California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Programs:

Frequently Asked Questions About Regulatory Development and Initial Reports

Posted July 9, 2025; Updated November 17, 2025

This Frequently Asked Questions (FAQ) document has two sections. The first section addresses the California Air Resources Board's (CARB) regulatory development for the Corporate Greenhouse Gas Reporting and the Climate-Related Financial Risk Disclosure Programs. The second section addresses initial (2026) reports. This guidance is intended to assist entities with initial planning, including submitting climate-related financial risk reports by January 1, 2026. CARB may establish requirements that build on, or vary from, this guidance in future regulations consistent with Health and Safety Code (HSC) §§ 38532 and 38533.

This document updates and supersedes the FAQ posted on July 9, 2025. CARB has built upon and expanded the July 9 document to develop this updated FAQ. The FAQ will be updated periodically to reflect new information or clarifications as implementation progresses.

CARB developed this document to help entities comply with HSC §§ 38532 and 38533. This guidance document does not have the force of law. This document is not intended to and cannot establish requirements beyond those that are already in the statutes. This document does not supplant, replace, or amend any legal requirements. CARB makes every effort to keep its documents up to date. But CARB does not guarantee the accuracy of this document and is not responsible for any errors or omissions in content. CARB reserves the right to make changes without notice.

Conformance with the law is the responsibility of each regulated entity, as applicable.

Frequently Asked Questions About Regulatory Development

Process and Goals

1. What process is CARB following to move from the climate disclosure legislation to final regulation?

CARB is in the informal information-gathering stage for implementing two statutes. HSC § 38532 is the Climate Corporate Data Accountability Act. And HSC § 38533 is the Climate-Related Financial Risk Disclosure Program. The process so far has included:

- **Enforcement Notice:** CARB issued an *Enforcement Notice* in December 2024 to support early implementation and reduce uncertainty associated with HSC § 38532.
- **Preparing for Rulemaking:** CARB released an *Information Solicitation* inviting public input on several questions in December 2024. Topics included definitions and reporting frameworks.
- **Public Workshops:** CARB held *public workshops* on May 29, 2025, and August 21, 2025 which were attended by 2,100 and 2,400 people, respectively. These workshops covered:
    - Background on the legislation.
    - A summary of early stakeholder feedback.
    - Rulemaking process.
    - Initial staff concepts around key definitions.
    - Initial concept on fee provisions.
    - Preliminary information about assurance and accreditation.
    - Staff request for public feedback on program details.
- CARB released materials related to the November 18, 2025, workshop.
- **Climate Disclosure Inbox:** CARB maintains public email inbox available (climatedisclosure@arb.ca.gov) for stakeholders to ask questions related to HSC §§ 38532 and 38533. The inbox has received over 900 inquiries.

Also, CARB has released *resources to assist entities with reporting requirements*. These resources include the Frequently Asked Questions, Climate Related Financial Risk Report Checklist, Preliminary List of in-scope Entities, and Draft Scope 1 and 2 GHG Reporting Template.

CARB has received and posted public comments about the public workshops and materials released. The public comment docket can be found here. Interested stakeholders are encouraged to sign up for future emails on this topic.

Staff plans to present the Initial Proposed draft regulation to the Board in Q1 of 2026. Staff will also undergo a public process for a second rulemaking in 2026, to address program requirements in 2027 and beyond. See Question 3 for more information about the scope of the Initial Regulation.

2. What does CARB plan to do with the data reported by in-scope entities?

CARB recognizes, as foundational principles for this effort, the need to develop a program that works for California, provides a potential model for others, and emphasizes effectiveness and efficient implementation. Programmatic goals, which staff are working to advance through the public process, include helping to ensure that accurate, comparable, and decision-useful climate information is made available to investors, consumers, and other interested parties.

