TRENDS IN CLIMATE RISK REPORTING:

Lessons from Initial Voluntary Corporate Reports Under California's SB 261

September 2026

G&A GOVERNANCE & ACCOUNTABILITY INSTITUTE, INC.™ × Ceres

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Early Trends from the First SB 261 Reports

California's climate accountability laws (SB 261 and SB 253) mark a significant step forward in making climate disclosures a baseline expectation for corporations. These requirements are intended to help companies identify and address their climate risks, enhance corporate transparency, and provide valuable information to stakeholders.

While many companies must comply with both SB 261 and SB 253, this analysis from G&A and Ceres examines the current SB 261 disclosure landscape. Companies subject to SB 261 must publish their climate risk reports on a designated platform ("public docket")[1]; however, mandatory SB 261 disclosures are not being enforced by the California Air Resources Board (CARB) while litigation is ongoing.[2] With a focus on disclosure quality and comprehensiveness, we reviewed the 154 reports that had been voluntarily submitted as of early May 2026.

CA Senate Bill 261

The Climate-Related Financial Risk Act (SB 261)

Adopted: October 2023

Applies to: U.S.-based companies that do business in California and have over $500 million in total annual revenue

Requires: Disclosures on company's climate-related financial risks and opportunities, as well as its management of those risks and opportunities

Submission details: Report on a biennial basis. Publish reports on designated State platform ("public docket")

CARB's SB 261 Overview

CA Senate Bill 253

The Climate Corporate Data Accountability Act (SB 253)

Adopted: October 2023

Applies to: U.S.-based companies that do business in California and have over $1 billion in total annual revenue

Requires: Disclosure of company's Scope 1, 2, and 3 greenhouse gas (GHG) emissions

Submission details: Publish annually, beginning November 2026[3] for Scopes 1–2 and beginning in 2027 for Scope 3

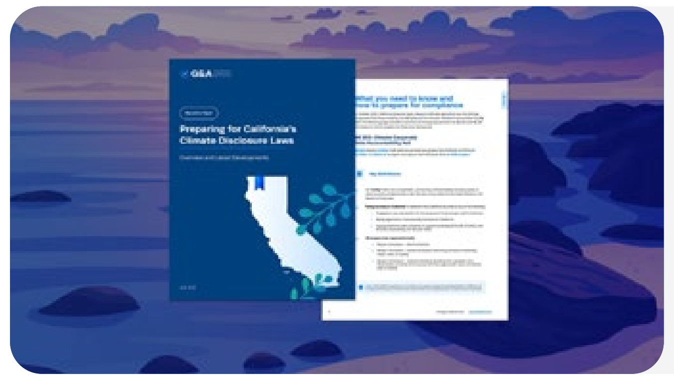
CARB's SB 253 Overview

1 – While the original deadline for posting reports to the public docket was January 1, 2026, a legal challenge to SB 261 has delayed this deadline until the case is resolved in court. CARB has confirmed it will not enforce the original deadline while the injunction remains in effect and will provide an alternate reporting date following the case's resolution. Companies may still voluntarily post their reports to the docket in the interim.

2 – See https://ww2.arb.ca.gov/public-comments/climate-related-financial-risk-reports-sb-261-docket.

3– See https://content.govdelivery.com/accounts/CARB/bulletins/41d8418.

Related



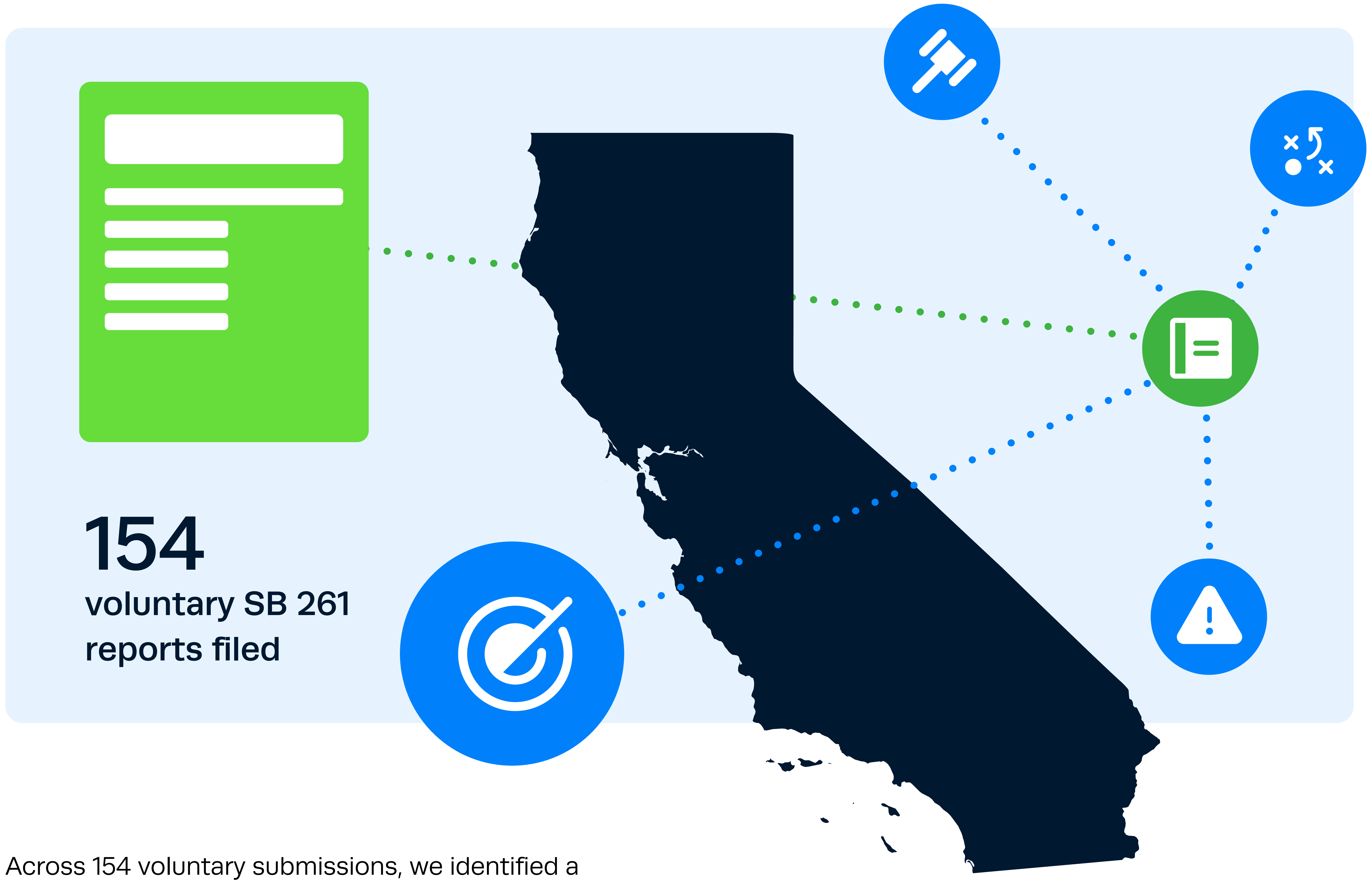
Preparing for California's Climate Disclosure Laws

Value of Assessing Voluntary SB 261 Reports

Our analysis focused on the quality and comprehensiveness of disclosure and aimed to identify current corporate practices. The resulting analysis serves three purposes: (1) it establishes a baseline of early practices in SB 261 disclosure — a snapshot representing the first installment of what will become a longitudinal record of compliance; (2) it translates principles-based disclosure requirements set out by CARB into measurable reporting indicators, allowing companies to compare their disclosures to the regulatory floor; and (3) it documents emerging practices that go beyond minimum requirements toward the financially integrated, decision-useful reporting that investors need to assess climate-related financial risk.

As the reports in this analysis were submitted voluntarily while SB 261 litigation is ongoing, this research should be considered within that context. Early filers range from companies with established climate programs to those just starting to develop them. The trends identified here may change once mandatory compliance includes a broader group of reporters.

Nonetheless, the filing of 154 voluntary SB 261 reports despite litigation delay offers a positive sign of commitment and leadership regarding climate risk disclosure. The companies that submitted early reports may not be representative of all in-scope companies, but our findings identify trends in corporate behavior that other companies can use to inform their own reporting.



Across 154 voluntary submissions, we identified a variety of corporate practices, with many companies progressing toward climate-forward business strategies, though some notable gaps in rigor and ambition remain. Below, we share our findings along with some practical insights.

Research Methodology

SB 261 requires companies to report along four disclosure pillars: Governance, Strategy, Risk Management, and Metrics and Targets. These are the four central categories of the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations, which are used worldwide, and have been integrated into the IFRS S2 Climate-related Disclosure Standard developed by the International Sustainability Standards Board (ISSB)[4]. CARB's Disclosure Checklist is structured around these four disclosure pillars (see CARB's SB 261 Disclosure Checklist at the end of this paper).

CARB Disclosure Requirement	Research Focus Area
1. Reporting Methods and Frameworks	+ What reporting methods, such as a standalone report, are companies using? + What frameworks are used for reporting?
2. Minimum Disclosure Requirement – Governance	+ How do companies structure oversight of climate issues, and how often are these issues addressed?
3. Minimum Disclosure Requirement – Strategy	+ What climate risks and opportunities are identified and which are most prevalent? + Are transition risks being addressed through documented transition planning? + Are the financial impacts of climate-related risks/ opportunities being quantified?
4. Minimum Disclosure Requirement – Risk Management	+ How are climate risks and opportunities identified and assessed? + How are climate risks translating into enterprise risk management?
5. Minimum Disclosure Requirement – Metrics and Targets	+ Are companies disclosing GHG emissions (Scopes 1, 2, and 3)? + What kind of targets are companies setting?

This analysis draws on TCFD and IFRS S2 guidance to translate CARB's disclosure requirements into measurable indicators (shown in table). The result allows us to examine not only the minimum requirements but also actual corporate practices.

In support of this research, G&A developed an AI analysis tool that extracted specific datapoints from each individual report submitted to CARB's public docket. A G&A analyst then manually reviewed each data point against the individual report, checking for completeness and correcting inaccuracies. Ceres provided insights on the resulting analysis and drew on their deep knowledge of corporate and investor perspectives to shape the paper.

