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Are You Ready for the New California Climate Disclosure Laws?

What are the new laws?

Starting in **2026**, California will require thousands of US companies, whether headquartered in California or not, to report on their greenhouse gas (GHG) emissions and climate-related financial risks. These are the first laws of their kind in the United States and will likely set a precedent that may influence other state and national laws.

Who is covered?

SB 253 (the GHG emissions law) applies to US public and private companies that do business in California and have more than \$1 billion in annual global revenue. SB 261 (the climate risk disclosure law) applies to US public and private companies that do business in California and have more than \$500 million in annual global revenue. Both revenue thresholds relate to revenue accrued in and outside California.

When are disclosures required?

SB 261 requires climate risk disclosures (i.e., how climate-related risks and opportunities affect strategy, business models, financial performance, and governance) starting **January 1, 2026**. SB 253 requires GHG emissions disclosures (incl. direct emissions (Scope 1), purchased energy emissions (Scope 2), and, from 2027, value chain emissions from suppliers and customers (Scope 3) starting **June 30, 2026**.

Where do I disclose?

Disclosures will be required on a company's website and on a public website that the California Air Resources Board (CARB) is going to open on December 1, 2025. Disclosures will therefore be accessible to investors, regulators, customers, etc.

What if I don't comply?

Penalties for non-compliance are up to \$500,000 annually under SB 253 and up to \$50,000 annually for SB 261 plus reputational impacts.

Aren't these laws being challenged in the courts?

Yes, but the legal challenges have not succeeded in invalidating or staying the implementation of the laws. Companies should monitor the ongoing litigation, but this should not stop in-scope companies from preparing for reporting, which starts as early as January 2026 for SB 261.

Why does this matter beyond California?

Although these laws are at a state level, their impact will be felt across the US as US companies outside California will still need to comply if they "do business" in the state. Similar bills have been proposed in NY, IL, CO, NJ, and WA.

How can I get help?

Petra Funds and Persefoni are happy to help you.

About Persefoni: Persefoni AI Inc. offers businesses and financial institutions the software and AI tools to manage their organization's climate-related data, disclosures, and performance with the same level of rigor and confidence as their financial reporting systems. With our platform, users can streamline their carbon footprint calculations, develop and oversee decarbonization strategies, and generate audit-ready sustainability reports. Learn more about Persefoni AI Inc. at www.persefoni.com.

About Petra Funds Group: Petra Funds Group is a leading fund administration provider to global private investment managers, delivering high-touch, technology-enabled solutions across the middle and back office. Beyond traditional fund administration, Petra partners with managers to embed responsible investing (RI) practices throughout the investment lifecycle. Petra's RI advisory team provides comprehensive support on strategy development, diligence, portfolio monitoring, value creation, exit planning, and LP and regulatory reporting, helping clients integrate ESG and impact considerations into every stage of their funds. Learn more about Petra Funds Group at www.petrafundsgroup.com.