

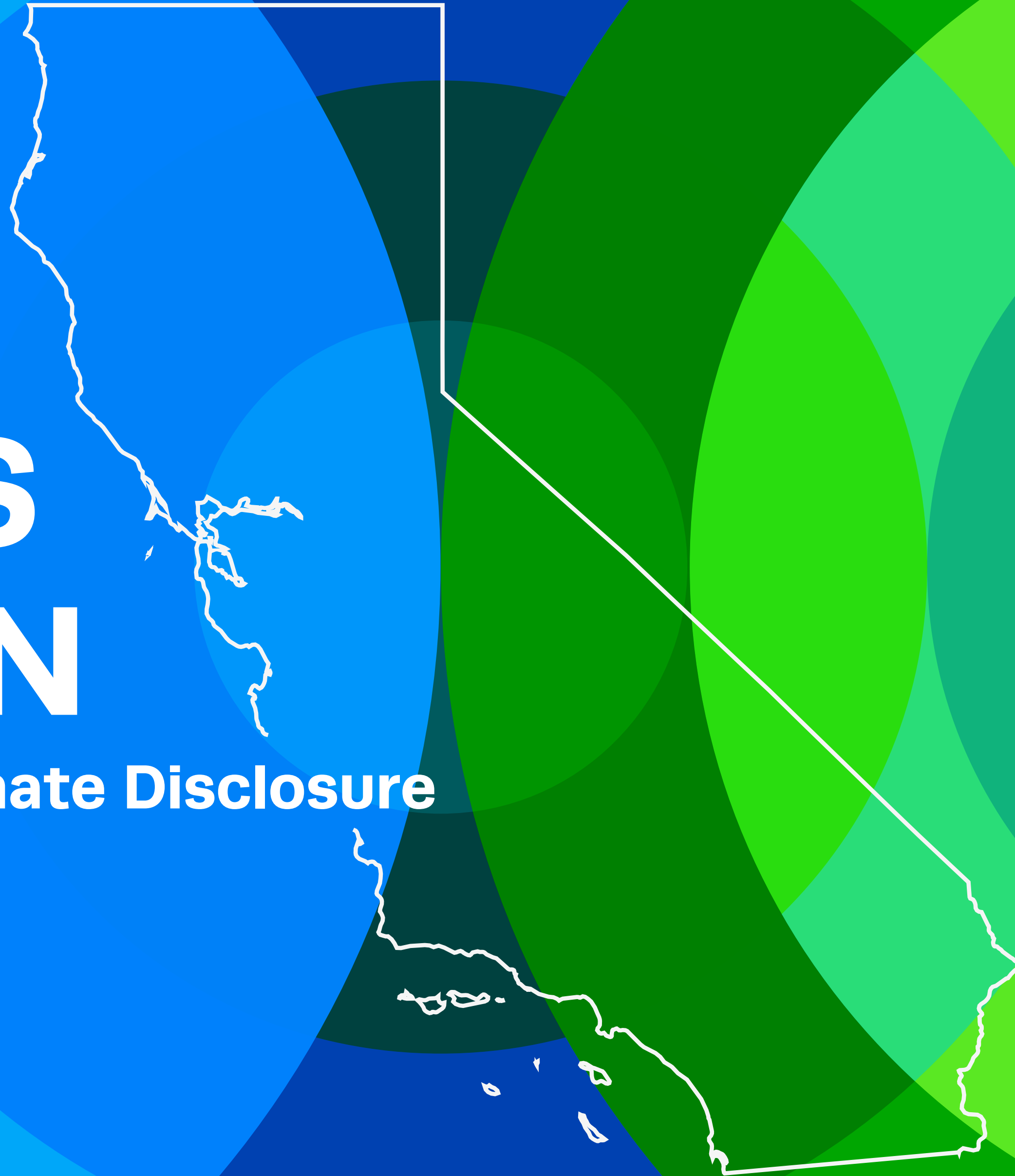


G&A

GOVERNANCE &
ACCOUNTABILITY
INSTITUTE, INC.™

CALIFORNIA'S SUPPLY CHAIN

Current Practices & Trends in Climate Disclosure



Overview

With an ambitious plan to achieve carbon neutrality by 2045, the State of California has emerged as a national and global leader on climate action. California recognizes that this goal cannot be achieved by the government alone – the private sector will play a key role in driving the transition to a low-carbon economy. As the fifth-largest economy in the world, hundreds of thousands of private businesses operate in California.