To enhance our research, we include **case studies** throughout this paper that feature direct quotations from company reports. We have anonymized all corporate names and distinct identifiers, even though both the data and case studies in this report are synthesized from voluntary, publicly available disclosures. This approach maintains strict analytical objectivity, avoids implied endorsements, and focuses the findings entirely on industry-wide patterns and methodological insights rather than the performance of any single corporate entity.

4 – The IFRS S2 Standard builds upon the TCFD by focusing on disclosure in financial filings, aiming to create a single global baseline for material climate risk disclosures. The ISSB establishes a globally consistent baseline for sustainability disclosures, enabling investors to reliably compare material climate-related impacts across markets, with over 40 jurisdictions representing more than 60% of global GDP and 40% of market capitalization as of mid-2026.

The Companies Voluntarily Reporting via CARB's Public Docket

The 154 companies that voluntarily submitted reports to CARB by early May 2026 represent all 11 SASB sector classifications and both public and private companies, as well as non-profit organizations. Entities not within the mandatory scope of SB 261, such as non-profits and non-covered companies, can still choose to report. Although these numbers are notable, we do not expect future reporting trends to match these exact proportions.

SB 261 Reporters by SASB Sector

18% 28 of 154 — Resource Transformation

15% 23 of 154 — Health Care

15% 23 of 154 — Technology & Communications

13% 20 of 154 — Services

9% 14 of 154 — Consumer Goods

8% 13 of 154 — Transportation

7% 11 of 154 — Infrastructure

5% 8 of 154 — Extractives & Minerals Processing

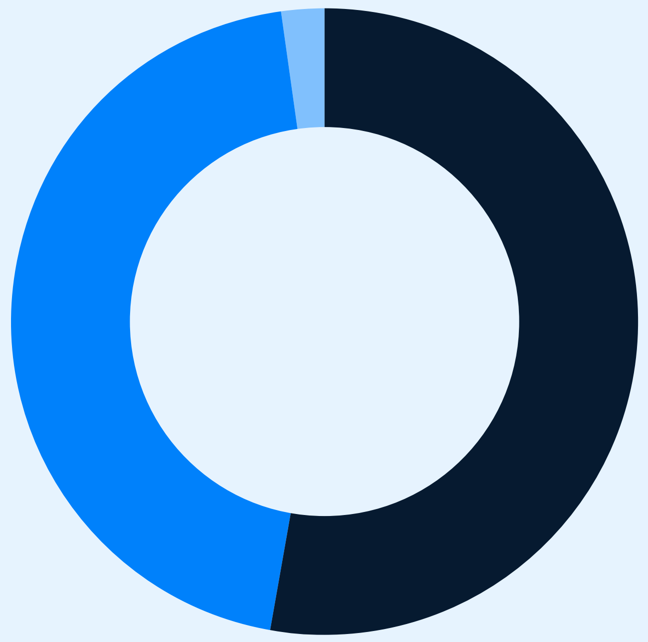
5% 8 of 154 — Financials

3% 4 of 154 — Food & Beverage

1% 2 of 154 — Renewable Resources & Alternative Energy

Note: Percentages may not total 100% due to rounding

SB 261 Reporters by Ownership Type



53% 81 of 154 — **Private**

45% 70 of 154 — **Public**

2% 3 of 154 — **Non-Profit***

We note that a slightly higher percentage of private companies filed reports (53%) than public companies (45%). This is striking since public companies often have more experience with disclosure, due to investor interest. The result suggests that SB 261, as planned, is leading to new or improved reporting by a wider range of companies.

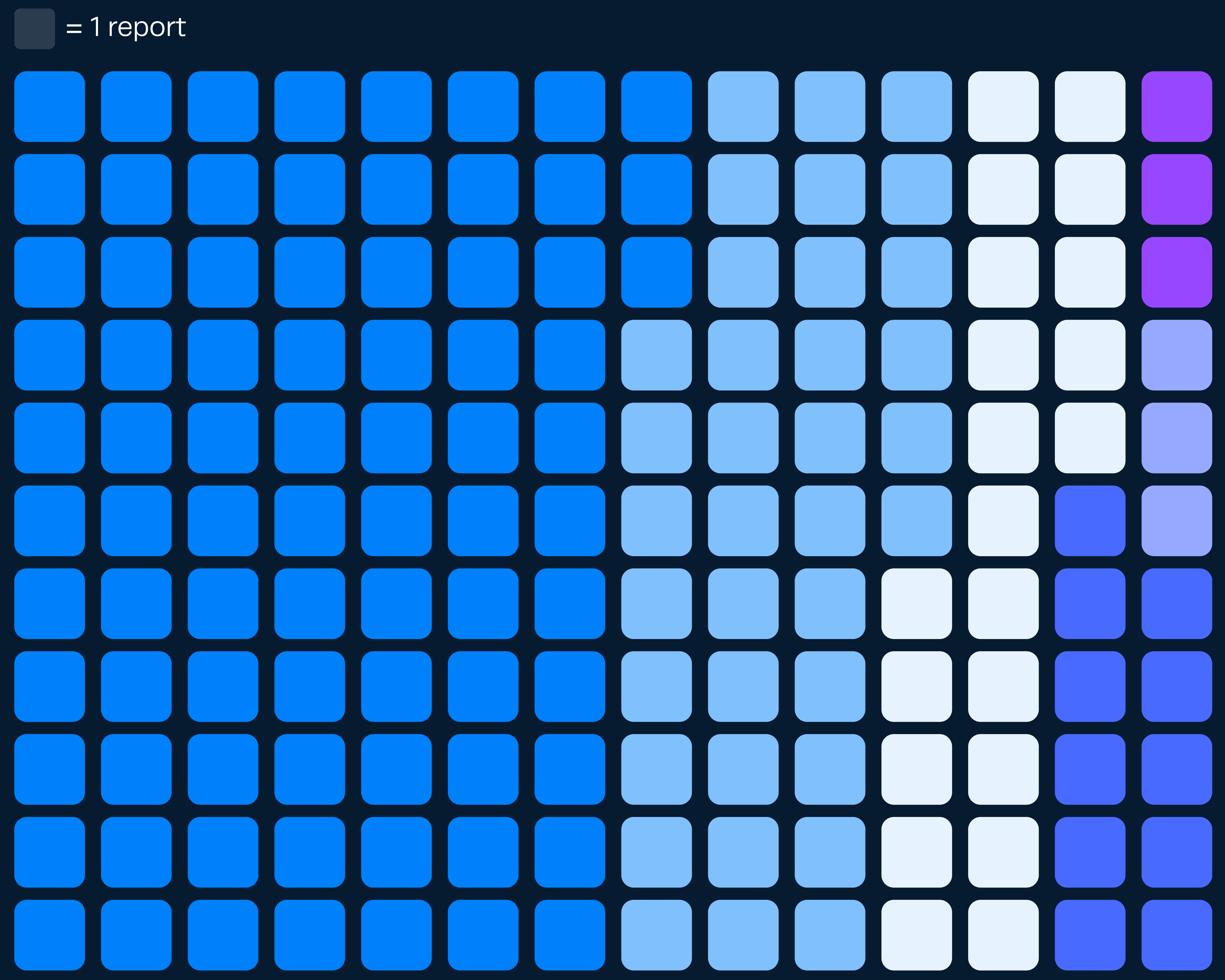
*All three non-profit organizations were in the health care sector.

Research Focus Area 1

Reporting Methods and Frameworks

Reporting Methods for SB 261 Disclosure

Companies used various reporting methods for SB 261 disclosures. A slim majority created standalone reports specifically to meet SB 261 requirements, while others incorporated the requirements into existing disclosures or simply submitted already-compliant disclosures to the public docket. The reporting method did not correlate with disclosure quality, and all methods were associated with varying levels of climate-related commitments and actions.



52% 80 of 154 **Standalone SB 261 report**

23% 36 of 154 **Standalone TCFD report**

14% 21 of 154 **Sustainability report**

7% 11 of 154 **Integrated annual report**

2% 3 of 154 **Standalone IFRS S2 report**

2% 3 of 154 **Other** (Combined TCFD & TNFD Index, Climate Transition Plan, CDP Climate Change Questionnaire)

Note: Percentages may not total 100% due to rounding.