3. Are the deadlines for HSC §§ 38532 and 38533 affected by the initial rulemaking being delayed to Q1 2026?

No. The initial rulemaking will establish the fee program and a first year 2026 reporting deadline for HSC § 38532 reports (which include Scope 1 and Scope 2 emissions). A delay in Board consideration of the initial rulemaking from December 2025 to Q1 2026 will not delay implementation of the fee provisions or the initial HSC § 38532 reporting deadline. In addition, the January 1, 2026, deadline to prepare a climate-related financial risk report pursuant to HSC § 38533 is similarly unaffected by the timing of the initial rulemaking. The HSC § 38533 January 1, 2026, deadline is set forth in statute and is therefore already a requirement.

HSC § 38532 requires reporting of Scope 1 and Scope 2 corporate GHG emissions in 2026 but does not specify a specific date as a deadline. Under the initial rulemaking, staff's proposal to the Board would require that entities subject to HSC § 38532 report Scope 1 and Scope 2 emissions on or before August 10, 2026. This reporting deadline is intended to provide a clear deadline for first-year reporting and aligns with the verification deadline under the Mandatory Greenhouse Gas Reporting Regulation. See Question 19 for details on reporting requirements.

Separately, Staff will undergo a subsequent rulemaking in 2026, to address program requirements in 2027 and beyond. The expected scope for this subsequent rulemaking may include establishing a recurring annual reporting deadline starting in 2027 for Scope 1, 2 and 3 emissions, as well as other details such as reporting format, data assurance requirements, and other relevant details related to implementation of HSC § 38532.

General Applicability

4. What is the definition of revenue for determining the applicability of HSC §§ 38532 and 38533?

Staff's proposed definition of "revenue", which staff plans to include as part of its initial rulemaking, is based on the "gross receipts" definition in the California Revenue and Taxation Code § 25120(f)(2). Staff's proposed "revenue" definition is: *"The gross amounts realized (the sum of money and the fair market value of other property or services received) on the sale or exchange of property, the performance of services, or the use of property or capital (including rents, royalties, interest, and dividends) in a transaction that produces business income, in which the income, gain, or loss is recognized (or would be recognized if the transaction were in the United States) under the Internal Revenue Code, as applicable for purposes of this part. Amounts realized on the sale or exchange of property shall not be reduced by the cost of goods sold or the basis of property sold."*

This definition was originally proposed at the May 29, 2025, workshop and discussed further at the August 21, 2025, workshop. Stakeholder feedback included that using gross receipts as the basis for the revenue definition would be an objective and clear approach, given existing familiarity with that concept in corporate tax reporting.

5. What is the definition of "doing business in California" for determining the applicability of HSC §§ 38532 and 38533?

Staff is planning to propose to the Board the following definition for "doing business in California", based on existing tax law:

An entity is "doing business in California" for purposes of the reporting regulation if:

a) the entity is actively engaging in any transaction for the purpose of financial or pecuniary gain or profit (Cal. Revenue & Taxation Code § 23101(a)); <u>and</u>

b) any of the following conditions is met during any part of a taxable year (Cal. Revenue & Taxation Code § 23101(b)):

1. The entity is organized or commercially domiciled in this state.
2. Sales, as defined in Revenue and Taxation Code subdivision (e) or (f) of § 25120 as applicable for the reporting year, of the entity in this state exceed the inflation adjusted thresholds of seventy hundred thirty-five thousand and nineteen ($735,019) (2024) or 25 percent of the taxpayer's total sales. For purposes of this paragraph, sales of the entity include sales by an agent or independent contractor of the entity. For purposes of this paragraph, sales in this state shall be determined using the rules for assigning sales under §§ 25135 and 25136, and the regulations thereunder, as modified by regulations under § 25137.

The sales, property, and payroll of the taxpayer include the taxpayer's pro rata or distributive share of pass-through entities. For purposes of this subdivision, "pass-through entities" means a partnership or an "S" corporation.

This definition was originally proposed at the May 29, 2025, workshop and further discussed at the August 21, 2025, workshop. The property and payroll-related criteria from Cal. Revenue & Taxation Code § 23101(b)(3) and (b)(4) are not included in this definition. Based on stakeholder feedback, staff is proposing to omit these criteria because, for purposes of Health and Safety Code §§ 38532 and 38533, property or payroll presence alone may not demonstrate a sufficient economic connection to the State to constitute "doing business."