California also spends billions of dollars on goods and services from private sector companies each year. This highlights a crucial opportunity for the state to direct spending towards suppliers that align with its climate goals and to proactively manage climate-related risks within its supply chain. Yet, transparency into the climate impact of private sector companies that comprise the state’s suppliers has historically been limited, making it difficult to accurately assess how private businesses are or are not contributing to California’s climate goals.

In response to the need for greater transparency from the private sector, California enacted some of the most comprehensive corporate climate disclosure regulations in the country in October 2023. Senate Bills (SB) 253 Climate Corporate Data Accountability Act and 261 Climate-related Financial Risk Act require public and private companies doing business in the state that

meet certain revenue thresholds to disclose their greenhouse gas (GHG) emissions and climate-related financial risks. The first set of disclosures will be required beginning in January 2026. SB 253 and SB 261 will establish a solid baseline for understanding the GHG emissions and climate-related risks of the largest companies doing business in California.

However, on their own these bills do not guarantee visibility into the climate-related risks present in the state’s value chain. While some large suppliers may meet the revenue thresholds specified by SB 253 and SB 261, many smaller suppliers likely do not meet the revenue thresholds and as a result fall outside the scope of both laws. In recognition of this gap, the California Procurement Climate Information Act (SB 755), was introduced to the California State Legislature in February 2025. If enacted, SB 755 will require large and significant state suppliers to disclose their GHG emissions and climate-related financial risks.

QUICK GUIDE: ENACTED & PROPOSED CALIFORNIA CLIMATE LAWS

SB 253 mandates businesses doing business in California with greater than \$1 billion in annual revenue to publicly disclose their Scopes 1, 2, and 3 GHG emissions and to obtain assurance over these disclosures, beginning with Scopes 1-2 reporting in 2026.

SB 261 requires businesses doing business in California with greater than \$500 million in annual revenue to disclose their climate-related financial risks, as well as their strategies for mitigating those risks.

SB 755, introduced in February 2025, would expand climate disclosure requirements for companies doing business with the state. Under the proposed legislation:

- + Large contractors (suppliers with more than \$25 million in state contracts) would be required to report their Scopes 1, 2, and 3 GHG emissions and climate-related financial risks.
- + Significant contractors (suppliers with \$5 million–\$25 million in state contracts) would be required to report Scopes 1 and 2 emissions.

OVERVIEW

WHY IS THIS IMPORTANT

METHODOLOGY

FINDINGS

BREAKDOWNS

CONCLUSION

Filling a void:

The disjointed and sporadic nature of the voluntary reporting environment makes it challenging to evaluate how California's suppliers are currently managing their GHG emissions and climate-related risks. Similarly, many businesses operating in California are left without a solid understanding of where they sit in the current reporting landscape, leaving them unable to benchmark performance against peers and stay aligned with reporting best practices.

G&A developed this research report in response to the need for greater insight into current climate reporting practices. G&A used the criteria set out by all three SBs to analyze the climate disclosure practices of California's top suppliers and their resulting readiness to comply with the new and proposed regulations. The result is a first-of-its-kind analysis of the compliance readiness of the California State Government's major suppliers, representing billions of dollars in procurement spend.

By assessing the performance of a group of California's largest suppliers, we aim to:

- + **Provide insights into the preparedness** of key California suppliers to meet new reporting requirements
- + **Highlight trends in supplier climate disclosure** across key industries that supply goods and services to California
- + **Assess the future effectiveness of California's climate disclosure regulations** by providing an early baseline
- + **Identify opportunities to improve suppliers' alignment** with California's regulatory expectations
- + **Support informed decision-making on future policy developments** in California and other states developing similar legislation, such as New York, Colorado, and Illinois
- + **Encourage proactive disclosure** and stronger climate commitments across supply chains

G&A conducted this research with the support of like-minded organizations, including the Ceres Accelerator for Sustainable Capital Markets, Carbon Accountable, and Persefoni. This support was invaluable to G&A's research effort. We appreciate our supporters for providing assistance in navigating California supplier data, engaging with relevant contacts in their networks, and ensuring this analysis can be most useful for a wide variety of stakeholders, from businesses and investors to policymakers and all that work to advance a low-carbon economy.

Why Is This Important?

