

# INSIGHT + ACTION

## INSIGHT

### Why Climate Risk Disclosure Matters

#### *California SB 261 and the Growing Demand for Physical Risk Assessment*

Climate impacts often result in financial risks, particularly for real assets like commercial and industrial property. In response, regulators are beginning to require more transparent, data-driven reporting on how companies are preparing for these climate risks.

### What is SB 261 or the Climate-Related Financial Risk Act?

Signed into law in October 2023, the **California Senate Bill 261**, also known as the **Climate-Related Financial Risk Act**, is a landmark piece of legislation that requires many large businesses operating in California to publicly disclose their **climate-related financial risks** and the strategies they are using to manage them. The law adopts the framework developed by the **Task Force on Climate-related Financial Disclosures (TCFD)** and places particular focus on:

- **Physical risks**, such as wildfires, flooding, sea-level rise, and extreme heat.
- **Transition risks** tied to policy changes, market shifts, and decarbonization efforts.

Importantly, physical climate risks to property and infrastructure, whether owned, leased, or relied upon in the supply chain, must be evaluated and disclosed.

### Who Must Comply?

Although it is a California law, SB 261 applies to U.S.-based corporations, partnerships, LLCs, and other entities that:

- Conduct business in California.
- Report **annual revenues over \$500 million** in the prior fiscal year.

The **first disclosure report is due by January 1, 2026**, and must be **updated every two years**. Reports must be publicly available, and noncompliance can result in fines of up to **\$50,000 annually**.

### Why This Matters Now

This law signals a shift: climate risk assessment is no longer optional for large businesses — it is a regulatory requirement. Similar disclosure rules are emerging in other jurisdictions, suggesting a broader trend toward more robust climate risk reporting.

For many large businesses with real property assets or exposure in California, understanding the **physical risks posed by climate change** and being able to document how those risks are assessed and addressed, is not just smart risk management, it is rapidly becoming a compliance requirement.

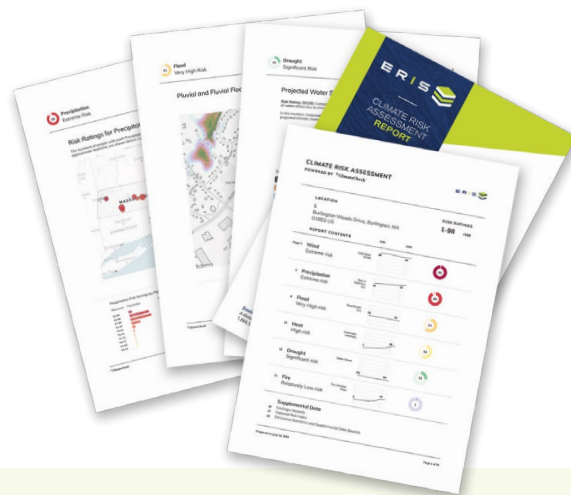
# ACTION

## A Practical Solution for SB 261 Compliance: Climate Risk Assessment Reports from ERIS + ClimateCheck

To meet the demands of SB 261 and support clients in assessing risk and building climate resilience, environmental consultants need fast, credible tools that provide actionable insights at the property level. That is where ERIS and ClimateCheck come in.

### A New Opportunity for Environmental Consultants

ERIS has partnered with ClimateCheck to deliver **property-specific Climate Risk Assessment Reports** that help consultants lead SB 261 compliance efforts with confidence. These reports are aligned with the TCFD framework and directly support the physical risk assessment requirements under the new law.



### Identify Physical Climate Risks

Our Climate Risk Assessment Reports, powered by ClimateCheck, evaluate all relevant **acute and chronic physical climate hazards**, including:



Wildfire



Flooding



Sea-Level  
Rise



Storms &  
Hurricanes



Extreme Heat  
& Temperature  
Increases



Changing  
Precipitation  
Patterns

Each report maps climate exposures at the asset level, making it easy to pinpoint site-specific vulnerabilities across portfolios.

### Consultants Add Strategic Value

These reports provide a foundation for consultants to deliver deeper insight and guidance:

- + **Assess Materiality:** Determine which risks are most relevant to operations, supply chains, and investment plans. Establish benchmarks and track risks over time.
- + **Quantify Financial Impact:** Model potential losses from damage, disruption, and rising insurance or maintenance costs.
- + **Advise on Mitigation Strategies:** Help clients prepare through adaptation plans, capital improvements, or strategic shifts.
- + **Support Compliance Reporting:** Use our reports to create clear, defensible climate disclosures that meet SB 261 standards.

### Help Clients Comply and Build Resilience

SB 261 opens the door for environmental consultants to become trusted advisors on climate risk and resilience. With ERIS' Climate Risk Assessment Reports, you can help clients take the essential first step, while positioning your firm at the center of a fast-growing compliance and sustainability opportunity.

### New Climate Laws Demand Action

For more information or to request a demo go to [erisinfo.com](https://erisinfo.com)

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