6. What is the definition of parent-subsidiary for determining consolidated reporting eligibility under HSC §§ 38532 and 38533?

HSC §§ 38532 and 38533 allow parent companies to file consolidated reports rather than requiring all in-scope subsidiaries to prepare separate reports. To align with the Cap-and-Invest program, help streamline program requirements, and to be responsive to stakeholder feedback, staff is planning to propose to the Board that a subsidiary is a business entity that another business entity has ownership interest in or control of by direct corporate association as defined in the Cap-and-Invest program (Title 17, California Code of Regulations § 95833). These indicators determine ownership or control:

- Greater than 50 percent of ownership of any class of listed shares, the right to acquire such shares, or any option to purchase such shares of the other entity;
- Greater than 50 percent of common owners, directors, or officers of the other entity;
- Greater than 50 percent of the voting power of the other entity;
- In the case of a partnership other than a limited partnership, greater than 50 percent of the interests of the partnership;
- In the case of a limited partnership, greater than 50 percent of control over the general partner or greater than 50 percent of the voting rights to select the general partner; or
- In the case of a limited liability corporation, greater than 50 percent of ownership in the other entity regardless of how the interest is held.

7. Do HSC §§ 38532 and 38533 each apply to the same companies?

Not necessarily.

- HSC § 38532 applies to U.S.-based entities with over $1 billion in total annual revenue doing business in California.
- HSC § 38533 applies to U.S.- based entities with over $500 million in annual revenue, also doing business in California.

Entities subject to HSC § 38532 will also meet the revenue threshold for HSC § 38533, as section 38533's revenue threshold is lower than 38532's revenue threshold. However, not all entities subject to HSC § 38533 are subject to HSC § 38532.

8. If a company exceeds the revenue thresholds described in statute but most of its business is outside of California, is that company subject to the requirements of HSC § 38532 and/or § 38533?

Potentially, but it will depend on if the entity meets the threshold of "doing business in California" as described above. Revenue thresholds for in-scope entities of HSC §§ 38532 and 38533 are outlined in the respective statutes. Revenue considers total gross receipts, regardless of whether the revenue was generated within California. Sales within the state are then used to determine if the entity is doing business in California.

If an entity exceeds the revenue threshold pursuant to HSC § 38532 and/or § 38533, is determined to be doing business in California, and is based in the United States, then that entity is in scope.

9. Which previous fiscal years should a company consider for determining whether they meet the revenue criteria for HSC §§ 38532 and 38533?

Staff's proposal to the Board will explain that applicability of the 200s will be determined based on the lesser of the entity's two previous complete fiscal years of revenue. This means that if in one of those two years the revenue is below the threshold for HSC § 38532 and/or § 38533, then the entity is not in scope and does not need to report at the next applicable reporting deadline.

10. Are some companies exempt from HSC §§ 38532 and 38533 reporting requirements?

Yes. The statutes as written exclude several types of entities, including the following:

- Federal, State and local government entities, and companies that are majority-owned by government entities (>50.00%).
- 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. This language is explicit in HSC § 38533. Staff is proposing to exempt the same entities from HSC § 38532.

In addition, CARB is proposing, as part of its initial rulemaking, that the reporting requirements under HSC §§ 38532 and 38533 would not apply to:

- Non-profit or charitable organizations, defined as tax-exempt under the Internal

Revenue Code.

