Audit readiness for SB 253

Evidence, controls, and data quality

SWEEP

CALIFORNIA LAWS | SB 253

GUIDE

What you'll learn

- ✓ How SB 253 changes the expectations for accuracy, documentation, and public disclosure
- ✓ What auditors look for when reviewing emissions data
- ✓ How to build strong evidence files and clearly document your calculations
- ✓ How to prepare your company for independent assurance and future regulations

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Introduction

California's Climate Corporate Data Accountability Act, known as CCDAA and SB 253, is transforming the expectations for corporate greenhouse gas reporting.

Any company that does business in California and earns more than one billion dollars in total global revenue will soon need to disclose its emissions publicly and prepare for independent assurance of those disclosures.

The California Air Resources Board, or CARB, will finalize the detailed rules in early 2026. But the core direction is already clear. Companies will need accurate and traceable data, strong documentation, and a level of control that looks much closer to financial reporting than traditional sustainability reporting. This guide explains what audit readiness for SB 253 requires and how sustainability teams can begin preparing now.

01 # SB 253 in summary

"This is the emissions reporting bill. It applies to companies doing business in California with annual revenues over 1 billion dollars."

Kate Gordon
CEO, California Forward

Who is covered

CARB states that SB 253 applies to any partnership, corporation, limited liability company, or other business entity, regardless of the state where it was formed, if it does business in California and exceeds one billion dollars in total global annual revenue. CARB indicates that the meaning of doing business in California will follow the California Revenue and Taxation Code, which focuses on economic presence rather than a physical location.

What must be reported

CARB will require annual disclosures of:

SCOPE 1 EMISSIONS

Direct emissions from operations that the reporting company owns or controls.

SCOPE 2 EMISSIONS

Indirect emissions associated with purchased electricity, heat, steam, or cooling.

SCOPE 3 EMISSIONS

Upstream and downstream emissions from activities outside the company's direct control. CARB has indicated that Scope 3 will be phased in after final methodological guidance is complete.

"Scope 1 and 2 reporting is happening, but CARB will be a little bit flexible for companies providing a good faith effort on Scopes 1 and 2."

Kate Gordon
CEO, California Forward

02 What must be assured

CARB has signaled that companies should prepare for:

- Limited assurance of Scope 1 and Scope 2 in the early years
- A phased move toward reasonable assurance
- A later assurance requirement for Scope 3 once methodologies are fully defined

CARB has also noted that companies making a good faith effort in the initial cycle will receive enforcement flexibility.

What SB 253 really changes

SB 253 shifts greenhouse gas reporting from voluntary disclosure to a regulated system with public posting, verifiable numbers, and independent assurance. The expectation is not perfection on day one. The expectation is a system that is controlled, consistent, and auditable.

03 What auditors look for

"SB 253 is the first law of its kind in the US to make climate disclosure a real requirement, and that's going to have a ripple effect. It's moving the entire conversation from voluntary commitments to a new era of accountability."

Alison Gammie
Senior US Sustainability Expert, Sweep

Assurance providers apply well established audit principles. Even as CARB finalizes the rules, most auditors will focus on several consistent themes.

Clear and justified boundaries

CARB's draft template for Scope 1 and Scope 2 requires companies to disclose which organizational boundary approach they use: operational control, financial control, or equity share.

Auditors will want to see a written rationale for this choice and a clear explanation of which locations, assets, and subsidiaries are included.

Organizational boundary approach

Operational control, financial control, or equity share

Traceable data

Every figure in the inventory must be linked to a verifiable data source. Auditors will check that invoices, metering data, travel records, supplier submissions, and system extracts can be located easily and match the values shown in the calculations.

Accurate methods

Assurance teams look for calculations that follow the Greenhouse Gas Protocol. They will check emission factor sources, conversion factors, and assumptions. CARB's workshop materials show that companies will need to specify emission factor sources and dates.

