

Climate Related Financial Risk Disclosures: Draft Checklist

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The Climate Related Financial Risk Disclosure Program authorized by Senate Bill (SB) 261 (Stern, 2023, codified in Health and Safety Code § 38533) applies to U.S. companies that do business in California with annual revenues in excess of \$500 million. Beginning with the initial SB 261 report due on January 1, 2026, these reporting entities must biennially prepare and publicly disclose a report on their climate-related financial risk and the measures adopted to reduce and adapt to climate-related financial risk.

On December 1, 2025, CARB will post a public docket for reporting entities to post the location of their public link to their initial climate-related financial risk report under this program. CARB will keep this public docket open until July 1, 2026. This public docket will help support transparency by providing one location for the public to review all climate-related financial risk reports. More information regarding Health and Safety Code (HSC) § 38533 is available on the California Air Resources Board's [website](#).

The above website contains a Frequently Asked Questions (FAQ) document related to both HSC §38532 and § 38533. As part of the public engagement process, we have received additional questions related to HSC § 38533 and offer the following clarifications:

- **Does HSC § 38533 provide for any exemptions?** Yes. It is specified in statute that a "'Covered entity' does not include a business entity that is subject to regulation by the Department of Insurance in this state, or that is in the business of insurance in any other state."
- **When preparing a Climate Related Financial Risk Report, should we use Calendar Year or Fiscal Year data?** HSC § 38533 does not specify Calendar Year or Fiscal Year data. The FAQ previously developed by CARB states that covered entities should use the most recent/best available data for the first report.
- **If my company already submits climate related financial risk disclosures via a third party, can my company use those reports to comply with HSC § 38533?** All Climate Related Financial Risk reports must meet the requirements established in HSC § 38533, and then be posted on the company's own website (as required by statute). Reporting entities must then post the location of their public link to their initial climate-related financial risk report on CARB's public docket as outlined above.
- **My parent company is submitting a climate related financial risk disclosure report on behalf of its subsidiaries- do subsidiaries need to break out their own information separately?** No. Per statute, climate-related financial risk reports may be

consolidated at the parent company level. If a subsidiary of a parent company qualifies as a covered entity under HSC § 38533, the subsidiary is not required to prepare a separate climate-related financial risk report (if the parent company is reporting on its behalf).

With respect to the content of a Climate-Related Financial Risk Report, a reporting entity may use one of several frameworks to meet disclosure requirements:

- The Final Report of Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) (June 2017) published by the TCFD (or any successor),
- The International Financial Reporting Standards Sustainability Disclosure Standards, as issued by the International Sustainability Standards Board (IFRS S2), or
- A report developed in accordance with any regulated exchange, national government, or other governmental entity, including a law or regulation issued by the United States government (see HSC § 38533(b)(3)(A) for details).

CARB has received feedback from stakeholders asking for guidance related to developing biennial reports under the Climate-Related Financial Risk Disclosure Program, and in response has developed this draft checklist.

Details regarding what a reporting entity should disclose in each section will vary depending on the company, the discretion of the preparers, and the chosen reporting framework. A key guiding principle in preparation of these reports should be meeting the needs of the users of the biennial reports. Reporting entities should focus on disclosing climate-related financial risks, and measures adopted to reduce and adapt to climate-related financial risk, that are material to their operations and financial outlook, using the lens of decision-usefulness for investors and other stakeholders. Disclosures should reflect a company's effort to assess and communicate risk.

Note that some of the frameworks, outlined in HSC § 38533, may have supplemental guidance for particular sectors. In contrast, this document is intended for general use and is intended to be a baseline for the information provided by reporting entities in their reports. As such, CARB's recommendations are largely based on TCFD (2017).

This document should be read in addition to recommendations and reporting guidance made available by the TCFD and/or the IFRS S2, depending on which reporting framework is chosen by the reporting entity. It is the responsibility of the reporting entity to understand the [laws](#) that it is subject to.