From our Advisory Group

OVERVIEW

WHY IS THIS IMPORTANT

METHODOLOGY

FINDINGS

BREAKDOWNS

CONCLUSION



"California's supplier base is vast, spanning industries from manufacturing and transportation to healthcare and retail. With new climate disclosure regulations coming into effect, there is an urgent need for greater transparency on how these suppliers are aligning with expectations. This report provides a first look at how industries are responding and establishes a baseline for future comparison, helping policymakers both in California and other states, procurement teams, California suppliers themselves, and other stakeholders better understand the challenges and opportunities in this evolving regulatory landscape."

— **Louis Coppola, CEO & Co-Founder at G&A Institute**



"An important part of G&A's Institute's mission since our founding is the sharing of knowledge to help create broad awareness and understanding of critical trends for the corporate community, and for capital market players. Key developments in California can and do affect many publicly-traded and private companies and their stakeholders. The Golden State is the fifth-largest economy in the world for the 7th consecutive year – its USD \$4+ trillion GDP is similar to the size of Germany and Japan, for example (that's 15% of the total U.S. GDP, helping make the U.S. the #1 economy in the world). On a per capita basis, California is the second largest economy in the world after the United States. The state's 40 million residents represent an attractive market for many companies. The G&A team will continue to closely monitor and share information on key developments in California."

— **Hank Boerner, Chairman & Chief Strategist at G&A Institute**



“California is indisputably a nationwide and global leader on climate. Yet, as our pioneering analysis shows, California’s top suppliers are missing the mark on reporting key climate information. The low rates of disclosure make it challenging to evaluate the climate-related risks within California’s supply chain and to understand how the state’s purchasing decisions may or may not contribute to climate change. Further, the lack of transparency results in confusion and missed opportunities for businesses, as they are unable to identify improvement areas or position themselves as climate leaders without understanding how they compare to competitors. Overall, the results of this report highlight the difficulties in sourcing climate-related information in the absence of mandated reporting requirements, making the case for procurement policies and laws that nudge suppliers towards greater rates of disclosure, such as the proposed SB 755 California Procurement Climate Information Act.”

— **Annie Roberts, Senior Vice President, Climate Consulting at G&A Institute**



“This report is an important resource for California policymakers and taxpayers and demonstrates the continued importance of ensuring that companies manage, measure, and disclose their climate-related risks and opportunities.”



“Suppliers must do their part to help California achieve its ambitious climate goals. This analysis helps clarify where industry gaps exist and where targeted action is needed.”



“Institutions like corporations and government procurement bodies increasingly look to suppliers to help assess and manage climate-related risks. This precedent-setting report allows stakeholders to analyze existing information gaps in California’s own supply chain and determine how to manage those gaps accordingly.”

Methodology

To establish the pool of suppliers to assess in our research, G&A compiled a comprehensive list of companies by pulling all supplier data from the State Contract & Procurement Registration System (SCPRS) [portal](#) from July 1st, 2023 through June 30th, 2024 (the full 23/24 fiscal year for the state of California). We then filtered the suppliers to only include those with for-profit status and a minimum annual business volume with the state of \$25 million. This filtering process yielded a master list of 136 public and private companies.

Next, G&A established key categories of climate disclosures aligned with the requirements of SB 253 (Scopes 1–3 GHG emissions & assurance) and SB 261 (climate-related risk), the proposed requirements of SB 755 (Scopes 1–3 & climate-related risk for large contractors and Scopes 1–2 GHG emissions for significant contractors), and best practices for emissions management (target-setting). These categories included:

- + Reporting of Scopes 1, 2, and 3 GHG emissions
- + Assurance of reported Scopes 1, 2, and 3 emissions
- + Adoption of science-based targets (SBTs)
- + Establishment of near-term (2035) and long-term (beyond 2035) emissions reduction targets
- + Completion of a climate-related risk assessment

G&A then conducted a two-phase process of data collection and analysis. Phase one involved a detailed review of each company's publicly available information, including its website, annual reports, sustainability reports, and other relevant documents. The research team systematically searched these resources for the most current publicly available data related to each climate disclosure category. In phase two, we validated the findings for publicly traded companies using additional publicly available resources and databases. This dual approach ensured the accuracy and comprehensiveness of the data.

OVERVIEW

WHY IS THIS
IMPORTANT

METHODOLOGY

FINDINGS

BREAKDOWNS

CONCLUSION



Findings

G&A analyzed 136 suppliers to the state of California.

This section provides our findings on suppliers current practices in reporting emissions, obtaining assurance, setting targets, and assessing climate risk. The analysis reveals that currently most of California’s top suppliers do not publicly disclose climate-related information which highlights the limited view that the State Government has into the climate resiliency of its supply chain. The research also demonstrates the utility of laws like SB 755 designed to enhance supplier disclosure rates. For suppliers, the findings indicate a gap in readiness to meet SB 755’s proposed requirements, signifying a need for targeted support that enables suppliers to proactively address reporting gaps.