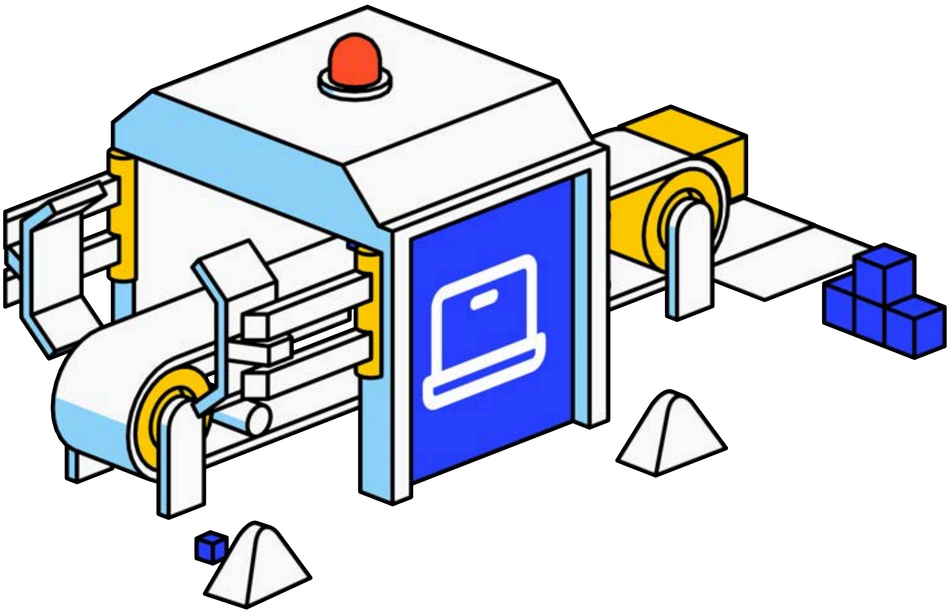
Strong controls

SB 253 pushes companies toward a more controlled reporting environment. Auditors will look for:

- Defined responsibilities for data owners and reviewers
- Documented procedures for data collection
- Change control for data calculations
- Review and approval steps that mirror financial reporting discipline

Consistency and transparency

If a method, boundary, or assumption changes, auditors expect a clear explanation. CARB will require companies to describe methodology and any minor or de minimis sources, which makes documentation especially important.



> “Once your sustainability data is centralized and trusted, assurance stops being a headache.”

Rachel Delacour
CEO of Sweep

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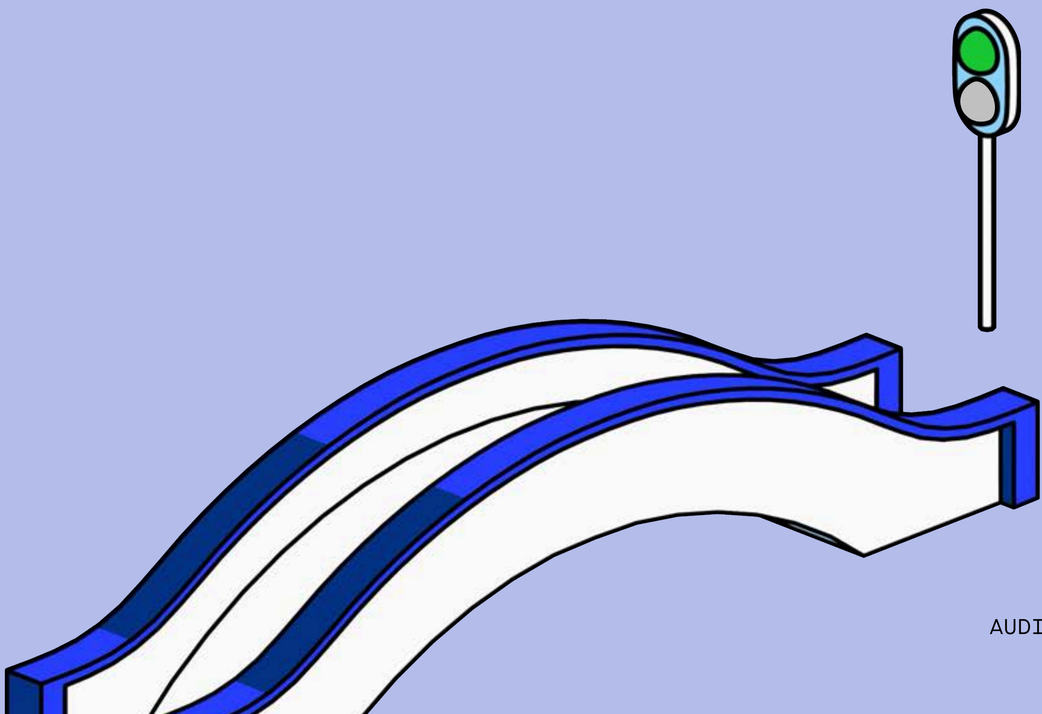

04 How to build evidence files

"The goal is to make all of the information publicly accessible, so consumers, investors, and government stakeholders can all view the data."

Lizzy Selvik
Senior US Sustainability Expert, Sweep

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Evidence files are the core of audit readiness. They give auditors confidence that data is accurate, complete, and supported by documentation.

Start with a full inventory of data sources

List every source feeding into your emissions calculations. Include who owns the data, where it is stored, the time period it covers, and how it is exported. Examples include:

- Utility invoices and metering reports
- Building management system exports
- Procurement and spend records
- Travel and commuting data
- Supplier activity data or questionnaires

Documenting this inventory creates a map that auditors can follow.

