. The flexible data architecture enables analysis across multiple organisational dimensions, supporting both compliance obligations and strategic performance management from a single, trusted data foundation.

Organisations that approach California compliance as a strategic investment rather than a regulatory burden will achieve competitive advantages extending far beyond avoiding penalties. KEY ESG's platform enables this transformation by connecting compliance requirements with operational improvements, risk management enhancements, and stakeholder confidence building, turning regulatory obligation into genuine business value.

Preparation roadmap: critical actions

Organisations subject to California's climate disclosure requirements should undertake the following systematic preparation process:

Phase 1: Applicability assessment and scoping (Immediate)

1.1 Determine applicability using updated CARB definitions

- Map all legal entities and apply the updated revenue test, using the lesser of the two most recent fiscal years.
- Apply CARB's refined doing business test focused on domicile and sales thresholds (property and payroll thresholds removed).
- Review each entity independently because parent subsidiary relationships do not establish applicability.
- Document judgements in anticipation of CARB's fee assessment in September 2026.

1.2 Establish governance and programme ownership

- Appoint an executive sponsor and form a cross functional team spanning sustainability, finance, legal, operations, procurement, risk and investor relations.
- Assign accountable owners for SB 253 data governance and SB 261 climate risk analysis.
- Establish a recurring steering meeting and internal controls aligned with assurance expectations.

1.3 Complete a readiness and gap assessment

- Compare current GHG accounting capabilities against GHG Protocol requirements, with heightened focus on Scope 3 category prioritisation for 2027.
- Identify gaps in risk identification processes relative to TCFD or ISSB for SB 261.
- Assess the availability of documentation required for audit trails and limited assurance from 2027.

Phase 2: Framework selection and methodology development (Q4 2025)

2.1 SB 261 framework alignment and report preparation

- Select the framework that best aligns with current governance and disclosures.
- Develop an SB 261 report that addresses all four pillars and meets CARB's checklist expectations, noting that gaps, assumptions, or limitations may be disclosed.

Note: Enforcement of SB 261 compliance timeline is currently suspended pending Ninth Circuit appeal. Organisations should monitor CARB announcements for an updated compliance deadline following appeal resolution (oral argument January 9, 2025). Entities may voluntarily submit reports to the docket opened December 1, 2025.

2.2 Finalise GHG boundaries and methodologies

- Select organisational boundaries consistent with GHG Protocol, noting CARB expects disclosure of the chosen boundary even when parent consolidation applies.
- Determine fiscal year versus calendar year data approach based on CARB's confirmation that entities must use the most recent available year.
- Document chosen methodologies and emissions factors to support future assurance.

2.3 Develop climate risk and scenario assessment approach

- Establish a repeatable process for climate risk identification consistent with enterprise risk management.
- Define time horizons and scenario assumptions, noting that qualitative scenario analysis remains acceptable for the first SB 261 cycle.

KEY ESG perspective:

Systematic preparation is essential for successful compliance, but technology acceleration dramatically reduces the burden and timeline. KEY ESG's platform provides pre-built modules for emissions measurement and climate risk governance, enabling organisations to rapidly deploy the infrastructure necessary for audit-ready reporting. Automated data collection workflows integrate seamlessly with existing enterprise systems, pulling information directly from source systems to eliminate manual transfer and reduce errors. Framework mapping capabilities and real-time dashboards accelerate preparation whilst reducing compliance risk and freeing internal resources to focus on strategic climate initiatives. Built-in data validation, error flagging, and guided entry ensure data quality from the start, building organisational confidence in sustainability reporting whilst satisfying verifier requirements..

Phase 3: Data infrastructure development (Q4 2025 - Q1 2026)

3.1 Create centralised data systems and audit trails

- Deploy or configure technology capable of centralising data, applying validation rules, and maintaining transparent audit trails in support of CARB's assurance expectations.
- Implement standard documentation protocols for data lineage, emissions factors, and methodological justifications.