Reporting Framework Selected for SB 261 Disclosure

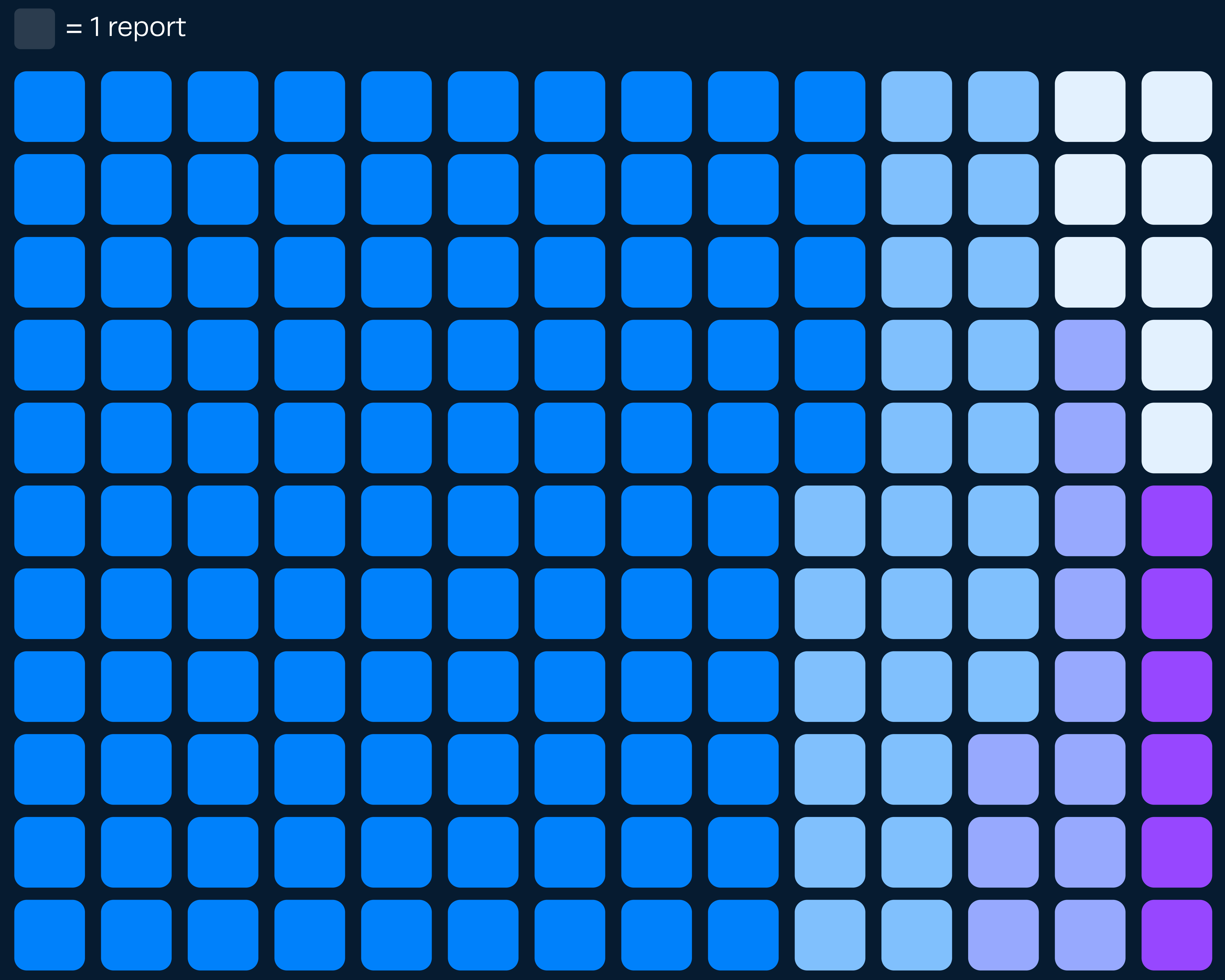
Although companies used different reporting methods, they shared a common thread in structuring their climate risk reports. The minimum disclosures required by SB 261 ([see the SB 261 Disclosure Checklist below]) align with the main areas of the TCFD Recommendations (Governance, Strategy, Risk Management, and Metrics and Targets), and many SB 261 reporters organized their disclosures accordingly.

Research Focus Area 1: G&A/Ceres Perspective

Of this cohort of reporters, 89% (137) aligned with TCFD in some manner, either alone or combined with other sustainability reporting frameworks. IFRS S2, which encompasses and builds upon the TCFD Recommendations, had a smaller share of aligned reporters.

Since IFRS S2 represents an evolution of TCFD, its share may be expected to grow as climate disclosures become more established and mature.

Want to know more about aligning with IFRS S2? See G&A's resource paper: **Evolving Sustainability Reporting to Align with the ISSB Standards**



68% 104 of 154 — TCFD

16% 25 of 154 — TCFD + Another framework (ESRS, SASB, GRI, TNFD, Aotearoa New Zealand Climate Standards (NZ CS), Swiss Code of Obligations)

7% 11 of 154 — IFRS S2

5% 8 of 154 — TCFD + IFRS S2

4% 6 of 154 — Another framework (ESRS, UK Mandatory Climate Disclosure, CDP)

Note: Percentages may not total 100% due to rounding.

Governance

Board-Level Oversight of Climate-Related Issues

Board-level oversight of climate-related risks and opportunities exists almost universally among this group of reporters (92%). How a company structures its oversight can indicate whether its climate strategy is successfully embedded in its business strategy.

Case Studies

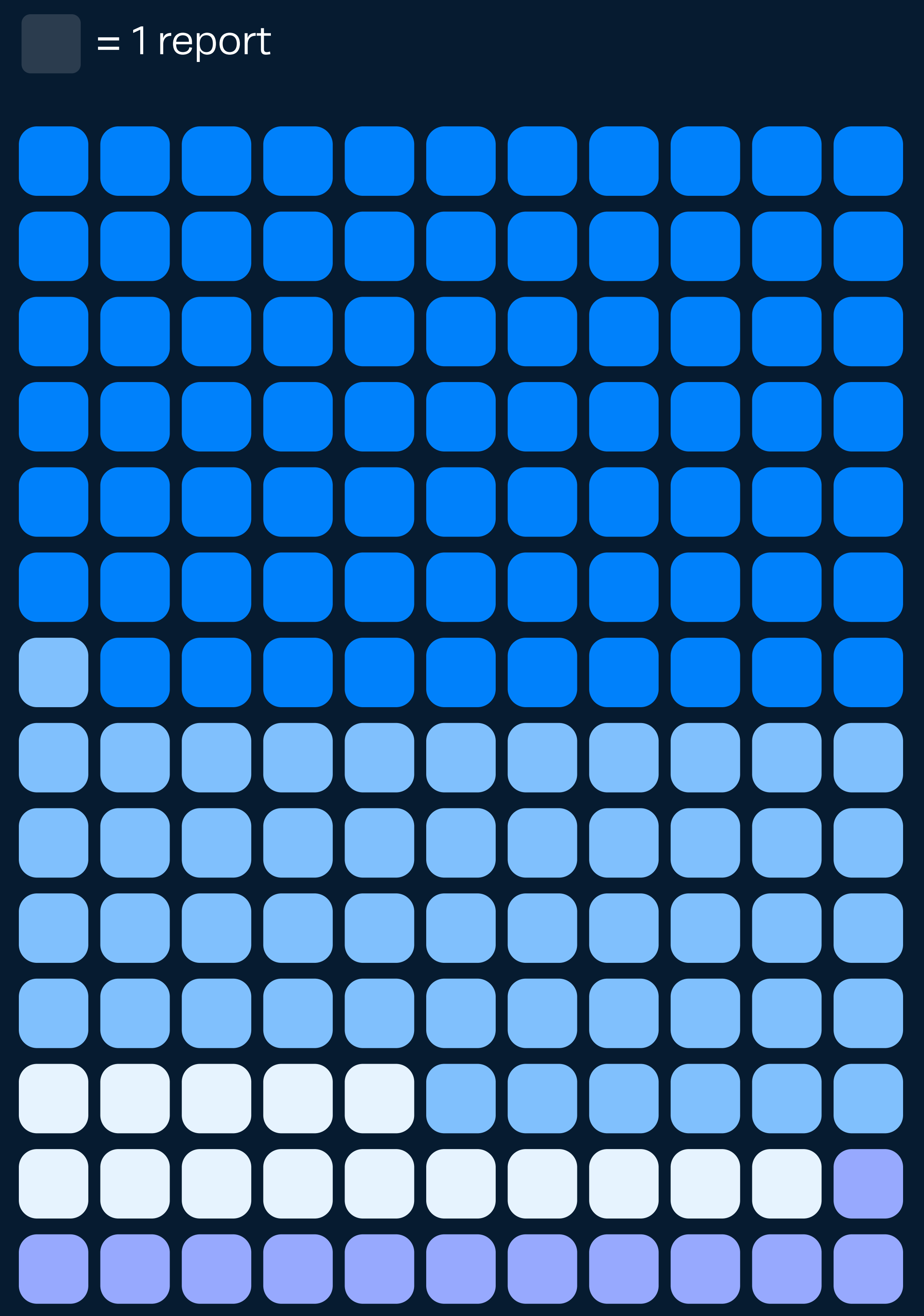
Established Climate Oversight and Strategy: At this company, each board committee was assigned specific responsibilities related to climate matters, and the company outlined these overarching responsibilities along with the frequency each committee met and the specific climate-related activities undertaken by each committee over the preceding year. The company took a robust approach to climate risk and opportunity identification and assessment, it had an established transition plan, it explicitly integrated climate-related financial considerations into its business strategy and operations, and it fully integrated climate risks into its enterprise risk management.

Although the type of oversight can be an indicator of reporting quality, a few "edge" cases show that this is not always the case. Different priorities and operating strategies, as well as company size, industry, ownership structure, and internal governance culture, can lead to varying combinations of strong and weak practices. For example, a company with full board engagement may still provide limited disclosures, while another with minimal formal oversight may disclose comprehensive operational risk management information.

Edge Case 1: Board-level oversight of climate-related issues was clearly stated, and the company acknowledged climate change as a relevant business consideration. Nonetheless, its approach remained high-level with general descriptions of climate risks and no identified opportunities. The company did not perform scenario analysis or address the possibility of financial impacts, and climate risks were only partially integrated into enterprise risk management.

Edge Case 2: This company stated, *"There currently is no Board-level oversite [sic] or involvement with Sustainability matters, to include climate-related risks and opportunities."* Despite this, the company conducted robust identification and assessment of climate risks and quantitatively modeled the impacts on asset value from climate-related risks, with specific dollar amounts disclosed.

These cases demonstrate that governance structure and substantive performance do not always align.



49% 76 of 154 — **Existing committee with delegated sustainability remit**

33% 51 of 154 — **Full board (broadly — no dedicated body)**

10% 15 of 154 — **Dedicated sustainability / ESG committee**

8% 12 of 154 — **No board oversight**

Note: Percentages may not total 100% due to rounding.

