



US Sustainable Investment Forum

February 9, 2026
Chair Lauren Sanchez
California Air Resources Board (CARB)
1001 I Street, Sacramento, CA 95814

Re: Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation

Dear Chair Sanchez,

On behalf of the US Sustainable Investment Forum (US SIF), I welcome the opportunity to provide this comment letter in response to the “Proposed California Corporate Greenhouse Gas Reporting and Climate-Related Financial Risk Disclosure Initial Regulation.”

The California climate disclosure legislation creates an important regime that will provide investors in California and the broader capital markets with the comparable, comprehensive, and consistent information they need to assess public and private companies' climate-related financial risks.

US SIF broadly supports the proposed definitions and the framework on who should report under both laws. As CARB moves forward with rulemaking, we would like to reiterate the importance of these laws and the information they will provide for investors in making informed investment decisions that both serve their clients and fulfill their own fiduciary duties.

US SIF is a membership organization representing 173 investor firms and trillions of dollars of assets under management. Our members represent investors throughout the capital markets value chain - from asset managers, managing billions in retirement dollars for average Americans, to data providers, financial advisors, and community development financial institutions, supporting local economies.

Climate Risk Is Financial Risk

It is essential that CARB’s rulemaking maintains reporting from companies on the corporate value-at-risk from the physical impacts of climate change and on what companies are doing to build resilience to these risks.

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. Global and U.S. investors rely on timely and accessible corporate data to make meaningful risk and opportunity assessments.

Both investors and companies acknowledge that climate change has a material impact on business. The US SIF Sustainable Investing Trends 2025/2026 Report found that climate change is the most frequently considered environmental factor by investors (77%) due to the ever-solidifying thesis

that climate and nature related risks are material financial risks.ⁱ The 2024/2025 Sustainable Investing Trends report found that companies reporting headline climate-related risk to the Securities and Exchange Commission (SEC) have grown threefold since 2018.ⁱⁱ In addition, a 2025 Morgan Stanley study found that 57% of global corporates report business impact from physical climate events in the past year.ⁱⁱⁱ

The Los Angeles (LA) wildfires and other natural disasters emphasize the need for increased information about the financial impacts of physical climate risks. The National Centers for Environmental Information (NCEI) catalogued 27 individual climate and weather disasters costing over \$1 billion each in 2024. The total cost of these 27 events is estimated to be \$187.2 billion, making 2024 the fourth costliest year on record.^{iv} This calculation does not include the devastating wildfires in LA which current estimates say cost \$65 billion.^v

Due to the unpredictability of physical climate risks such as extreme weather events, it is essential that investors have meaningful data on the financially material climate-related risks that may potentially impact their assets across both the public and private markets. Investors require this information to assess the business continuity of investee companies and their supply chains, identify insurance gaps, and accurately value their assets. SB 261's inclusion of both public and private companies helps narrow the transparency gaps in data disclosures, protects funds from greenwashing risks by having verifiable information, and helps institutional investors meet increasing demands for their carbon footprint disclosure.

Long-Term Fiduciary Duty

The California climate disclosure rules must be developed with the view of safeguarding long-term value and investment returns. Without adequate climate risk disclosures, investment fiduciaries will not have the information they need to implement their fiduciary duties toward the assets of long-term American savers and pension holders.

Opponents of climate change reporting often misstate both investor and corporate fiduciary duties. They typically refer to only some of the applicable investor and corporate legal duties, focusing exclusively on short-term issues. Both investor fiduciaries and corporate directors have long-term legal obligations that make climate change highly financially relevant. This myopic fixation on only short-term risks and opportunities will likely undermine American companies' long-term competitive position and, therefore, impact the investment returns of US investors. According to McKinsey & Company, companies managed with a long-term view substantially outperform their short-term peers over time.^{vi}

An investor's fiduciary duty of loyalty includes the Duty of Impartiality, which requires fiduciaries to balance the conflicting interests of different beneficiary groups in good faith. For instance, 25-year-old and 75-year-old beneficiaries have inherently different risk tolerances and investment time horizons, and fiduciaries cannot prioritize one group's interests over the other. This duty has significant implications for long-term climate-related risks and their related performance considerations that fiduciaries must address. The U.S. Supreme Court affirmed this principle in the 1996 case *Varity v. Howe*, stating that the common law of trusts mandates preserving assets for both present and future claims while impartially considering the interests of all beneficiaries.^{vii}