3.2 Prepare for Scope 3 supplier engagement

- Prioritise material categories and identify suppliers whose data will be required for 2027 reporting.
- Establish early communication plans and consider contractual updates to secure data provision rights.
- Develop estimation approaches for categories where primary data is unlikely.

3.3 Implement internal controls aligned with future assurance

- Establish review workflows and segregation of duties for data entry, review, and approval.
- Create reconciliation procedures to ensure accuracy and completeness of reported emissions.
- Build documentation repositories to support limited assurance for Scopes 1 and 2 from 2027.

Phase 4: Disclosure development and verification (Q1-Q2 2026)

4.1 Engage verifiers early

- Issue RFPs to accredited assurance providers in early 2026 to secure resources for 2027.
- Align on methodologies, documentation expectations, and potential data quality risks early.

4.2 Develop draft SB 253 disclosures

- Prepare Scope 1 and Scope 2 inventories for the relevant fiscal year per CARB's fiscal year rules.
- Use CARB's optional draft reporting template where helpful.
- Conduct comprehensive internal quality review before submission.

4.3 Submit good faith SB 253 filings where applicable

- Prepare and submit the non reporting letter if eligible.
- Document plans to scale measurement capability for 2027 requirements.

Phase 5: Filing and continuous improvement (2026 and Beyond)

5.1 Submit filings and pay required CARB fees

- File SB 253 Scope 1 and Scope 2 emissions by 10 August 2026.
- Pay annual fees, recognising that fees apply per covered entity, including subsidiaries.

5.2 Strengthen processes for future reporting cycles

- Conduct a post filing review capturing lessons learned.
- Enhance Scope 3 methodologies ahead of 2027 disclosures.
- Prepare for escalating assurance requirements, including reasonable assurance for Scopes 1 and 2 and limited assurance for Scope 3 by 2030.

5.3 Monitor ongoing rulemaking

- Monitor CARB notices and participate in relevant comment periods.
- Adjust internal planning as California and other state level disclosure regimes evolve.



Conclusion

California's climate disclosure laws, SB 253 and SB 261, represent an inflection point in corporate environmental accountability. The requirements are comprehensive, the scrutiny will be significant, and the deadlines are imminent. For the thousands of organisations falling within scope, these regulations demand immediate action to establish measurement systems, build governance capabilities, and prepare for the transparency that public disclosure entails.

The window for preparation is narrowing rapidly. Organisations that act decisively to build robust data infrastructure, implement systematic processes, and integrate climate considerations into governance will not merely achieve compliance—they will gain competitive advantages. Early movers will demonstrate leadership to investors, strengthen relationships with sustainability-conscious customers and other stakeholders, and position themselves favourably as climate disclosure requirements continue expanding globally.

Conversely, organisations that delay or approach compliance reactively face substantial risks: financial penalties reaching \$500,000 annually, reputational damage from inadequate or late filings, lost competitive positioning relative to more transparent peers, and ongoing operational disruptions from poorly planned compliance efforts.

The organisations that will thrive under this new transparency regime are those that view California's requirements not as a compliance burden but as a catalyst for building more resilient, strategically informed, and stakeholder-responsive businesses. Climate disclosure, when done well, drives operational improvements, enhances risk management, and creates opportunities for differentiation.

The choice facing corporate leaders is clear: invest proactively in the systems, capabilities, and cultural shifts that sophisticated climate disclosure requires, or risk falling behind in an environment where transparency, accountability, and climate performance increasingly determine competitive success.



How KEY ESG enables compliance and creates value

Meeting California's climate disclosure requirements demands sophisticated technology, deep expertise, and efficient processes. KEY ESG delivers all three through an integrated sustainability data platform designed specifically for the demands of modern climate reporting.