Management-Level Oversight of Climate-Related Issues

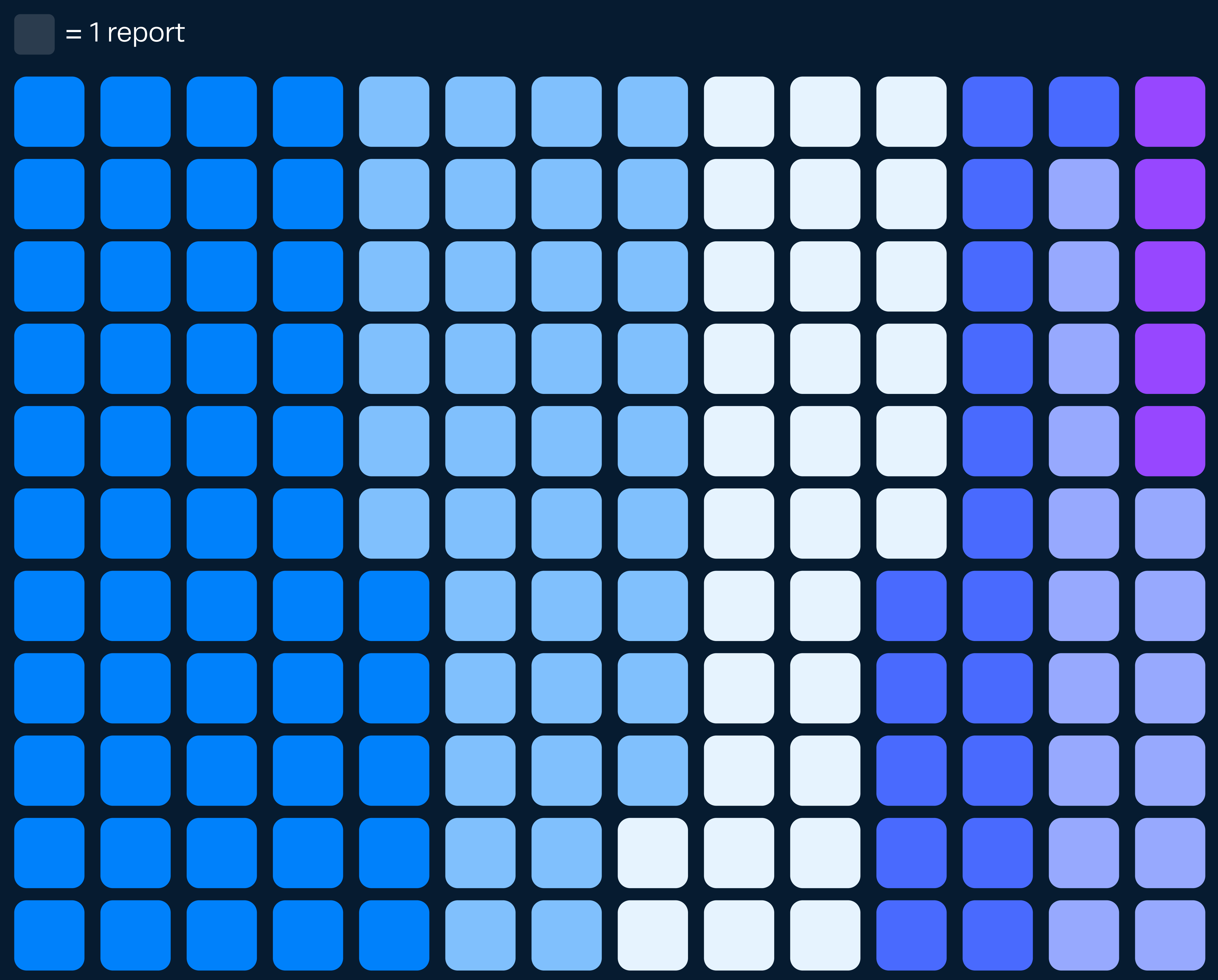
Like board-level oversight, over 80% of the companies among this group of voluntary reporters disclosed some kind of management-level oversight of climate issues. Notably, the majority reported that climate risks were addressed more often than once a year: 53% disclosed reviewing climate issues monthly, quarterly, or semiannually.

The frequency with which management reviews climate-related risks matters. A quarterly or more frequent review suggests climate is treated as a live business consideration that can be monitored, escalated, and responded to as conditions change. In contrast, annual or ad hoc reviews risk reducing climate risk management to a reporting exercise disconnected from operational and strategic decisions made throughout the year.

Research Focus Area 2: G&A/Ceres Perspective

The findings on board and management oversight show that governance structure is important, but it does not guarantee real climate action. It is more important to have oversight along with clear accountability, defined roles, and regular reviews. This helps keep climate risk part of everyday business decisions instead of just a box to check during reporting.

Want to learn more about sustainable governance? See the Ceres report, **Running the Risk: How Corporate Boards Can Oversee Environmental, Social and Governance (ESG) Issues**



32% Quarterly
49 of 154

24% Annual
37 of 154

19% Not stated
30 of 154

11% Monthly
17 of 154

10% Semiannual
16 of 154

3% Ad hoc
5 of 154

Note: Percentages may not total 100% due to rounding.

Strategy

Identified Climate-Related Risks and Opportunities

Over 90% of the 154 voluntary SB 261 reporters disclosed awareness of specific climate-related physical risks, transition risks, and opportunities. The top three risks and opportunities identified in each category are as shown on the right.

Case Studies

Advanced Disclosure: This company disclosed risks and opportunities in a table format where the company presented each risk and opportunity, the value chain stages where it occurs, a rating of the company's exposure level (low, moderate, high), associated time horizons, anticipated business impacts, and adaptation strategies.

Mid-Range Disclosure: Another company disclosed risks and opportunities in a narrative format with more limited detail: *"Among the hazards identified were river flooding, heat stress, fire, drought, and heavy precipitation. The physical risks assessment includes both acute and chronic risk hazards from the changing climate conditions, which potentially increases the intensity of extreme weather events."*

Early-Stage Disclosure: This company did not identify risks and opportunities: *"The Company is in the early stages of assessing climate-related risks and opportunities within our operations and strategic planning."*

A notable portion of reporters (47 companies, or 30%) disclosed examples of potential physical risks but did not distinguish between acute and chronic risks. These disclosures often included a list of risks deemed relevant without providing additional details.

Limited Detail Case 1: *"In five of the regions assessed, several physical risks (e.g., flooding, heavy precipitation, heat and water stress) were identified that could have a potentially negative impact on [the company's] products and economic activities."*

Limited Detail Case 2: *"Each office location is evaluated for exposure to seven key climate hazards: extreme heat, drought, hurricanes and tropical storms, sea level rise and coastal flooding, inland flooding, wildfire proximity, and water stress."*

Both the TCFD Recommendations and the IFRS S2 Standard offer examples of climate-related risks and opportunities to help guide companies in their assessments. It is therefore unsurprising that at a minimum, most companies in this group identified specific climate-related risks and opportunities.

Physical Risks Identified

98%
151 of 154
Yes

2%
3 of 154
No

Top three physical risks

- Flooding
- Storms (including high winds and hurricanes)
- Extreme heat

Transition Risks Identified

97%
149 of 154
Yes

3%
5 of 154
No

Top three transition risks

- Policy/regulatory
- Market/demand
- Reputation

Opportunities Identified

91%
140 of 154
Yes

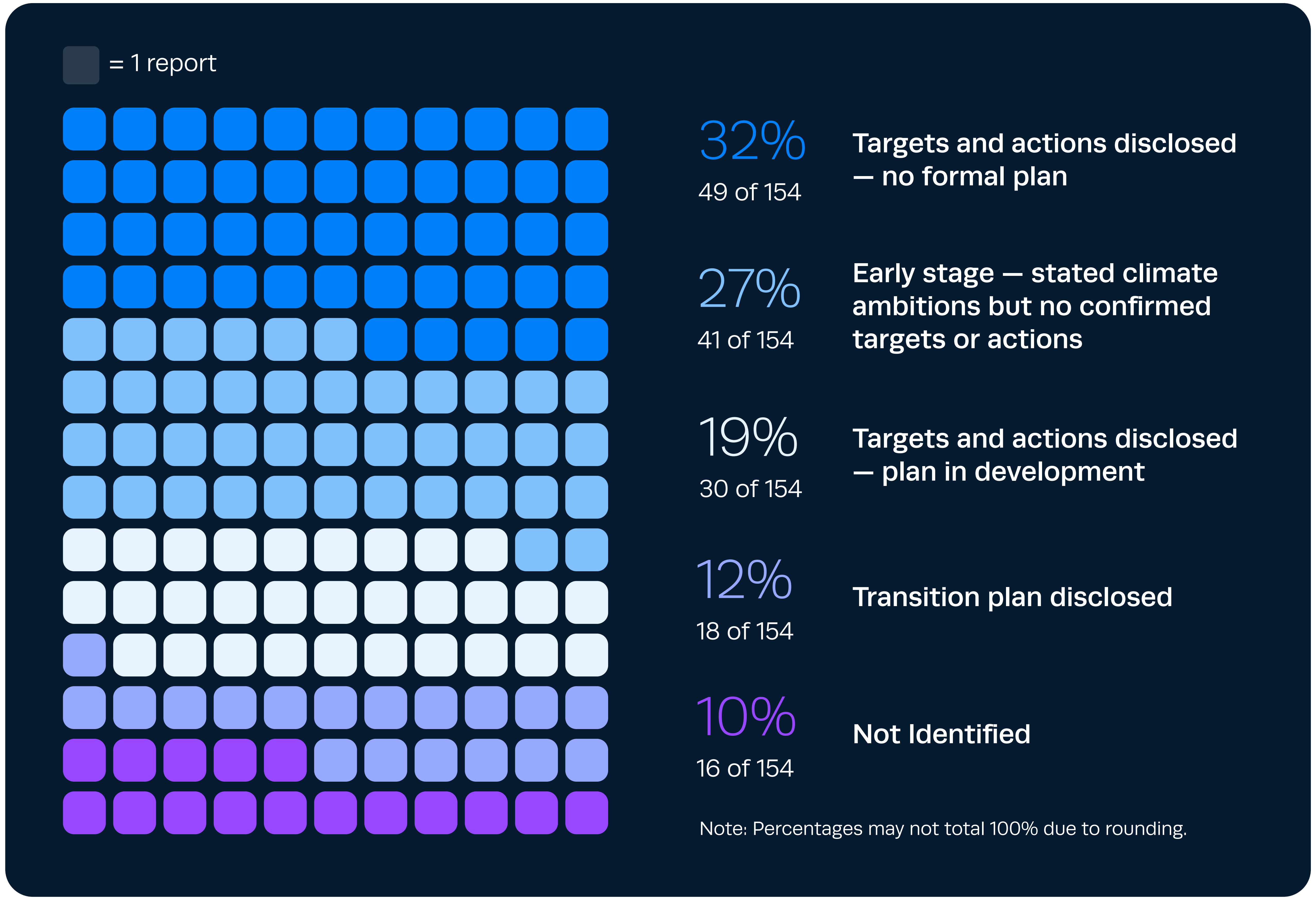
9%
14 of 154
No

Top three opportunities

- Products/services
- Market/revenue
- Resource efficiency

Addressing Transition Risks

Among this group of SB 261 reporters, the establishment of a transition plan is perhaps one of the clearest signals of more developed climate strategies and robust reporting overall. While only 12% of companies disclosed a transition plan, these companies had more advanced reporting on almost every other data point.