OVERVIEW

WHY IS THIS IMPORTANT

METHODOLOGY

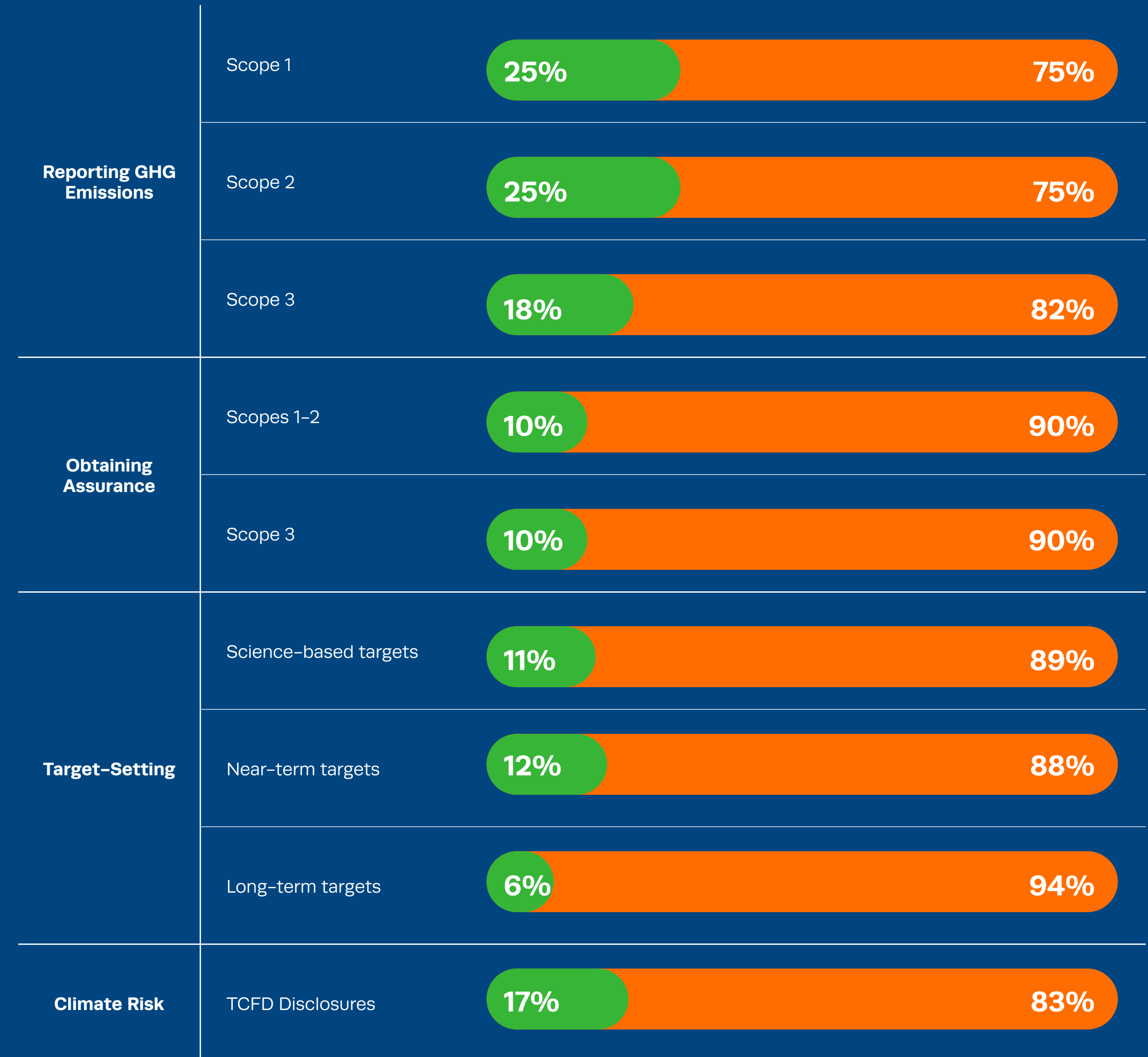
FINDINGS

BREAKDOWNS

CONCLUSION

Climate Reporting Trends California’s Suppliers >\$25 Million

● Reporting ● Not Reporting





California Supplier Reporting Rates by Industry/Sector

OVERVIEW

WHY IS THIS IMPORTANT

METHODOLOGY

FINDINGS

BREAKDOWNS

CONCLUSION

Industry/Sector	Number of unique suppliers	CA's total spend by industry in FY2024	Scope 1	Scope 2	Scope 3	Assurance/ Verification of Scopes 1-2	Assurance/ Verification of Scope 3	Set Science Based Targets	Near Term Targets (Target Achievement Before 2035)	Long Term Targets (Target Achievement Date After 2035)	Climate-related Risk Assessment (e.g., physical risks, transition risk) or TCFD Disclosures
Engineering/Infrastructure/Construction	49	\$3,581,412,973	12%	12%	8%	2%	2%	2%	4%	4%	4%
Professional Services	18	\$1,051,951,923	50%	50%	44%	28%	28%	33%	33%	22%	39%
Healthcare	10	\$958,346,659	10%	10%	10%	10%	10%	10%	10%	0%	10%
IT Services	13	\$771,436,006	31%	31%	23%	15%	15%	8%	8%	0%	31%
Biotechnology & Pharmaceuticals	3	\$601,759,040	100%	100%	33%	33%	33%	33%	33%	0%	33%
Telecommunications	4	\$553,346,652	50%	50%	50%	25%	25%	0%	0%	0%	50%
Technology	2	\$484,169,247	100%	100%	50%	50%	50%	50%	50%	0%	50%
Financial Services	7	\$454,518,307	14%	14%	14%	0%	0%	0%	0%	0%	14%
Environmental Services	5	\$303,390,044	80%	80%	60%	20%	20%	60%	60%	40%	60%
Oil and Gas	4	\$280,550,709	0%	0%	0%	0%	0%	0%	0%	0%	0%
Transportation	4	\$120,708,019	0%	0%	0%	0%	0%	0%	0%	0%	0%
Energy	2	\$110,000,000	50%	50%	0%	0%	0%	0%	0%	0%	0%
Software	2	\$99,509,078	0%	0%	0%	0%	0%	0%	0%	0%	0%
Car Dealership	2	\$74,515,962	0%	0%	0%	0%	0%	0%	0%	0%	0%
Architecture	1	\$62,208,000	0%	0%	0%	0%	0%	0%	0%	0%	0%
Food Service Distribution	2	\$60,018,904	50%	50%	50%	0%	0%	50%	50%	0%	50%
Employment Services	1	\$51,459,000	0%	0%	0%	0%	0%	0%	0%	0%	0%
Manufacturing	1	\$49,499,509	0%	0%	0%	0%	0%	0%	0%	0%	0%
Medical Practices	1	\$41,349,984	0%	0%	0%	0%	0%	0%	0%	0%	0%