For detailed descriptions and opportunities for analysis beyond what is described in this document, there are a number of resources available including:

- [TCFD's Reporting Climate-Related Financial Information: Critical Introductory Materials](#)
- [IFRS S2 Climate-Related Disclosures](#)

- [*IFRS Comparison of IFRS S2 and TCFD Recommendations*](#)

This draft checklist is intended to be used as a starting point for reporting entities; understanding that legislative direction provides various compliance options and that a company's climate related financial risk report may be more detailed than what is outlined below, depending on the company and their circumstances. CARB has developed this document specific to reporting under HSC § 38533. This document is provided to assist reporting entities in complying with that statutory reporting program. Unlike the statute, this guidance document does not have the force of law. It is not intended to and cannot establish new mandatory requirements beyond those that are already in statute. In the event any discrepancy exists between this document and the statute, or any future CARB regulations developed to implement the statute, the statute and regulations will control. CARB makes every effort to keep its documents up to date. However, CARB does not guarantee the accuracy of this document and shall not be responsible for any errors or omissions in content. Compliance with the reporting requirements is the responsibility of each regulated entity, as applicable. This document is subject to change without notice.

1. Pick a Reporting Framework to Report Climate-Related Risks and Opportunities to Reduce and Adapt to Those Risks

As noted above, under HSC § 38533 companies may prepare their reports in conformance with any of the following:

- The Final Report of Recommendations of the TCFD (June 2017) published by the TCFD (or any successor),
- The IFRS S2, or
- A report developed in accordance with any regulated exchange, national government, or other governmental entity, including a law or regulation issued by the United States government (see HSC § 38533 (b,3,A) for details).

Each report should contain a statement on:

- Which reporting framework is being applied; and
- Using that reporting framework as a reference point, which recommendations and disclosures have been compiled and which have not. This should be accompanied by a short summary of the reasons why recommendations/disclosures have not been included as well as discussion of any plans for future disclosures.

For additional guidance on formulating compliance statements, a number of existing resources exist, including: [*The TCFD-aligned disclosure for the UK public sector: Application guidance*](#)

HSC § 38533 also allows that "to the extent a climate-related financial risk report contains a description of a covered entity's greenhouse gas emissions or voluntary mitigation of

greenhouse gas emissions, the state board may consider the covered entity's claims if those claims are verified by a third-party independent verifier."

2. Governance

HSC § 38533 requires reporting on "climate-related financial risk" and "measures adopted to reduce and adapt to climate-related financial risk" (HSC § 38533(c)(1)). In disclosing "climate-related financial risk", both the TCFD and IFRS S2 frameworks start with governance accountability.

Minimum CARB requirement for disclosure:

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

3. Strategy

As climate-related risks and opportunities increasingly shape economic realities, disclosing the actual and potential impacts of these risks on a company's strategy has become essential for investors and stakeholders.

Both the TCFD and IFRS S2 frameworks recommend the use of climate scenarios to support disclosure of an entity's climate-related financial risk strategy. CARB has received stakeholder feedback that conducting scenario analysis as a detailed quantitative exercise may be duplicative with HSC § 38532 or unduly burdensome for some reporting entities. The inclusion of the requirement below is intended to clarify that reporting entities are expected to discuss the resilience of their strategy in the context of future climate change. This discussion may be qualitative in nature. Where a qualitative scenario-based assessment is feasible and relevant for a particular company, CARB encourages its inclusion.

Minimum CARB requirement for disclosure:

- 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.)

For a discussion of material relevance as used in this context, see TCFD 2017. If using a different framework, refer to that framework's guidance.

4. Risk Management

Effective risk management is a foundational element of any credible climate-related financial disclosure regime. The disclosures for the purposes of implementation of HSC § 38533 are for reporting entities to not only describe climate-related financial risks but also disclose how those risks are managed and integrated into the company's business practices.

Transparent risk management disclosures can help support investor and stakeholder confidence by helping users understand whether climate risks are being managed proactively and consistently across the organization.

Minimum CARB requirement for disclosure:

- 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 into the organization's overall risk management.

5. Metrics and Targets

While narrative disclosures help identify risks and strategies, metrics and targets provide stakeholders with decision-useful, comparable, and forward-looking information about the organization's exposure to climate risks and opportunities, and how it is responding.

In the discussion of metrics and targets, various reporting frameworks note that the inclusion of Scope 1, 2, and 3 emissions reporting may be disclosed if appropriate. CARB has received stakeholder input that gathering this data may not be feasible in the legislatively-directed deadline of January 1, 2026 and/or may be duplicative with the requirements of HSC § 38532. As such, this requirement is not currently included as a minimum CARB requirement for this initial reporting period.

Minimum CARB requirement for disclosure:

- 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.

For a discussion of material relevance as used in this context, see TCFD 2017. If using a different framework, refer to that framework's guidance.