THIRD ECONOMY

March 21, 2025

To: California Air Resources Board
From: Third Economy

Re: Information Solicitation to Inform Implementation of California Climate-Disclosure Legislation: Senate Bills 253 and 261, as amended by SB 219

On behalf of Third Economy, I welcome the opportunity to provide this comment letter in response to the "Information Solicitation to Inform Implementation of California Climate-Disclosure Legislation: Senate Bills 253 and 261, as amended by SB 219."

The California Climate-Disclosure Legislation creates an important regime that will provide investors in California and the broader capital markets with the comparable and reliable information they need to assess public and private companies' climate-related financial risks.

Third Economy is a sustainable investment research and consulting firm. We work with corporations and institutional investors to understand how sustainability factors impact financial value. For institutional investors specifically, we work to illuminate the differences between values-based investing, impact investing and ESG, and to use these terms deliberately and with precision. Our goal is to maximize transparency by defining and assessing sustainability in mutual funds and ETFs, and to give all users objective categories to benchmark and measure progress.

Investors have been calling for increased disclosure around climate-related risks and other long-term systemic risks for decades because they recognize the impact these factors have on their financial returns. Without adequate climate risk disclosures, investment fiduciaries will not have the information they need to implement their fiduciary duties toward the assets of American long-term savers.

In response to question 1 (a & b), we should be doing all we can to use our existing definitions in the Revenue and Tax code wherever possible. The legislation should be applied uniformly across all sectors – public, private and government sectors – to allow for a consistent interpretation and standardized reporting across the board.

We would provide a similar response to question 3 (and question 13) – having a consistent interpretation of climate disclosures for all is the ultimate goal and spirit of this legislation. We believe that adhering to the International Sustainability Standards Board (ISSB)

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framework (IFRS S2) is absolutely essential, to match increasing adoption of this framework globally. This is in addition to aligning all climate work (Scope 1, 2 and 3 emissions) directly to the leading standards established by the GHG Protocol (question 7), would be most beneficial to investors, companies, and regulators.

Moving on to the business of accounting and assurance, it is our view that reporting annually for both bills is essential and can span two calendar years (i.e. 2026-2027). For assurance, we believe that this should be phased in over time, prioritizing the reporting itself first. The goal should be to minimize the burden to companies and strengthen the reporting and data first, before adding in assurance.

CARB should consider the physical risks associated with climate change, the fiduciary duties that investors have to long-term savers, and transitioning to ISSB reporting over time.

Thank you for considering these comments.

Sincerely,

Chad Spitler
Founder and CEO
Third Economy