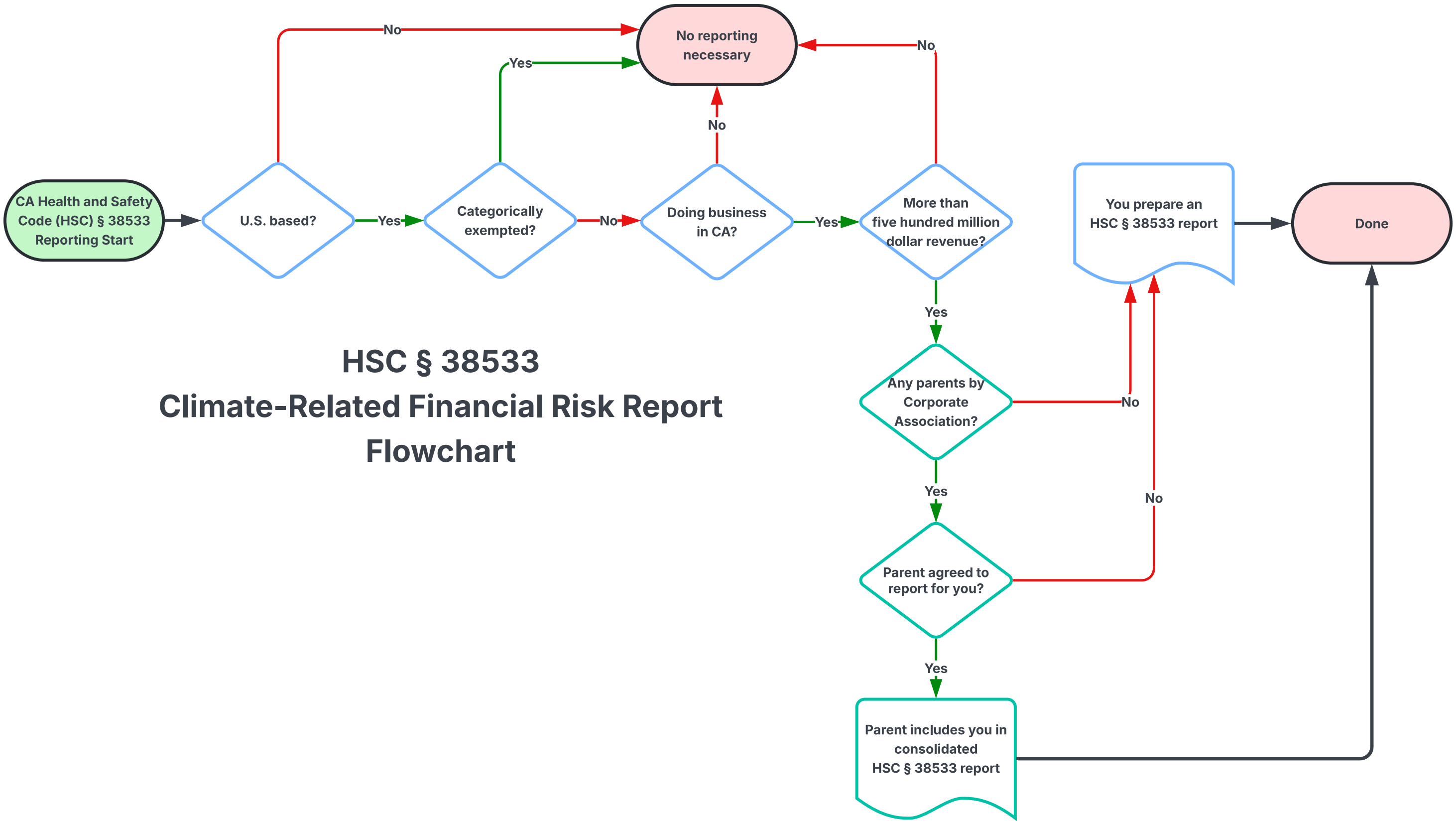
- Entities whose only business in California is the presence of teleworking employees.

In addition, several organizations may not have a reporting obligation under HSC §§ 38532 and 38533 based on the definitions of revenue and doing business in California, described above. For example, holding companies and mutual funds do not report gross receipts in their California corporate tax filings, and would not meet the revenue thresholds as a result.