Use a standard structure

Avoid ad hoc files. Adopt a single evidence structure that is consistent across sites and reporting cycles. Many companies use an approach that mirrors a financial audit binder:

- Section for each emissions category
- Sub section for each facility or cost center
- Evidence followed by calculations

This improves clarity for auditors and internal teams.

Link evidence to calculations

Every number in your emissions inventory should be linked back to its supporting evidence. This can be done through file naming conventions, cross references in calculation workbooks, or integrated software that handles evidence management.

Maintain version control

Record what has changed, why it changed, and who approved the change. This includes both data updates and methodological updates. In the absence of version control, auditors may conclude that the reporting process is not reliable.

What counts as evidence

Evidence includes invoices, system exports, supplier declarations, emails confirming data adjustments, and screenshots of system configurations. If a piece of data informs your emissions inventory, you should have proof of where it came from.

05 How to document calculations

"Getting a head start on your SB 253 documentation allows you to build a robust foundation that will stand up to scrutiny."

Alison Gammie
Senior US Sustainability Expert, Sweep

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Transparent documentation is central to both audit readiness and regulatory compliance.

Prepare a calculation methodology document

This document should describe your overall approach.

It typically includes:

- Organizational boundary and rationale
- Operational boundary for each Scope
- Emission factor sources and dates
- Calculation formulas for each emissions type
- Allocation methods for shared facilities
- Approach to de minimis emissions
- Assumptions, proxies, and estimates
- Plans for improving data over time

Organizational vs operational boundary

Organizational boundary

Under the Greenhouse Gas Protocol you choose one consolidation approach: equity share, financial control, or operational control. The choice determines which subsidiaries, joint ventures, and facilities fall inside your reporting perimeter. SB 253 requires companies to state this choice clearly and apply it consistently.

Defines which parts of the company are included in the inventory.

Operational boundary

It covers which Scope 1 and Scope 2 sources you count, and which Scope 3 categories you include or justify excluding. Under SB 253 the operational boundary must follow the Greenhouse Gas Protocol and be transparent enough for auditors to see what was included and why.

Defines which emission sources are included once the organizational boundary is set.

What are de minimis emissions?

De minimis emissions are very small emission sources that have no meaningful impact on the total greenhouse gas inventory. Companies may classify a source as de minimis when:

- The emissions are extremely small relative to the overall footprint
- The effort to measure them precisely would be disproportionate to their impact
- Excluding them does not affect the completeness or accuracy of the inventory

Under SB 253 and the Greenhouse Gas Protocol, companies may treat these sources as de minimis, but must still disclose that they were identified, explain why they were considered immaterial, and show how the decision was made.

CARB's draft template directly asks for a description of the methodology, so this document will be used repeatedly.

Provide calculation workbooks or system reports

Auditors will expect to see the full trail:

- Raw data
- Any data cleaning steps
- Emission factors
- Calculation formulas
- Final results per location and category

A calculation that cannot be followed step by step will not pass assurance.

Be explicit about assumptions

For Scope 3 categories, assumptions are often unavoidable. But they must be justified and documented. For example:

- Spend based estimates for early years
- Category specific proxies
- Supplier-specific activity data where available

Auditors will not expect perfect Scope 3 data immediately, but they will expect a plan for progress.

06 How to prepare for third party assurance

“Starting in 2026, companies will need to secure a third-party limited assurance for their Scope 1 and 2 emissions. Eventually, this will be upgraded to reasonable assurance, a level of scrutiny similar to a financial audit. For Scope 3, limited assurance will also be required down the line.”

Alison Gammie
Senior US Sustainability Expert, Sweep

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Assurance is not a single event. It is the outcome of a mature reporting system. The most successful companies focus on readiness months before the audit begins.

Build clear governance

Define roles for data owners, reviewers, approvers, and methodology leads. Create a documented process for how data flows from each department into the central inventory. Governance is often the difference between a smooth assurance process and a difficult one.

Integrate sustainability with finance processes

Finance teams already manage controls, documentation, and regular audits. Sustainability teams can borrow these practices.

Examples include:

- Including emissions data checks in internal audit plans
- Scheduling sustainability data collection alongside the financial close
- Using the same approval workflows that finance uses for internal controls

The more familiar the process looks to auditors, the faster the assurance engagement will move.

