Clearyst° × arbor

8 Key Steps to Ensuring Compliance with California's Climate-Related Financial Risk Disclosure Act (SB 261)

This checklist helps businesses navigate the upcoming deadlines and key requirements for California's SB 261. By adhering to these guidelines, companies in scope for reporting will not only avoid penalties of up to **$50,000**, but will also generate insights to improve sustainability and operational performance.

This information is for general guidance. Reach out to Clearyst Advisory and/or Arbor for more detailed support.

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Steps to Ensure SB 261 Compliance

(Climate-Related Financial Risk Disclosure Act)

Applies to companies with annual revenues exceeding $500 million doing business in California.

☐ 1. Confirm In-Scope Status and Consolidation Approach

- Verify if your company meets the $500+ million annual revenue threshold
- Confirm operations in California to determine applicability
- Align stakeholders (legal, finance, sustainability, other) to establish ownership of compliance tasks

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☐ 2. Establish GHG Reporting Processes

- Choose a reporting framework:
  - TCFD (Task Force on Climate-Related Financial Disclosures)
  - IFRS S2 (International Sustainability Standards Board's Climate-Related Disclosures)
  - A government or regulated exchange framework consistent with TCFD (see statute for details)
- Draft a compliance statement outlining your company's commitment to meeting SB 261 requirements

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☐ 3. Map Materials Risks and Opportunities

- Identify and document material climate-related risks and opportunities:
  - **Physical risks**: Extreme weather, rising sea levels, etc.
  - **Transition risks**: Regulatory changes, market shifts, etc.
- Ensure Board and management oversight is documented and integrated into governance process

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☐ 4. Develop a Qualitative Resilience Narrative

- Use scenario-informed thinking to draft a narrative on your company's resilience to climate risks

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☐ 5. Catalogue Metrics and Targets

- Compile metrics and targets currently in use, including:
    - Emissions data (if available)
    - Scenario analysis (if available)
    - Scope 1/2/3 emissions are not a minimum SB 261 requirement for the initial cycle
- Identify gaps in data and develop remediation plans to address them

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☐ 6. Plan Publication Logistics

- Set a timeline for report preparation and publication by January 1, 2026
- Prepare for submission to the California Air Resources Board (CARB):
    - CARB public docket opens December 1, 2025 and stays open until July 1, 2026 for entities to submit the URL of their public report

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☐ 7. Prepare a Board-Level Summary

- Draft a high-level summary of the report for Board approval
- Include key findings, risks, opportunities, and compliance status
- Develop external communication materials to share with stakeholders (e.g., investors, customers, employees)

☐ 8. Monitor Regulatory Updates

- Stay informed about CARB's guidance and updates to SB 261 requirements.
- Adjust processes and reporting as needed to remain compliant.

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