Case Studies

Transition Plan Disclosed: Beyond disclosing a transition plan, this company's plan was aligned with the [Transition Plan Taskforce (TPT) Framework](). The TPT Framework sets out best practices for robust and credible transition plan disclosures, and is now under the purview of the IFRS Foundation and aligned with IFRS S2.

Targets and Actions Disclosed – Plan in Development: *"We continued to work on our climate transition plan, which will include a timetable for phase out of coal at [the company] and new investments in renewables."*

Target and Actions Disclosed – No Formal Plan: *"[The company] is advancing initiatives that support long-term decarbonization and circularity across the product lifecycle. While formalized, company-wide science-based emissions-reduction targets are under development, [the company] has established the following directional targets and strategic commitments."*

Early Stage – Stated Climate Commitments but No Confirmed Targets or Actions: *"The Company has completed climate-scenario analysis but has not set climate-related performance targets. These initiatives may be implemented in future years as the Company's climate program matures."*

For most companies in this group, transition planning is an emerging practice rather than an established one. While many have taken meaningful first steps, they do not yet have a formal, comprehensive plan to decarbonize their operations.

Quantifying Climate-Related Risks and Opportunities

A known challenge in corporate sustainability is quantifying the financial impact of climate-related risks and opportunities. The TCFD Recommendations and the IFRS S2 Standard both guide companies in addressing climate risks from business strategy and financial perspectives. Still, it can be hard to put exact dollar values or even provide a monetary range for these risks, and many companies hesitate to do so.

In this group of voluntary SB 261 reporters, most companies recognize they face financial risks. Only a few have tried to quantify them. Some 12% of them explicitly integrated financial impacts into their disclosures, either describing how these impacts or exposures were calculated or assigning dollar figures/ranges to them.

Case Studies

Financial Impacts Explicitly Integrated:

"The system faces a total climate-related disruption range of approximately $268 to $474 million in capital damage and operational loss. Modeled catastrophic asset losses indicate that an earthquake represents the most significant exposure, with structural and equipment damage estimated between $200 to $250 million."

"Estimated catastrophic asset losses total $265–355 million, and business-interruption losses range from $55–180 million, driven largely by earthquake impacts of $200–250 million in structural and equipment damage and $20–40 million in lost revenue."

Partial Integration – Financial Impacts Referenced:

"Due to the nature of our office portfolio and business model, financial impacts of physical risks would typically be limited to increased expenditure related to increasing energy costs from cooling/heating requirements, the replacement of damaged assets, and associated increases in insurance premiums."

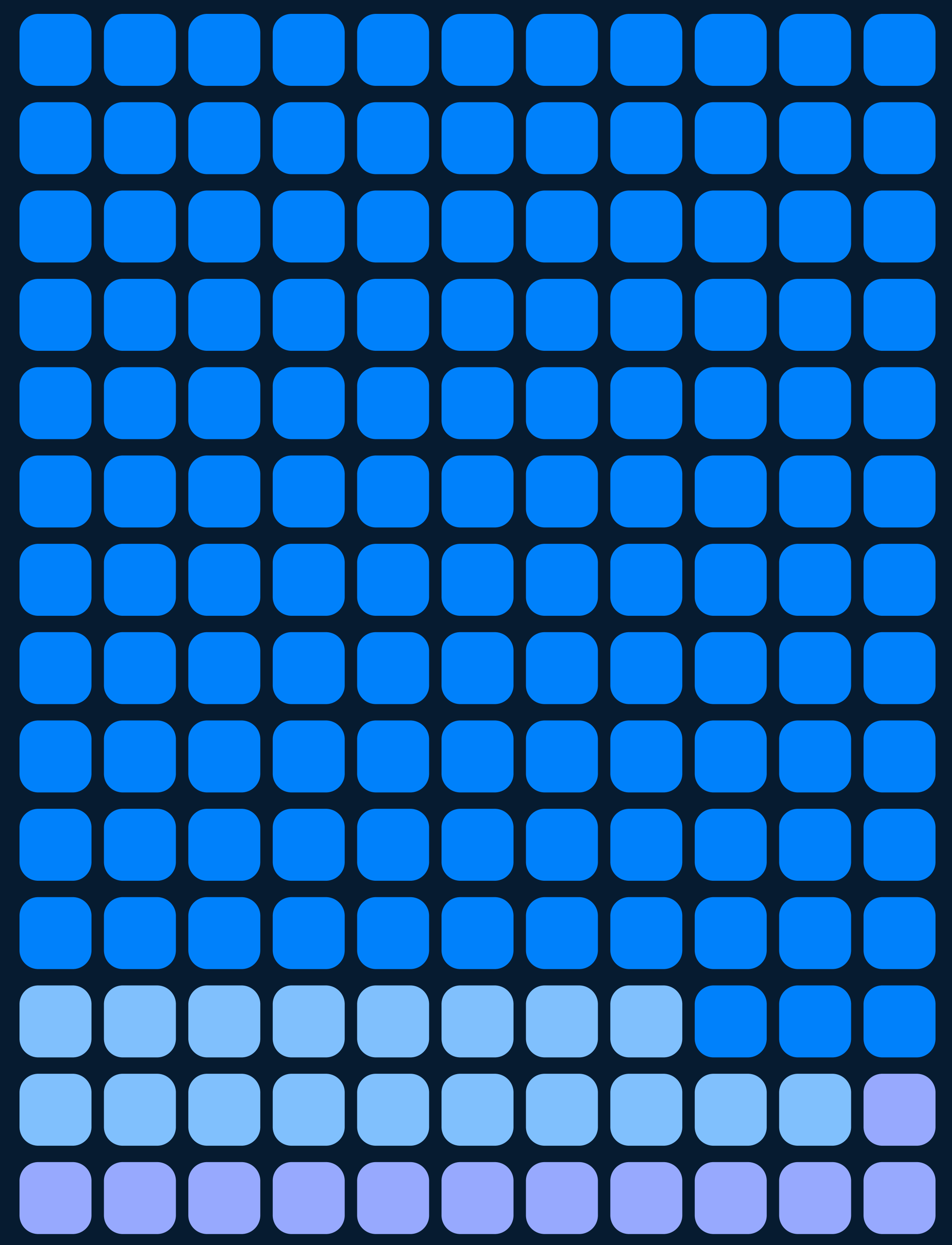
"Climate considerations are increasingly integrated into our strategic and financial planning processes, influencing investment priorities, vendor selection criteria emphasizing sustainability, and product development focusing on energy efficiency."

The gap between partial and explicit integration is significant. Referencing potential financial impacts due to climate risks is different from modeling them. The 80% of companies in the partial category range widely, from those with nascent awareness to those on the verge of full quantification. For many, the limiting factor is likely not motivation but methodology. Translating physical hazard exposure or carbon pricing scenarios into dollar figures requires data, modeling infrastructure, and internal expertise that many companies, particularly private ones, are still building.

Research Focus Area 3: G&A/Ceres Perspective

Most companies can identify climate-related risks and opportunities, and many partially refer to their financial impact. The gap lies in the fact that relatively few translate those risks into quantified financial impacts or formal transition planning. While risk awareness seems to be ubiquitous, the greatest gap is financial integration.

= 1 report



80% 124 of 154 — **Partial Integration – Financial Impacts Referenced**

12% 18 of 154 — **Financial Impacts Explicitly Integrated**

8% 12 of 154 — **No Financial Impacts Disclosed**

Note: Percentages may not total 100% due to rounding.

Risk Management

Identifying and Assessing Climate-Related Risks and Opportunities

The voluntary reporters in this research used a mix of strategies, often in combination, to identify and assess risks and opportunities. The most prevalent methods are shown below:

Case Studies

Identifying physical risks (acute and chronic)

Internal workshops / consultations: *"Our process for uncovering risks and opportunities (including climate-related) is broad and includes: Interviews with executive leadership and senior management."*

Third-party tool / platform / consultant: *"The physical risk data used for this assessment, including flood and wildfire vulnerability, was sourced from FEMA (Federal Emergency Management Agency) data."*

Geographic / asset-level analysis: *"To evaluate physical risk severity, we queried climate databases using each site's geospatial coordinates or address, obtaining location-specific projections."*

Assessing physical risks (acute and chronic)

Qualitative process (narrative): *"Internal specialists in our Global Workplace team qualitatively assessed potential vulnerability based on existing operational management and mitigation measures in the context of hazards identified as significant."*

Scenario analysis: *"The analysis was conducted under multiple climate scenarios through 2050 to evaluate how changes in hazard frequency and intensity could affect operations under high-emission conditions."*

Third-party tool / platform / consultant: *"Much of this analysis is supported by digital climate-risk software tools, which help us model potential future scenarios."*

Identifying transition risks

Internal workshops / consultations: *"While physical risks are assessed using quantitative scenarios, transition risks are considered qualitatively, allowing us to evaluate potential regulatory, market, and technological impacts on our business."*

Regulatory monitoring: *"To determine and evaluate climate-related transition risks and opportunities, we do not use climate scenarios, but rather evaluate political framework conditions and market signals at a country and segment level as part of the market model."*

Stakeholder engagement: *"The process involves consultation with various internal, including business units, supply chain partners, and relevant external experts."*

Case Studies (continued)

Assessing transition risks

Qualitative process (narrative): *"[The company] prioritized the following transition risks for scenario analysis based on market research and SME input: Grid Congestion, Carbon Pricing, Policy Uncertainty, and Climate Accountability."*

Scenario analysis: *"For transitory climate risk assessment, the assessment applied the International Energy Agency's (IEA) Net Zero Emissions 2050 scenario, which is based on limiting global warming to 1.5°C. This was used in combination with industry benchmarking and the latest sector-specific scientific studies."*

Probability / likelihood rating: *"The identified climate-related risks and opportunities were prioritized based on the likelihood of occurrence and magnitude of the impact on [the company's] financial prospects."*

Identifying opportunities

Internal workshops / consultations: *"Opportunities were identified in alignment with the TCFD Framework's categorization and assessed based on both their potential value and the feasibility of implementation."*

Stakeholder engagement: *"For transitional risks and opportunities, [the company] monitors and analyzes regulatory updates, technological advancements, and market insights, including via direct engagement with customers."*