Aerospace and Defense	1	\$34,691,696	0%	0%	0%	0%	0%	0%	0%	0%	0%
Landscaping	1	\$32,767,594	0%	0%	0%	0%	0%	0%	0%	0%	0%
Media	1	\$31,494,473	0%	0%	0%	0%	0%	0%	0%	0%	0%
Utilities	1	\$30,000,000	0%	0%	0%	0%	0%	0%	0%	0%	0%
Safety Equipment Distributer	1	\$28,513,069	0%	0%	0%	0%	0%	0%	0%	0%	0%

Measuring & Reporting GHG Emissions

GHG emissions are typically measured in accordance with the Greenhouse Gas Protocol, a standardized framework developed by the World Resource Institute (WRI) and the World Business Council on Sustainable Development (WBCSD). This internationally recognized protocol provides comprehensive guidance for emissions accounting and reporting across public and private sector entities, encompassing their operations and value chains.

A GHG inventory covers three emissions scopes:

- + **Scope 1:** Direct emissions from sources owned or controlled by the entity, like onsite fuel combustion, company vehicle emissions, and fugitive emissions
- + **Scope 2:** Indirect emissions from purchased energy like electricity, heating, and cooling
- + **Scope 3:** All other indirect emissions associated with an entity across 15 categories, covering activities occurring both upstream and downstream of its own operations. Companies select the categories relevant to their business for Scope 3 reporting

Scopes 1 and 2 emissions are generally easier to measure due to direct operational control and readily available data on fuel usage and purchased energy. In contrast, Scope 3 emissions usually present measurement challenges as they encompass indirect emissions across the value chain, requiring data from various sources and navigating complex supply chains. Our findings show that a majority of companies do not report their GHG emissions, but among those that do, Scopes 1 and 2 reporting is more prevalent. This is consistent with the greater complexity involved in measuring Scope 3 emissions compared to Scopes 1 and 2.