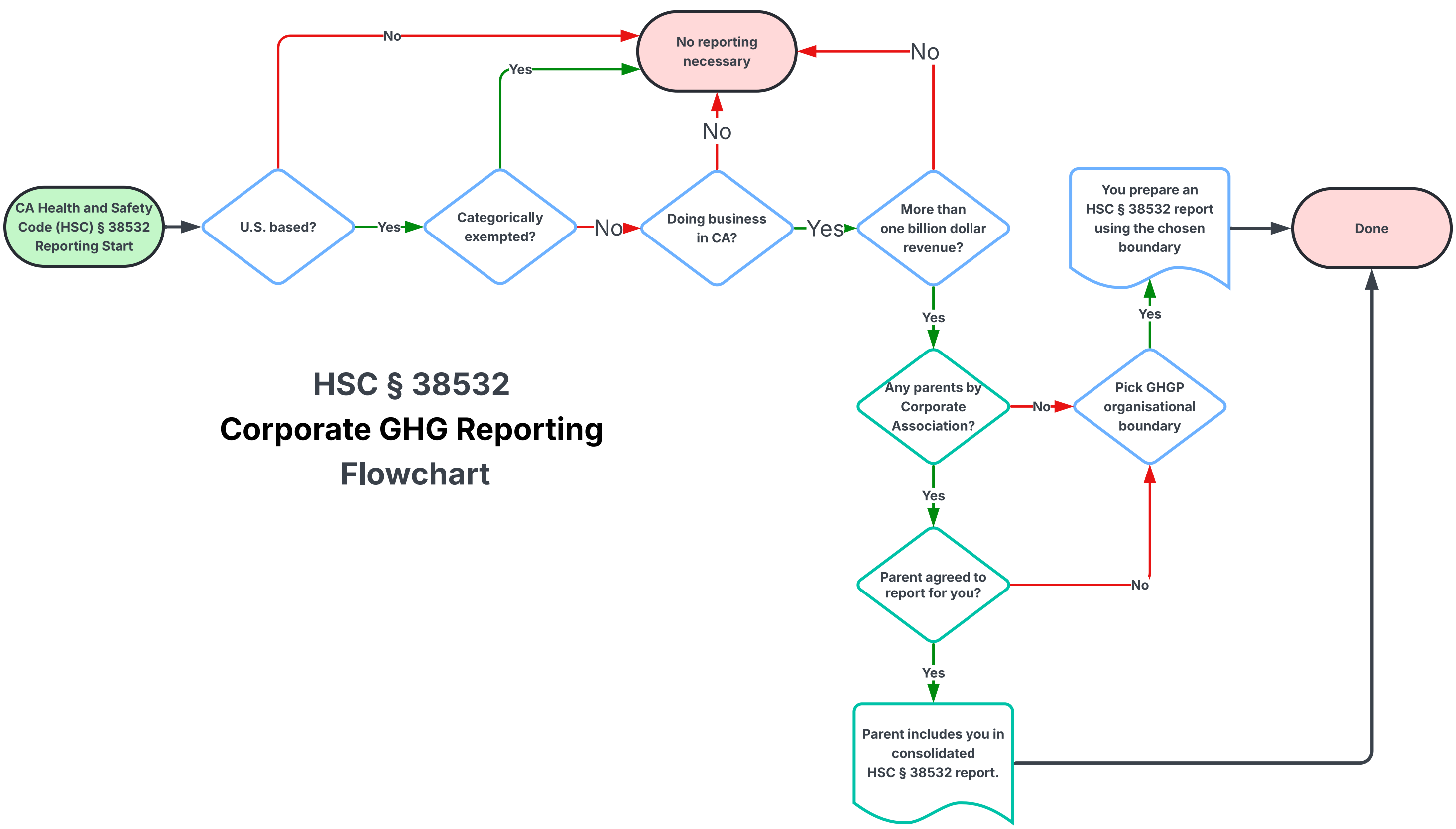
11. My company was not listed under the released list of in-scope entities. Does that mean my company is not subject to the requirements of HSC §§ 38532 and/or 38533?