Assessing opportunities

Qualitative process (narrative): *"Opportunities are also examined in our double materiality assessment and business strategy reviews."*

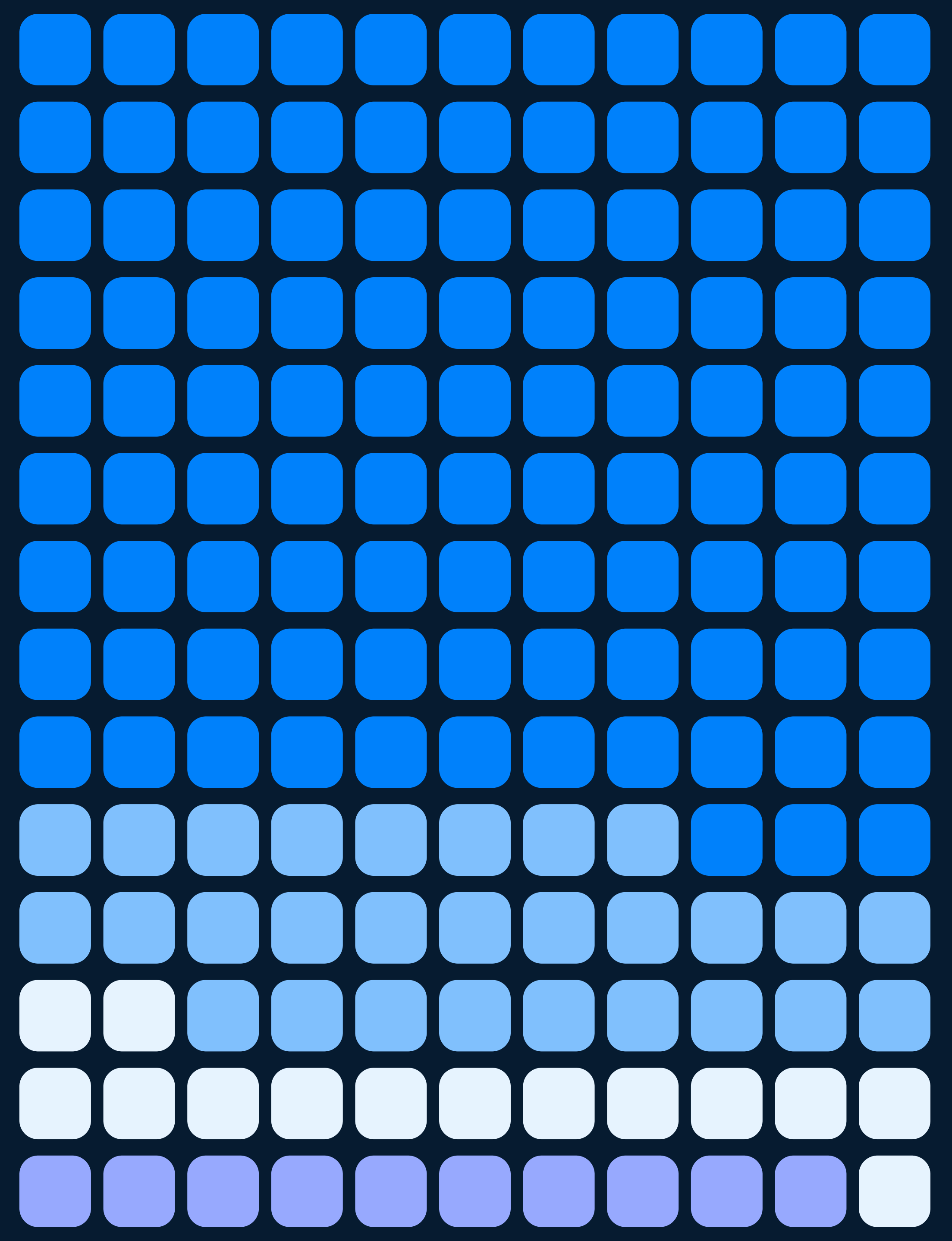
Scenario analysis: *"The size and likelihood of each transition risk and opportunity was evaluated across short-, medium-, and long-term horizons under the STEPS scenario."*

The preference for qualitative identification and assessment strategies was a clear trend among these voluntary reporters, and only a few companies used financial impact modeling or semi-quantitative scoring methods (like numerical scales) to assess risks and opportunities.

Many companies conducted scenario analysis as part of their climate risk and opportunity identification and assessment process. However, even with the widespread use of scenario analysis, qualitative scenario analysis disclosures far outweighed quantitative disclosures.

The limited use of quantitative scenario analysis in this group of reporters is likely due to resource and technical expertise challenges. Even the most advanced reporters find quantitative disclosures demanding. For example, one of the more comprehensive disclosures described its approach as "mainly a qualitative analysis," applying quantitative estimates only to "particularly important opportunities and risks." This suggests that conducting quantitative scenario analysis still requires substantial resources and technical skill, even for more advanced companies.

= 1 report



66% Qualitative scenario analysis
102 of 154

18% Did not conduct scenario analysis
28 of 154

9% Quantitative scenario analysis
14 of 154

7% Partial/in progress scenario analysis
10 of 154

Note: Percentages may not total 100% due to rounding.

Incorporating Climate-Related Risks into Enterprise Risk Management

Another indicator of climate strategy maturity is the extent to which climate risks have been integrated into the company's enterprise risk management processes and approach. In this group of voluntary SB 261 reporters, 78% of companies reported partial or more comprehensive integration of climate risks into overall risk management.

Case Studies

Formal Integration *"On climate risk, we incorporate climate risk identification and assessment into the enterprise risk management (ERM) process, through the three lines of defense of the risk management organization, self-assessment and process improvement of each business unit, procedural guidance and legal compliance of each support department, and the audit management procedures of internal audit unit."*

Partial Integration: *"Insights and outcomes of the climate risk management update process inform annual strategic planning and enterprise risk management processes."*

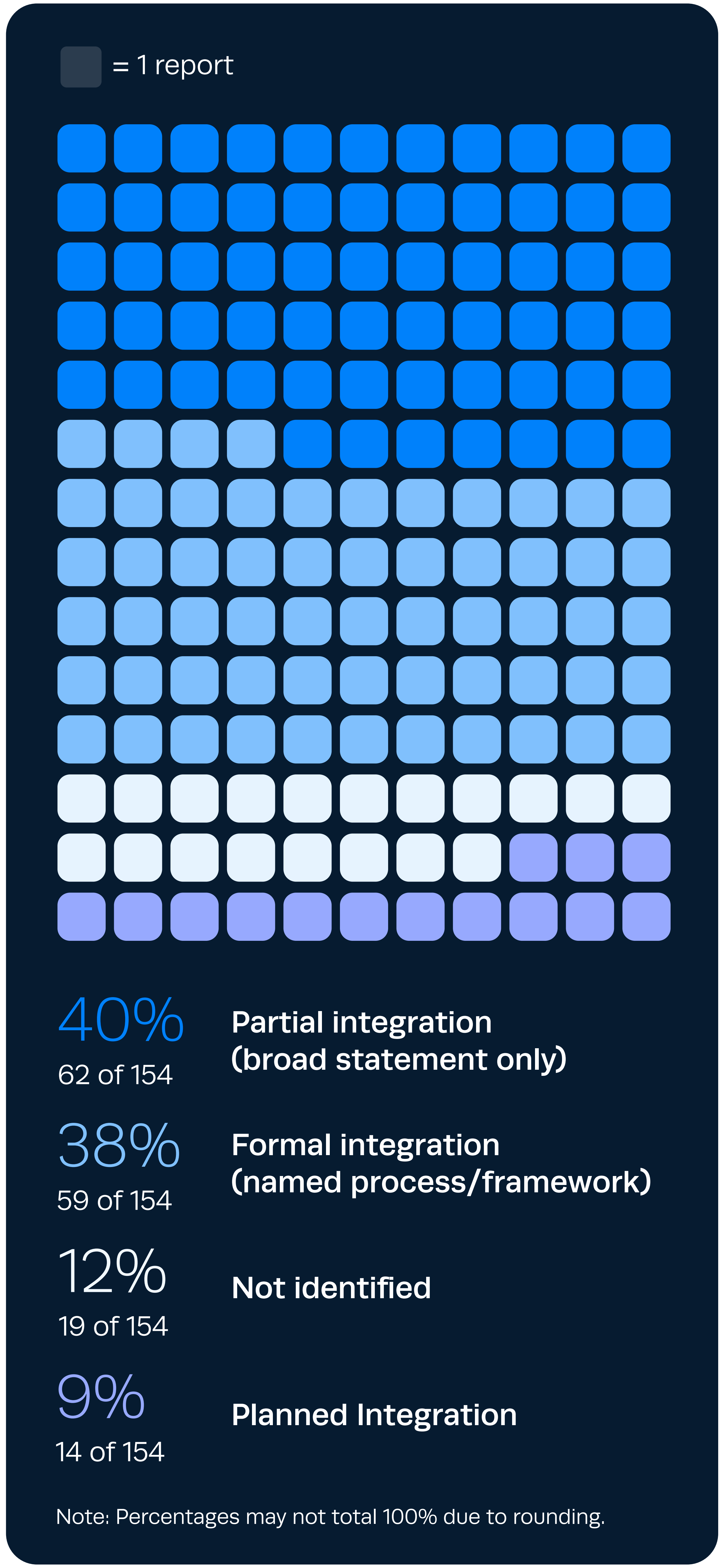
Planned Integration: *"As we expand our climate risk management efforts, we aim to develop more robust frameworks to systematically integrate climate-related considerations into corporate planning, operational management, and stakeholder reporting."*

No Integration: *"There currently are no provisions for integrating climate-related risks into the company's risk management strategy."*

Although most companies in this group now talk about climate risks as part of enterprise risk management (ERM), a majority have not yet built them into their core systems. Disclosing that climate issues "inform" ERM is a substantive difference from truly embedding them. This distinction becomes important if climate-related risks begin turning into tangible financial and physical impacts.

Research Focus Area 4: G&A/Ceres Perspective

Climate risk is increasingly recognized as, or should be, part of the overall enterprise risk management, yet the depth of integration varies considerably. Simply acknowledging climate risk is becoming the baseline, which leads to higher expectations for differentiating a company as a leader, such as demonstrating how it influences firm-level integrated risk assessment and decision-making.