The majority of companies in our selection of California suppliers do not report on Scopes 1, 2, or 3 emissions:



25%

of California suppliers report Scopes 1 and 2 emissions



18%

of California suppliers report Scope 3 emissions

Obtaining Assurance

Companies may elect to obtain independent assurance over their GHG emissions before reporting them to ensure they are accurate and calculated in alignment with relevant standards. With the implementation of SB 253, companies will be required to obtain third-party assurance for their GHG emissions, beginning with limited assurance for FY2025 Scopes 1 and 2 emissions. However, our findings indicate a gap in preparedness, as the majority of suppliers included in this analysis have not obtained external assurance for their Scopes 1, 2, or 3 emissions.

Target-Setting

Establishing company-wide emissions reduction targets is essential for driving the decarbonization of operations and value chains. While target-setting is not required by SB 253, SB 261, or SB 755 as currently proposed, setting emissions reduction targets is generally considered best practice for companies seeking to demonstrate their commitment to managing GHG emissions. The Science Based Targets initiative (SBTi) provides a leading framework for companies to set ambitious targets for their Scopes 1, 2, and 3 emissions that are aligned with limiting global warming below 1.5°C. Today, over 7,300 companies globally have science-based targets validated by SBTi. But within the companies G&A analyzed, few have adopted SBTs.

OVERVIEW

WHY IS THIS IMPORTANT

METHODOLOGY

FINDINGS

BREAKDOWNS

CONCLUSION



Target Timeframes*



*including both SBTi-verified and informal targets



Climate-related Risks

It is vital for a business to understand its physical and transition risks associated with climate change. Conducting climate risk assessments enables organizations to identify key risks and develop robust risk management and resilience strategies to mitigate and adapt to the impacts of climate change.

Climate-related physical risks fall into two categories: acute and chronic.

- + **Acute risks:** Event-driven occurrences such as extreme heat, wildfires, and hurricanes.
- + **Chronic risks:** Longer-term shifts in climate patterns such as sea-level rise and change in mean temperature and precipitation.

Climate-related transition risks are risks posed to a business by a societal shift to a decarbonized economy. Such a shift can drive policy and legal, technology, market, and reputational risks.

The Task Force on Climate-Related Financial Disclosures (TCFD) is one of the leading providers of guidance for companies to report on climate-related risks and opportunities, including physical and transition risks. SB 261 mandates climate-related risk reporting in alignment with the TCFD framework, yet a significant portion of the suppliers analyzed are not currently prepared for this requirement.



Breakdowns

This section of the report organizes our key findings by industry, company status (public or private), and supplier spend. While there is some variance in reporting rates between these categories, the overall trend is consistent: across the board, California’s suppliers are generally not publicly disclosing key climate metrics.