Comprehensive emissions measurement

KEY ESG enables organisations to rapidly deploy audit-ready Scope 1, 2, and 3 emissions measurement capabilities:

- Automated data collection and integration from existing enterprise systems reduces manual effort, improves accuracy, and accelerates compliance preparation.
- Embedded data quality controls including real-time validation, error flagging, guided entry, and formal review workflows ensure trustworthy data from point of entry.
- Pre-configured calculation methodologies aligned with GHG Protocol ensure methodological rigour.
- Transparent audit trails linking reported emissions to underlying activity data support verification and build organisational confidence.
- Quality assurance workflows flag anomalies and ensure data validation before reporting.
- Version control and documentation maintain the evidence required for independent assurance.

AI-accelerated climate risk reporting

KEY ESG's SB 261 Report-builder leverages artificial intelligence to dramatically accelerate climate risk disclosure preparation:

- Framework-aligned templates for TCFD and ISSB ensure all required elements are addressed.
- AI-assisted content generation produces high-quality narrative disclosures based on organisational data.
- Scenario analysis tools enable strategic assessment of climate futures.
- Risk-financial linkage capabilities connect climate risks to financial impacts and strategic decisions.
- Collaborative review workflows facilitate cross-functional input and executive approval.



Expert support

Successful compliance requires more than technology. KEY ESG combines AI-accelerated onboarding with expert human guidance to ensure a seamless start and ongoing confidence throughout the California compliance journey:

- Seamless onboarding blending AI-driven platform setup with personalised account manager support.
- Multi-layered assistance via in-platform chat, rapid-response email support, and bi-weekly Open Help Desk Hours.
- Comprehensive enablement covering platform configuration, data workflows, integrations, and report generation.
- Continuous learning through an evolving knowledge base of guides, webinars, and best practice resources.
- Proven results with a 97% customer satisfaction rate and average two-hour query resolution.

Unified global disclosure platform

California compliance exists within a broader global disclosure landscape. KEY ESG's platform enables organisations to manage multiple regulatory regimes efficiently:

- Multi-framework reporting simultaneously supporting TCFD, ISSB, CSRD, and other requirements.
- Centralised data management eliminating redundant collection across different reporting streams.
- Consistent stakeholder communication ensuring alignment across all disclosure channels.
- Scalable architecture adapting as disclosure requirements continue evolving globally.

Demonstrated results

Organisations leveraging KEY ESG's platform achieve measurable outcomes:

- 90% reduction in time spent on manual data collection and consolidation.
- Elimination of calculation errors through automated, validated methodologies.
- 50% faster verification completion through systematic documentation and audit trails.
- Seamless multi-framework reporting enabling efficient compliance with evolving global requirements.



Resources and additional information

Official California resources

SB 253 Legislative Text: [California Legislature - SB 253](#)

SB 261 Legislative Text: [California Legislature - SB 261](#)

SB 219 Legislative Text: [California Legislature - SB 219](#)

CARB Climate Disclosure Program: [California Air Resources Board Workshop Materials](#)

CARB SB 261 Reporting Checklist: [Climate-Related Financial Risk Report Checklist](#)

Industry analysis and commentary

Proskauer: [Navigating Compliance with California's Climate Disclosure Laws - Insights](#)

Contact Proskauer: For personalized guidance on California climate disclosure compliance, please email us at acinamon@proskauer.com.

Framework guidance

GHG Protocol Corporate Standard: [Greenhouse Gas Protocol](#)

TCFD Recommendations: [Task Force on Climate-related Financial Disclosures](#)

ISSB IFRS S2 Climate-related Disclosures: [International Sustainability Standards Board](#)

KEY ESG resources

California Climate Disclosure Laws - Comprehensive Guide: [KEY ESG Article](#)

Contact KEY ESG: For personalized guidance on California climate disclosure compliance and to learn how KEY ESG's platform can support your organisation's disclosure requirements, please contact our team directly through our website or email us at contact@keyesg.com.

This whitepaper provides general information about California's climate disclosure laws and does not constitute legal, accounting, or professional advice. Organisations should consult qualified legal and technical advisors regarding their specific compliance obligations and strategies.