Metrics and Targets

Disclosing Greenhouse Gas (GHG) Emissions

SB 261 does not explicitly require GHG emissions disclosures. It requires disclosure of material metrics and targets "used to assess and manage relevant climate-related risks and opportunities adopted to reduce and adapt to climate-related risk."

However, many companies subject to SB 261 are also subject to SB 253, which requires these GHG disclosures (Scopes 1 and 2 starting in 2026 and Scope 3 starting in 2027). So while they may not be required to disclose GHG emissions under this law, a majority of companies did include their emissions in their disclosure or referenced other reporting that contained this data.

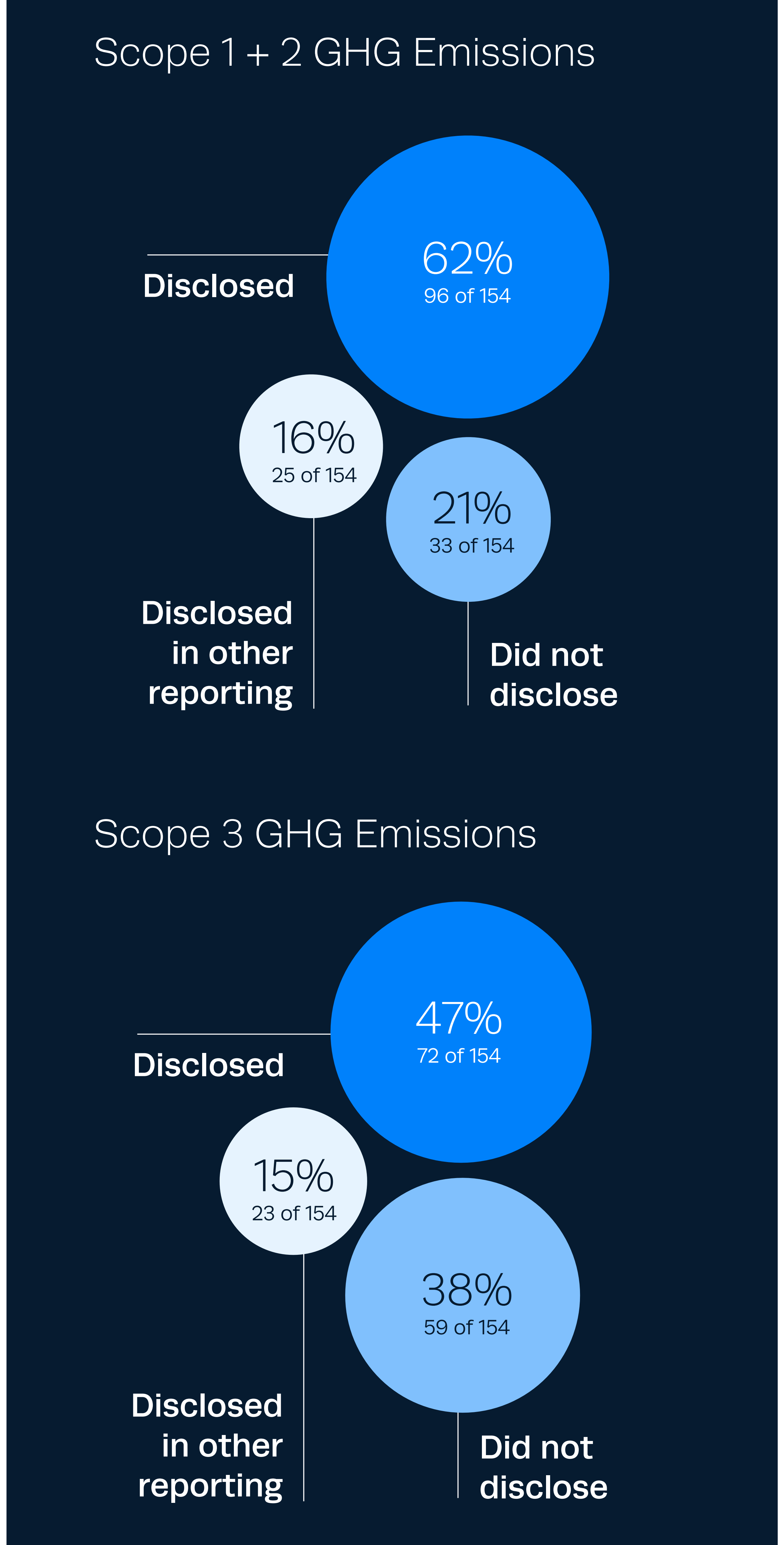
Case Studies

Several companies acknowledged their reporting requirements under SB 253 in their SB 261 disclosure.

> *"The information reported here covers all TCFD framework recommendations with the exception of Scope 1–3 emissions disclosures which will be reported in line with Senate Bill 253 ('SB 253') requirements."*

> *"The first full inventory is scheduled for completion in 2026 followed by limited assurance under the compliance requirements of California SB 253."*

> *"[The company] plans to provide GHG emissions as required within its California SB 253 disclosure in 2026."*



Note: Percentages may not total 100% due to rounding.

Setting Emissions Reduction Targets

G&A also found that 21% (32 of 154) of companies had a GHG emissions reduction target validated by the Science Based Targets Initiative (SBTi) *(shown to the far right)*:

Many reporters choose to disclose GHG emissions and reduction targets, even though disclosure isn't required under SB 261. This could be due to recommendations from other disclosure frameworks – such as the TCFD and IFRS S2 to include GHG emissions as a key metric. More broadly, GHG emissions data has become a basic part of climate disclosures, whether or not it is specifically required.

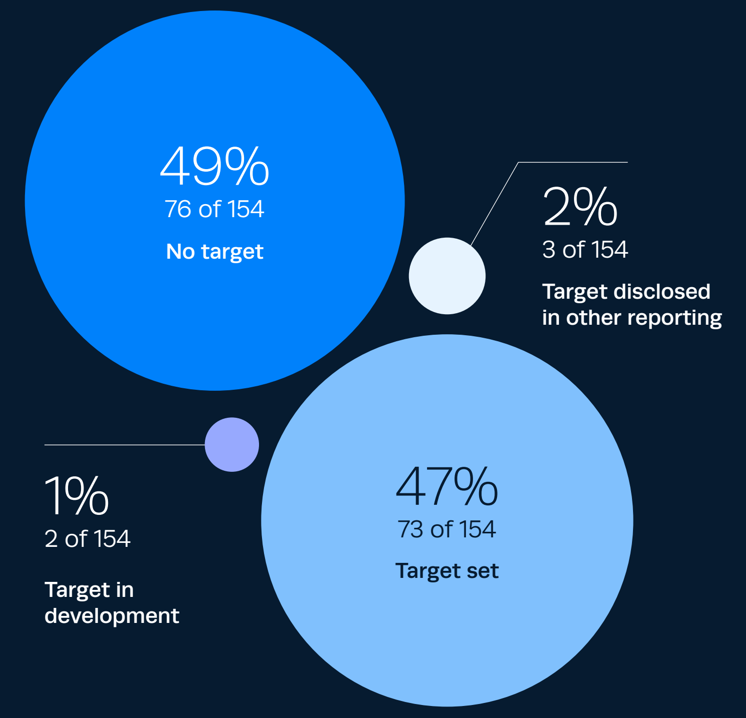
Research Focus Area 5: G&A/Ceres Perspective

Many companies voluntarily disclose climate targets and GHG emissions beyond SB 261's minimum requirements, reflecting the market's expectations and demands for quantitative climate data. Still, the differences in reporting scope, methodology, and target-setting continue to limit comparability across companies.

A significant number of companies disclosed GHG emissions reduction targets.

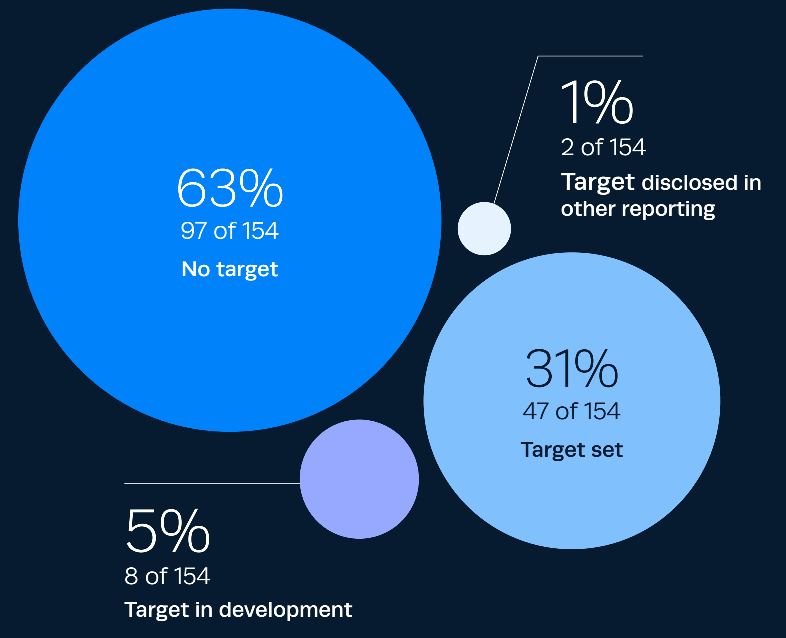
Near-term GHG Emissions Reduction Target

(target year generally 5–10 years from date target was set)