OVERVIEW

WHY IS THIS IMPORTANT

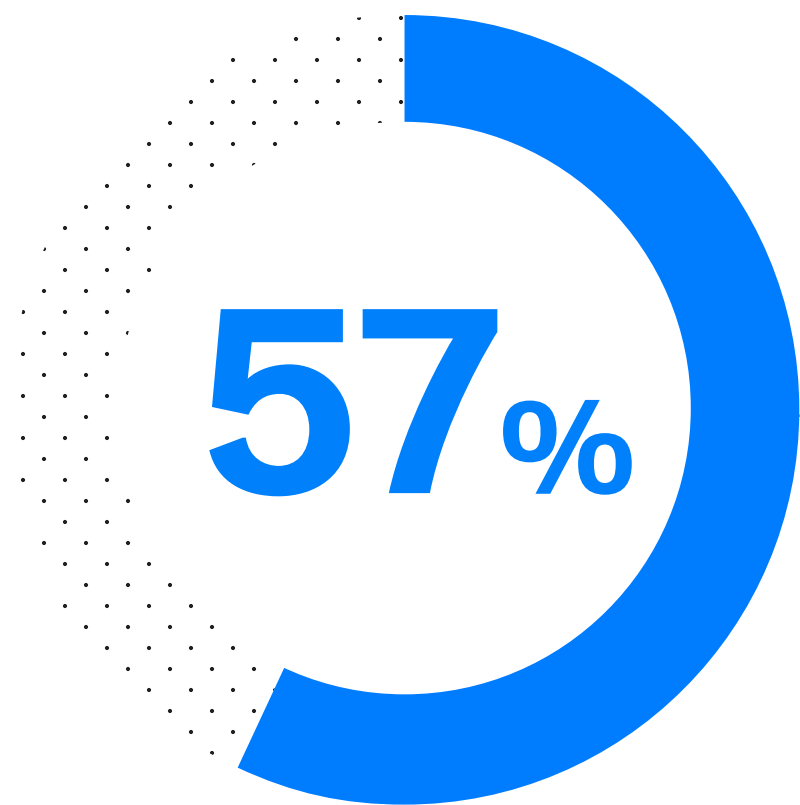
METHODOLOGY

FINDINGS

BREAKDOWNS

CONCLUSION

Top Industries by Spend Breakdown



57%
of our supplier group belong to one of these three industries

- **Engineering/Infrastructure/Construction**
- **Professional Services**
- **Healthcare**

Industry	Segment of industry reporting or aligning with (in 2024):			
	Scopes 1 and 2 Emissions	Scope 3 Emissions	SBTs	TCFD
Engineering/Infrastructure/Construction The engineering/infrastructure/construction industry is the largest industry by count and spend in this analysis. Most of these companies did not publicly report on the various climate metrics we analyzed.	12%	8%	2%	4%
Professional Services Companies are considered professional services businesses if they provide a knowledge-based service to help clients make informed decisions. Professional services companies disclosed climate-related metrics at higher rates than other industries.	50%	44%	33%	39%
Healthcare Most companies in this sector lack climate disclosures across all climate metrics analyzed.	10%	10%	10%	10%

Public vs. Private Companies

Public companies often demonstrate greater transparency in climate-related disclosures, due to regulatory requirements and expectations from investors and other stakeholders. G&A's analysis confirms this trend, with publicly listed suppliers exhibiting higher reporting frequencies compared to the overall supplier group.