Similarly, California’s Uniform Prudent Investor Act explicitly requires trustees to act impartially when investing and managing trust property, ensuring that the differing interests of multiple beneficiaries are fairly considered.^{viii}

Nonprofit institutional investors and trust fiduciaries—like foundations and endowments—also have what is called a Duty of Obedience to their charitable purpose. For these entities with a perpetual or long-term horizon, climate change impacts are likely to be very relevant to their long- and short-term mission goals. For example, California’s Uniform Prudent Management of Institutional Funds Act (section 18503) requires that “an institution, in managing and investing an institutional fund, shall consider the charitable purposes of the institution and the purposes of the institutional fund.”^{ix} For many foundations and endowments with inter-generational or perpetual existence goals, climate change will present material considerations for management of long-term risks to achieve those goals.

In Delaware, where 66% of Fortune 500 companies are incorporated, corporate law requires boards to manage companies with a long-term perspective. The Delaware courts reinforce this obligation, as seen in the 2024 *McRitchie v. Zuckerberg* opinion. On page 73, the ruling states, “The fiduciary duties owed by directors of a Delaware corporation require the directors to seek to maximize the value of the corporation over the long term for the benefit of the stockholders as residual claimants to the value created by the specific firm that the directors serve.”^x

Conclusion

When developing California’s climate risk disclosure rules, CARB should consider both the physical risks associated with climate change and the fiduciary duties that investors have to long-term savers.

Thank you for considering our comments. Do not hesitate to let us know if we can be of further assistance. Our Managing Director, Bryan McGannon (bmcgannon@ussif.org), would be happy to answer any questions.

Sincerely,

Maria Lettini
CEO, US SIF

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- ⁱ US SIF Foundation, *US Sustainable Investing Trends 2025/2026 Report*, December 9, 2025, <https://www.ussif.org/research/trends-reports/us-sustainable-investing-trends-2025-2026-executive-summary>.
- ⁱⁱ US SIF Foundation, *US Sustainable Investing Trends 2024/2025*, December 17, 2024, <https://www.ussif.org/research/trends-reports/us-sustainable-investing-trends-2024-2025-executive-summary-archived>.
- ⁱⁱⁱ Morgan Stanley, "Sustainable Signals: Corporates 2025," July, 2025, https://www.morganstanley.com/assets/pdfs/MS_Institute_for_Sustainable_Investing_Sustainable_Signals_Corporate_report_2025.pdf.
- ^{iv} National Centers for Environmental Information, "Billion Dollar Weather and Climate Disasters," 2025, <https://www.ncei.noaa.gov/access/billions/>.
- ^v Gallagher Re, "H1 2025: Natural Catastrophe and Climate Report Preliminary Overview," <https://www.ajg.com/gallagherre/-/media/files/gallagher/gallagherre/news-and-insights/2025/july/h1-2025-natural-catastrophe-and-climate-report.pdf>.
- ^{vi} Dominic Barton, James Manyika, Tim Koller, Robert Palter, Jonathan Godsall, and Josh Zoffer, "Where companies with a long-term view outperform their peers," *McKinsey Global Institute*, February, 8, 2017, <https://www.mckinsey.com/featured-insights/long-term-capitalism/where-companies-with-a-long-term-view-outperform-their-peers>.
- ^{vii} *Varity Corp v. Howe* (1996), United States Court of Appeals for the Eight Circuit, <https://supreme.justia.com/cases/federal/us/516/489/>.
- ^{viii} 2007 California Probate Code Article 2.5. Uniform Prudent Investor Act, *Justia*, <https://law.justia.com/codes/california/2007/prob/16045-16054.html>.
- ^{ix} 2009 California Probate Code – Section 18501-18510: Part 7. Uniform Prudent Management of Institutional Funds Act, *Justia*, <https://law.justia.com/codes/california/2009/prob/18501-18510.html>.
- ^x *James McRitchie v. Mark Zuckerberg et al.* (2024), Court of Chancery of the States of Delaware, <https://cases.justia.com/delaware/court-of-chancery/2024-c-a-no-2022-0890-jtl.pdf?ts=1714494707>.