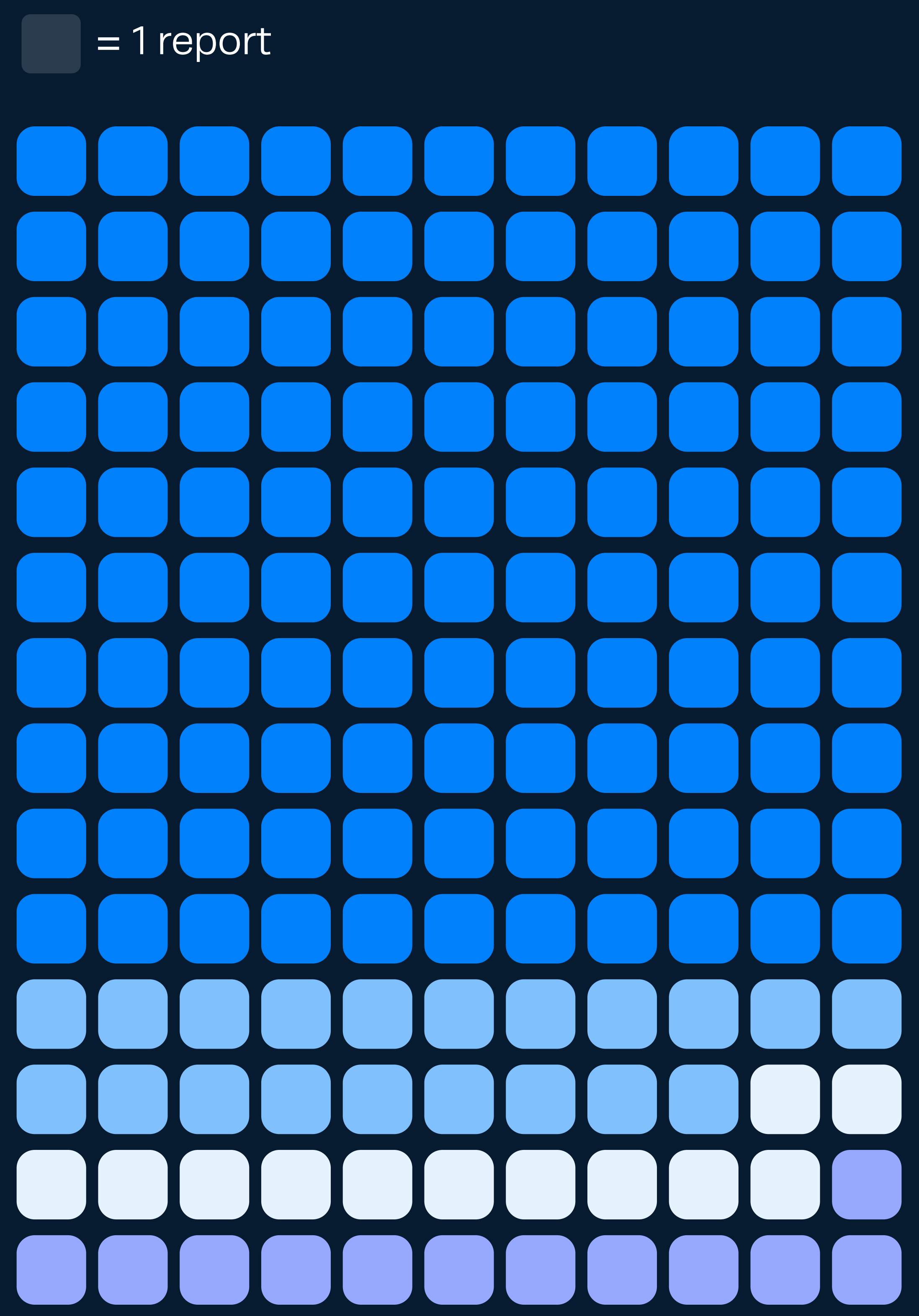


Long-term GHG Emissions Reduction Target

(target year generally set at 2050)



Additionally, 28% (43 of 154) of companies disclosed net-zero targets, and 2% (4 of 154) of companies disclosed carbon-neutral commitments.



71% 110 of 154 — No SBTi verified target

13% 20 of 154 — Near-term SBTi verified target

8% 12 of 154 — Both near and long-term SBTi verified target

8% 12 of 154 — Committed to a SBTi target

Note: Percentages may not total 100% due to rounding.

G&A Closing Thoughts

This first group of voluntary SB 261 disclosures shows the full range of where companies stand on climate risk management, from early-stage acknowledgments of the risks to advanced financial modeling. That range is itself a finding: there is no single profile of an early reporter, and disclosure quality varies as much within sectors as across them. We noted that while many companies are progressing toward climate-forward business strategies, some notable gaps in rigor and ambition remain. Disclosures are expected to mature and climate ambitions to expand over time, consistent with trends observed by G&A in other contexts. Our annual Sustainability Reporting Trends research shows TCFD alignment among Russell 1000 companies stood at just 4% in 2019 but had reached 65% by 2024. This reflects how quickly climate disclosure can scale once frameworks are integrated into regulatory and voluntary reporting expectations.

Once mandatory compliance is in effect, a broader and more representative reporting picture is likely to emerge. The initial voluntary cohort suggests that companies deriving the greatest benefit are those leveraging the reporting process as a catalyst to refine risk assessments, enhance financial integration, and develop the internal capabilities required for more advanced disclosure.

Staying on top of sustainability trends is challenging, but G&A has been tracking these shifts for years. See G&A's library of reporting trends here for more: **Reporting Trends**.

Ceres Closing Thoughts

SB 261 is important to America's investors and other stakeholders, as California is one of the world's largest economies, with businesses from across the nation doing business here. With the future of the SEC's climate risk disclosure rule uncertain, SB 261 and SB 253 play an even larger role. And CARB's and California's long experience addressing climate change and advancing a clean economy mean the state is in a prime position to implement these disclosure laws.

The 150 plus companies that have voluntarily reported under SB 261 demonstrate a wide range of experience with climate risks, and their decisions to report is a positive sign of continued momentum towards improving climate risk disclosure. Meeting CARB's minimum requirements, however, is the starting point, not the destination. The findings here show that the leading disclosures are financially integrated, quantified, and tied to concrete transition plans. Here's what we see in the disclosures from early, voluntary reporters:

1. **Market practices aligned with SB 261.** Even before mandatory compliance, companies are converging around common approaches to climate risk disclosure, organized around governance, strategy, risk management, and metrics and targets, and based on the TCFD Recommendations or the IFRS S2 Standard.

2. **The market has moved beyond "whether" to "how."** Investors have helped develop and refine climate risk disclosure standards, frameworks, and rules for over 20 years. Today, investors' interest is no longer whether companies disclose climate risks, but how useful those disclosures are to investors and key stakeholders. The greatest differences among early reporters lie not in the presence of disclosure, but in its quality, integration, and financial relevance. For example, virtually all early reporters identify physical and transition risks, but only 12% have a formal transition plan, and only 12% quantify financial impacts.

3. **Minimum disclosure is becoming the floor, not the ceiling.** CARB's Checklist establishes the minimum disclosure expectations. Early reporters demonstrate that companies are beginning to differentiate themselves through stronger governance, quantitative scenario analysis, explicit financial modeling, and formal transition plans. The case studies of leading companies presented here offer a practical roadmap for closing that gap.

4. **This is the start of a longitudinal record.** These 154 voluntary filings establish the first empirical baseline for tracking how corporate climate disclosure will mature under SB 261. Ceres and G&A will repeat this analysis as mandatory compliance takes effect, tracking the same indicators across a broader and more representative reporting universe. That record will provide the evidence base needed to assess whether mandatory disclosure is producing the quality and comparability that investors require — and to inform ongoing regulatory debate at both the state and federal level.

Looking Ahead

As mandatory reporting under SB 261 takes effect, the findings from this initial analysis of voluntary reports suggest several priorities:

- **For companies:** Use the findings and case studies to benchmark current disclosures against both CARB's minimum requirements and emerging reporting practices. Companies can use this analysis to identify opportunities to strengthen financial quantification, transition planning, and enterprise risk management integration.

- **For investors:** Use the findings to distinguish between the presence of disclosure and its decision usefulness. The analysis provides a practical framework for assessing whether climate-related disclosures are sufficiently comparable, financially relevant, and useful for evaluating climate-related financial risk across portfolios.

- **For regulators and standard setters:** Monitor how reporting practices evolve over time and differ across sectors to assess whether the minimum requirements are producing sufficiently consistent and comparable disclosures, and to identify areas where additional implementation guidance may be helpful.

SB 261 Disclosure Checklist

CARB has provided a **Climate Related Financial Risk Disclosures: Checklist** to clearly guide companies on what information is expected in their disclosures. Required elements and minimum disclosure requirements are included here:

- [ ] **Choose a reporting framework to report climate-related risks and opportunities to reduce and adapt to those risks:**
  - [ ] Final **Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)**
  - [ ] International Financial Reporting Standards (IFRS) Sustainability Reporting Standard – **IFRS S2 Climate-related Disclosures**
  - [ ] A report developed in accordance with any regulated exchange, national government, or other governmental entity
- [ ] **Include a statement in the report with:**
  - [ ] The reporting framework being used
  - [ ] Which recommendations and disclosures (from the specific reporting framework) have been included and which are not. For disclosures not included, a short summary of reasons why and any plans for future disclosure
- [ ] **Minimum disclosure requirement: Governance**
  - [ ] Describe your organization's governance structure, if any, for identifying, assessing, and managing climate-related financial risks.
  - [ ] Discussion of any management oversight of climate-related risks and opportunities and should provide a description pertaining to Board oversight of those climate-related risks and opportunities (if the reporting entity has a Board).
- [ ] **Minimum disclosure requirement: 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:
    - [ ] Climate-related risks and opportunities the organization has identified over the short, medium, and long term.
    - [ ] Impact of climate- related risks and opportunities on the organization's operations, strategy, and financial planning
    - [ ] 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.)
- [ ] **Minimum disclosure requirement: Risk Management**
  - [ ] Describe how the reporting entity identifies, assesses, and manages climate-related risks
  - [ ] 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 into the organization's overall risk management.
- [ ] **Minimum disclosure requirement: 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.

Under SB 261, covered companies will be required to submit reports to CARB's **public docket** once mandatory reporting takes effect; submission is currently voluntary while the injunction remains in effect.

About Us

G&A GOVERNANCE & ACCOUNTABILITY INSTITUTE, INC.™

Governance & Accountability Institute (G&A) is a New York–based sustainability consulting and research firm founded in 2006. G&A advises corporate and investor clients on integrating sustainability into governance, risk, and enterprise strategy – translating sustainability initiatives into durable enterprise value.

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Ceres

Ceres is a nonprofit advocacy organization working to accelerate the transition to a cleaner, more just, and resilient economy. With data-driven research and expert analysis, we inspire investors and companies to act on the world's sustainability challenges and advocate for market and policy solutions. Together, our efforts transform industries, unlock new business opportunities, and foster innovation and job growth — proving that sustainability is the bottom line.

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