OVERVIEW

WHY IS THIS IMPORTANT

METHODOLOGY

FINDINGS

BREAKDOWNS

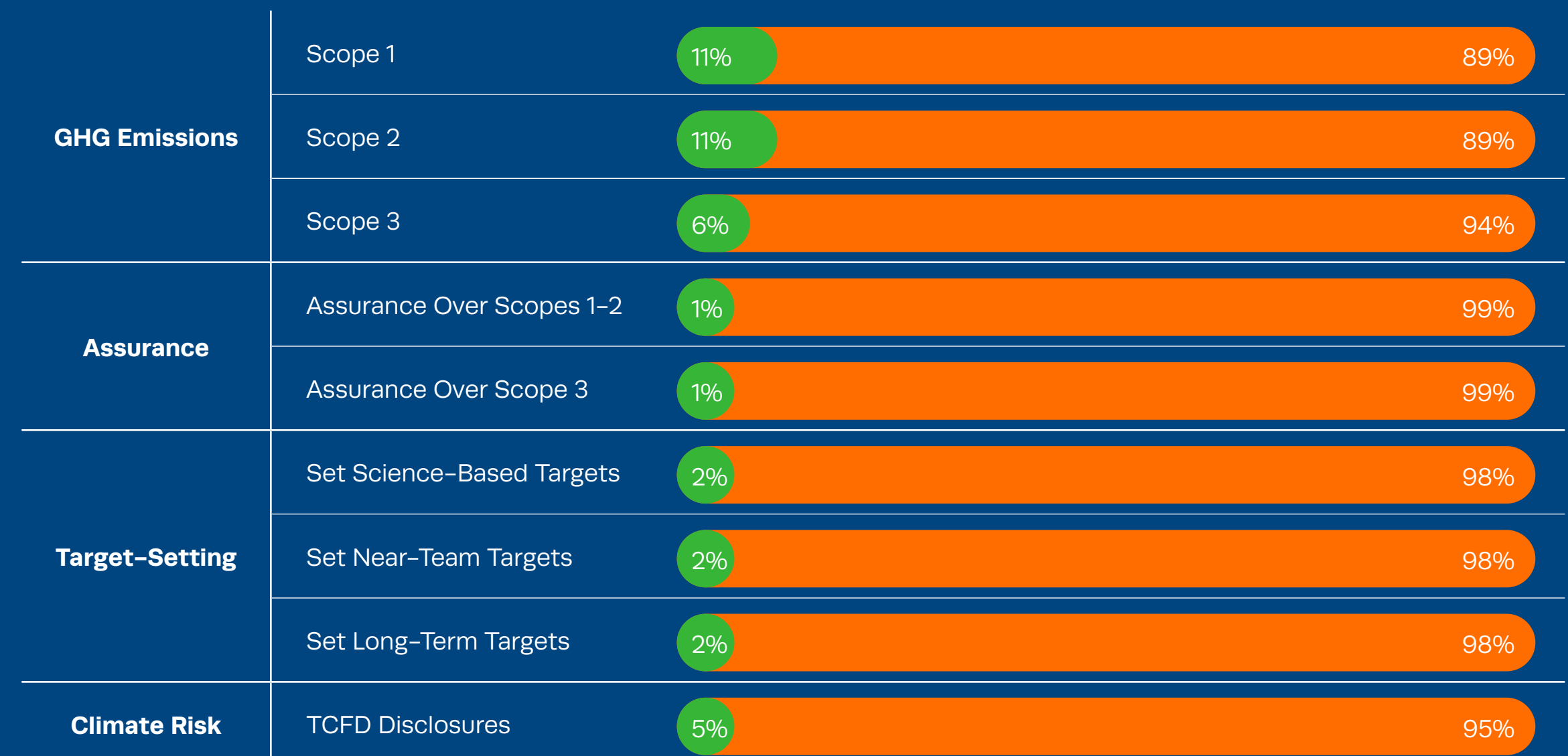
CONCLUSION

Public Companies in CA's Supply Chain

● Reporting ● Not Reporting



Private Companies in CA's Supply Chain



Total Supplier Spend

A strong correlation exists between the level of State spending and the transparency of climate-related reporting practices among suppliers. This trend is clearly demonstrated when comparing suppliers across three spending tiers: \$25 million to \$75 million, \$75 million to \$350 million, and \$350 million to \$430 million. Suppliers in the highest spending tier show significantly higher rates of climate disclosures compared to those in the middle and lowest spending tiers. This trend is likely due to higher-value contracts being held by larger companies, who are more likely to already have voluntary climate reporting procedures in place compared to smaller companies and are more likely to have other customers asking for similar information.

OVERVIEW

WHY IS THIS IMPORTANT

METHODOLOGY

FINDINGS

BREAKDOWNS

CONCLUSION

Supplier Spend Group:



Research Limitations

This analysis was based on publicly available data, primarily sourced from the [SCPRS portal](#), company websites, annual reports, and sustainability reports. As such, it may not capture the full extent of climate-related activities undertaken by suppliers, particularly those with limited public disclosure practices.

Additionally, the research focused on a specific set of criteria, including a minimum annual business volume with the state of California of \$25 million. This threshold excludes smaller state suppliers, particularly those with between \$5 million and \$25 million in total spend who may be required to comply with the proposed SB 755.

Finally, the research interpreted publicly available quantitative and qualitative data related to emissions reporting, assurance, target-setting, and climate-related risk for each company. It did not delve deeply into other aspects of climate action, such as the specific strategies and initiatives employed by suppliers to reduce emissions and manage climate risks.



Conclusion

Most current suppliers do not make climate-related disclosures. Specifically:

- + The majority do not report their Scope 1, 2, or 3 emissions;
- + The majority have not obtained external assurance for their emissions measurements;
- + Few have adopted science-based targets for reducing their emissions;
- + Most suppliers have not conducted a climate-risk assessment.

Among the California supplier companies, publicly listed companies exhibit higher reporting frequencies than private companies. Also, suppliers in the highest spending tier for the State show significantly higher rates of climate disclosure, compared to companies on which California spends less.

Taken together, the findings indicate that California's suppliers may be inadequately prepared for forthcoming and proposed climate reporting requirements.

This signifies a need for targeted guidance that enables companies doing business with California to proactively address reporting gaps. Supporting suppliers in increasing their rate of climate-related disclosures will offer the State more insights into its supply chain emissions and climate-related risks and help California identify opportunities to bring its supply chain into better alignment with its climate goals.

About the Supporters



Ceres Accelerator for Sustainable Capital Markets is a center within Ceres that aims to improve the practices and policies that govern capital markets by engaging federal and state regulators, financial institutions, investors, and corporate boards to act on climate risk as a systemic financial risk.

CARBON ✕ ACCOUNTABLE

Carbon Accountable advances policies that increase the availability of the robust GHG emission data needed to inform corporate and investor decision making and empower consumers and policymakers.



Persefoni is a leading climate management and carbon accounting platform that enables businesses to track, manage, and disclose their carbon footprints in alignment with global standards.

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