Engage with an assurance provider early

Early engagement allows you to test your system before the first audit cycle. **You will learn:**

- Whether your evidence files are strong
- Whether calculations are transparent
- Where controls need improvement
- Which Scope 3 categories pose the most risk

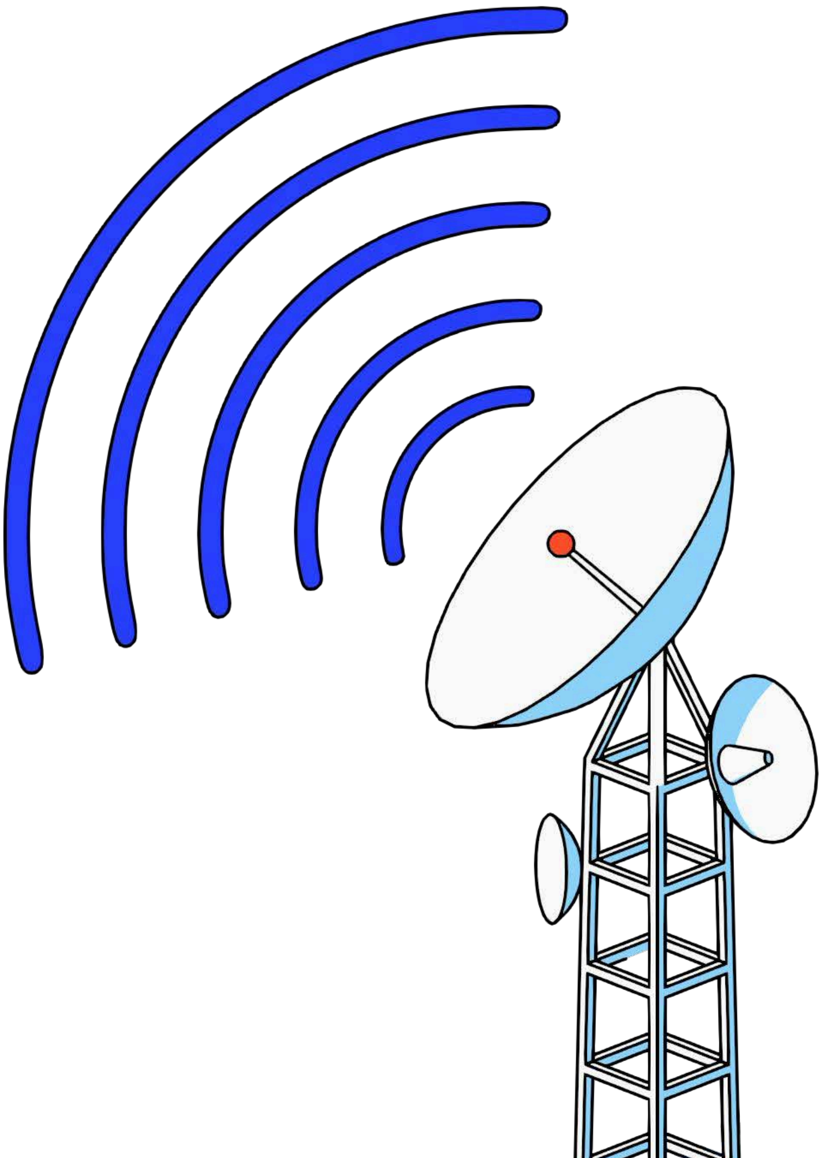
Companies that begin this conversation early often reduce assurance costs in the first year.

Build for interoperability

Regulations will continue to evolve. It is inefficient to rebuild your data architecture every time a rule changes. A single reporting foundation that supports SB 253, SB 261, CDP, ISSB, and potential SEC climate rules reduces long term risk and effort.

Focus on business value

Accurate emissions data has benefits beyond compliance. It uncovers inefficiencies, strengthens procurement decisions, and improves access to sustainable finance. As buyers look for low emissions suppliers, transparent disclosure increasingly becomes a competitive advantage.



Looking ahead: the path to confident compliance

SB 253 marks a significant step in the evolution of corporate climate accountability. It raises the standard for data quality, documentation, and transparency across US businesses. **Companies that act now will avoid last minute pressure and will also build systems that deliver strategic value.**

Audit readiness does not mean perfect data from day one. It means evidence that can be traced, methods that can be defended, and controls that reduce the risk of error. With the right foundations, companies will be ready for independent assurance and will be well positioned for the broader shift toward regulated sustainability reporting.

Never fail an audit with Sweep

The trusted standard for California SB 253 & SB 261

California's climate disclosure laws demand accuracy, transparency, and confidence. Sweep gives you everything you need to be audit-ready.

✓ Every emission factor and every calculation fully traceable in Sweep
✓ Verified alignment with GHG Protocol and ISO 14064
✓ Named platform and sustainability expert supporting you through the audit period

Built for compliance. Backed by experience.
Ready for California.

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