The draft preliminary list was released to help CARB staff estimate the number of potentially regulated entities for the purpose of estimating annual fees. This draft preliminary list was based on a third-party database and public data available at the time. Potentially regulated entities should carefully review the revised definitions listed above to determine applicability. Each potentially regulated entity remains responsible for compliance with statutory requirements regardless of whether it was included in staff's preliminary list or outreach.

Common Parent-Subsidiary Questions



HSC § 38533
Climate-Related Financial Risk Report Flowchart



HSC § 38532
Corporate GHG Reporting Flowchart

12. If a U.S.-based parent entity has a subsidiary doing business in California, is that U.S.- based parent entity automatically deemed to be doing business in California?

Inclusion criteria should be assessed on an individual company basis. If a company meets the inclusion criteria thresholds, then it is subject to the applicable requirements of HSC §§ 38532 and/or 38533. Both the subsidiary and the U.S.-based parent company asses their own compliance obligations based on the criteria outlined in statute and the proposed definitions provided. In this case, the U.S-based parent company should determine:

- Is this company U.S.-based? (in this example, yes)
- Does this company exceed the revenue thresholds (described above)?
- Does this company 'do business in California' based on the criteria described above?

If the answers to the above questions are all "yes" for this hypothetical U.S.-based parent company, and if the company would not be included in staff's proposed list of exclusions and exemptions, then the U.S.-based company would be subject to the applicable requirements of HSC §§ 38532 and/or 38533.

13. If I am a subsidiary, and a parent company will be reporting on my behalf and that parent does not do business in California, will my company still be subject to the applicable requirements of HSC §§ 38532 and/or 38533?

Yes. Inclusion criteria should be assessed on an individual company basis. If a company meets the inclusion criteria thresholds it is subject to the applicable requirements of HSC §§ 38532 and/or 38533. Parent companies have the option to report on behalf of in-scope subsidiaries, even if the parent company is not subject to HSC §§ 38532 and/or 38533.

14. Can a foreign parent company report on behalf of in-scope U.S. based subsidiaries through a consolidated report?

Yes, a foreign parent company that is not based in the U.S. (and therefore likely not subject to the requirements of HSC §§ 38532 and 38533) may submit a consolidated report which provides the required reporting on behalf of its U.S.-based subsidiaries to satisfy reporting requirements for the in-scope subsidiaries.

15. When calculating a parent company's total revenue for the purposes of determining compliance obligations under HSC §§ 38532 and/or 38533, must the revenue from the parent company's subsidiaries be included in the calculation?

It depends. The revenue threshold is evaluated at the individual company level. However, if a parent company and its subsidiaries file California taxes as a unitary business, then the revenue of the subsidiaries counts towards the revenue of the parent company as part of its gross receipts. To determine the gross receipts, entities should reference their corporate tax filings.

16. Can a consolidated report from a parent company include disclosures from subsidiaries not subject to HSC §§ 38532 and/or 38533?

Yes, the consolidated parent report may include disclosures from subsidiaries that are subject to the requirements of HSC §§ 38532 and/or 38533. However, the consolidated report must still meet all the applicable reporting requirements for the in-scope entities that are subject to HSC §§ 38532 and/or 38533.

17. If a subsidiary of a foreign parent company is subject to reporting under HSC §§ 38532 and/or 38533, does that mean the foreign parent company is also subject to the same reporting requirements under HSC §§ 38532 and/or 38533?

HSC §§ 38532 and 38533 only apply to U.S.-based companies. If this foreign company is not a U.S.-based company as defined in HSC §§ 38532 and 38533, then that foreign company is not subject to the requirements of HSC §§ 38532 or 38533 The foreign parent company may choose to submit a consolidated report on behalf of any subsidiaries subject to the reporting requirements (see above).

18. If a parent company submits a consolidated report covering multiple subsidiaries that are subject to reporting requirements, is the total fee based on the consolidated report or on each subsidiary?

The fee regulation that staff is planning to propose to the Board assesses fees at the individual entity level. While a parent company may submit a consolidated report that includes the reporting requirements of its subsidiaries, the fees will still be assessed for each individual entity that is covered under HSC §§ 38532 and 38533. Fees may be paid by the parent company level. However, parent company payment would need to cover all assessed fees applied to all applicable individual entities.

Initial Reports: Frequently Asked Questions

HSC § 38532

19. When must initial reports in 2026 be submitted under HSC § 38532?

CARB is planning to propose in its draft initial rulemaking that reporting entities must report Scope 1 and Scope 2 GHG emissions on or before August 10, 2026, for the first year's reporting. The applicable preceding fiscal year that must be reported would be determined on the entity's fiscal year cycle. If the reporting entity's fiscal year ends on or before February 1, 2026, the preceding fiscal year will be the one ending in 2026. If the fiscal year ends after February 1, then the preceding fiscal year will be the fiscal year ending in 2025. This allows each entity at least 6 months to compile data.

To support initial implementation and reduce uncertainty, CARB issued an *Enforcement Notice* in December 2024. In this Enforcement Notice, CARB recognizes that some reporting entities may require lead time to develop or refine their data collection processes to ensure complete and accurate reporting of Scope 1 and Scope 2 emissions. Accordingly, CARB will exercise enforcement discretion for the first report due in 2026, allowing reporting entities to submit Scope 1 and Scope 2 emissions for their prior fiscal year based on information they already have or were collecting when this Notice was issued. Entities that were not collecting data or were not planning to collect data, at the time the Enforcement Notice was issued, are not expected to submit Scope 1 and 2 reporting data for this first reporting cycle (see below). This approach is intended to support companies as they transition into complying with these new reporting requirements. For example, each of the following scenarios would meet the first year reporting requirement for HSC § 38532:

- If a company develops its own annual report that includes information on Scope 1 and Scope 2 emissions, that company may submit that report to CARB.
- If a company already submits annual Scope 1 and Scope 2 emissions through a voluntary program or to another regulatory program, that company may submit that same information to CARB.
- A company may choose to submit data using CARB's *Scope 1 and 2 GHG Reporting Template*
- If a company does not collect Scope 1 and Scope 2 greenhouse gas emissions data, pursuant to the Enforcement Notice that company does not need to submit data for the first year's report. Any companies not submitting Scope 1 and Scope 2 greenhouse gas emissions data in 2026 pursuant to HSC § 38532 should submit a statement on company letterhead to CARB, stating that they did not submit a report, and indicating that in accordance with the Enforcement Notice, the company was not collecting data or planning to collect data at the time the Notice was issued. CARB will open a public docket near the first year 2026 reporting deadline, to which these statements will be uploaded.

20. For HSC § 38532, when must third-party data assurance be completed?

HSC § 38532 requires that companies covered under § 38532 will be required to obtain an assurance engagement performed by an independent third-party assurance provider for their Scope 1 and Scope 2 emissions at a limited-assurance level beginning in 2026, and at a reasonable-assurance level beginning in 2030. For 2026 reporting under HSC § 38532, CARB will exercise enforcement discretion for the first report due in 2026, allowing reporting entities to submit Scope 1 and Scope 2 emissions for their prior fiscal year based on information they already have or were collecting when this Notice was issued, whether or not the data received limited assurance.

21. How can companies align existing voluntary reporting with HSC § 38532 reporting?

CARB is committed to developing a program that works for California and that provides a potential model for others, and that emphasizes effectiveness and efficient implementation. CARB's goal is to reduce confusion for reporting entities and simplify compliance with the law, including aligning and streamlining reporting requirements where possible. As previously discussed in Question 19, companies may submit existing information or reports to CARB for the first-year reporting deadline in 2026 (e.g., an existing annual report that includes information on Scope 1 and Scope 2; or existing information on annual Scope 1 and Scope 2 emissions that is also submitted through a voluntary program).

HSC § 38533

22. When do the first climate-related financial risk reports need to be submitted?

Per HSC § 38533, the Climate-related Financial Risk Reporting Program, covered entities must prepare and publish their first climate-related financial risk report by January 1, 2026, and biennially thereafter.

On December 1, 2025, CARB will post a public docket for covered entities to post the location of their public link to their first climate-related financial risk report. 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 be able to review all climate-related financial risk reports.

This guidance is intended to assist companies with initial planning for January 1, 2026. Future regulations may establish additional or alternative requirements consistent with HSC § 38533.

23. How should an organization determine what needs to be included in its climate-related financial risk report?

HSC § 38533(a)(2) defines "Climate-related financial risk" as material risk of harm to immediate and long-term financial outcomes due to physical and transition risks, including, but not limited to, risks to corporate operations, provision of goods and services, supply chains, employee health and safety, capital and financial investments, institutional investments, financial standing of loan recipients and borrowers, shareholder value, consumer demand, and financial markets and economic health. HSC § 38533(b)(1)(A) further directs covered entities to prepare a climate-related financial risk report.

HSC § 38533 allows but does not mandate the disclosure of information that falls outside of this definition.

The statute specifies flexibility in choosing a reporting framework, and entities then apply the principles embedded in that chosen framework.

For example, TCFD 2017 states "organizations should determine materiality for climate-related issues consistent with how they determine the materiality of other information included in their financial filings." Further, the TCFD emphasizes that disclosures should be specific, complete, and provide sufficient information to enable users to understand the impact of climate-related issues on an organization's business.

As part of its public outreach, CARB has heard from stakeholders that climate risk-related data is often collected on a fiscal year basis and that it takes time to process climate information into a report. As a result, it is reasonable to expect that initial climate-related financial risk reports submitted by January 1, 2026, may cover past fiscal years (FY) (e.g. FY 2023/2024 or FY 2024/2025 depending on the organization).

This guidance is intended to assist companies with initial planning for their January 1, 2026, report submittals. Future regulations may establish additional or alternative requirements for future report submittals, consistent with HSC § 38533. In support of the upcoming first-year report requirement in statute, CARB posted a Climate Related Financial Risk Report

Draft Checklist in September 2025. This document is intended to help companies that are newer to climate-related financial risk disclosure by describing the minimum content that should be included in HSC § 38533 disclosure submittals, and is intended to align closely with TCFD 2017.

24. HSC § 38533 references companies making "good faith efforts" to comply. What does that mean?

As outlined in HSC § 38533, potential penalties against entities for violations are tied to several factors, including whether the violator took good faith measures to comply and when those measures were taken. This "good faith" consideration is part of CARB's enforcement discretion in considering penalties for reporting violations.

To provide a phase-in period for reporting, climate-related financial risk disclosures made pursuant to the upcoming statutory deadline (January 1, 2026) may be based on the best available information, including information from past fiscal years (such as FY 2023/2024 or 2024/2025 [see above]). CARB also recognizes that data quality and data sources may change over the course of the year, if additional data collection methods were put in place later.

25. 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. Covered entities should use the most recent/best available data for the first report.

26. If my company already submits climate related financial risk disclosures via a third party or through another program/standard, can my company use those reports to comply with HSC § 38533?

The statute requires that climate-related financial risk reports disclose financial risk in accordance with any of the frameworks described in HSC § 38533. Assuming a company's existing reports use any of the frameworks described in HSC § 38533, that report could be used. Then, based on the requirements of HSC § 38533, the report must be posted on the company's own website. Reporting entities must then post the location of their public link to their initial climate-related financial risk report on CARB's public docket.

27. My company already develops annual reports that are compliant with TCFD 2017; is that sufficient for compliance with HSC § 38533?

In terms of content, yes. In terms of posting requirements see HSC § 38533 and the response to Question 23.

28. Is there a specific required format for reporting pursuant to HSC § 38533?

There is no requirement that the climate-related financial risk report be embedded or displayed in a specific format beyond being publicly accessible on the company's website by January 1st, 2026, and that the link be sent to CARB's public docket by July 1st, 2026.