

Sustainability Leads Club

A large photograph of the Aurora Borealis (Northern Lights) in a starry night sky. The aurora appears as vibrant green and blue streaks and curtains of light against a dark, star-filled background. A single bright star is visible near the top center.

May 2023



Agenda

- 1. Introduction**
- 2. Sustainability Audits at Schneider Electric**
- 3. Audits driving actions**
- 4. Sustainability Assurance**
- 5. Q&A session**

Your speakers and facilitators



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An aerial night view of a city skyline, likely London, with numerous skyscrapers and buildings illuminated. A prominent feature is a large, glowing orange and yellow energy line or power conduit that runs vertically through the center of the image, connecting the top to a circular plaza area in the foreground. The overall scene is dark, with the city lights providing a strong contrast.

Sustainability audits at Schneider Electric

Eloise Cotton, Head of Sustainable Development UK&I

Auditing at Schneider Electric

Internal Controls

- Framework with dedicated reporting protocols for our sustainability programme, and other extra-financial information
- Framework includes scope, collection and consolidation procedures and definitions of indicators
- Data reliability checks are conducted at the time of consolidation (review of variations, inter-site comparison etc.)

External assurance

- Yearly occurrence since 2006
- External auditor reviews the procedures in place and data accuracy to provide limited assurance on extra-financial information
- In 2022, additional review by auditor to obtain reasonable level of assurance for strategic indicators (energy consumption, Scope 1 & 2 emissions, safety, gender diversity)

Global KPIs monitored by the UK&I Sustainability Team

Climate

1
150 Zero-CO₂ sites

3
90% of electricity sourced from renewables

Carbon Pledge

3
Reduce CO₂ emissions from top 1000 suppliers' operations by 50%

Resources

7
One-third of corporate vehicle fleet comprised of electric vehicles (100% by 2030)

5
15% energy efficiency in our sites

9
200 Waste-to-Resource sites

8
100% of sites with local biodiversity conservation and restoration programs

No net biodiversity loss (2030)

11
100% of sites in water-stressed areas have a water conservation strategy and related action plan

Single use plastic ban for non-operational plastic (now)

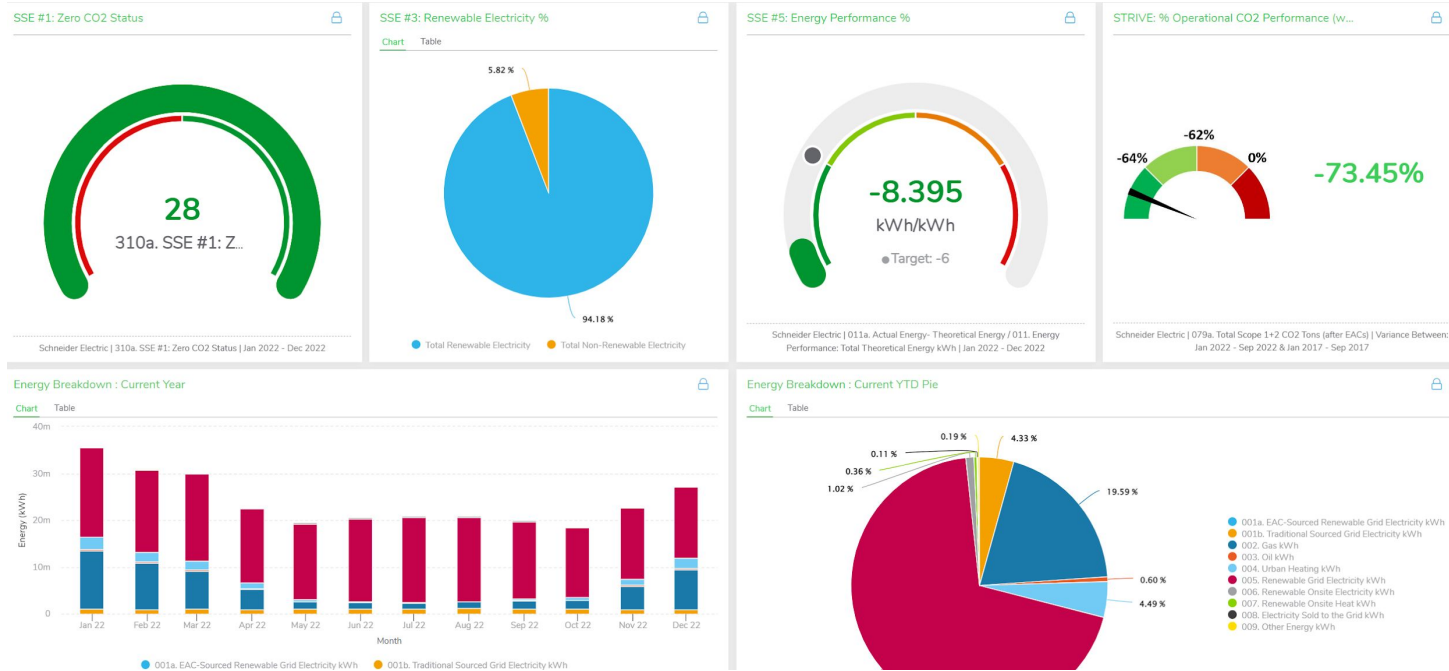
Local

+1
100% of Country and Zone Presidents define 3 local commitments that impact their communities in line with our sustainability transformations

25
50,000 volunteering days since 2017

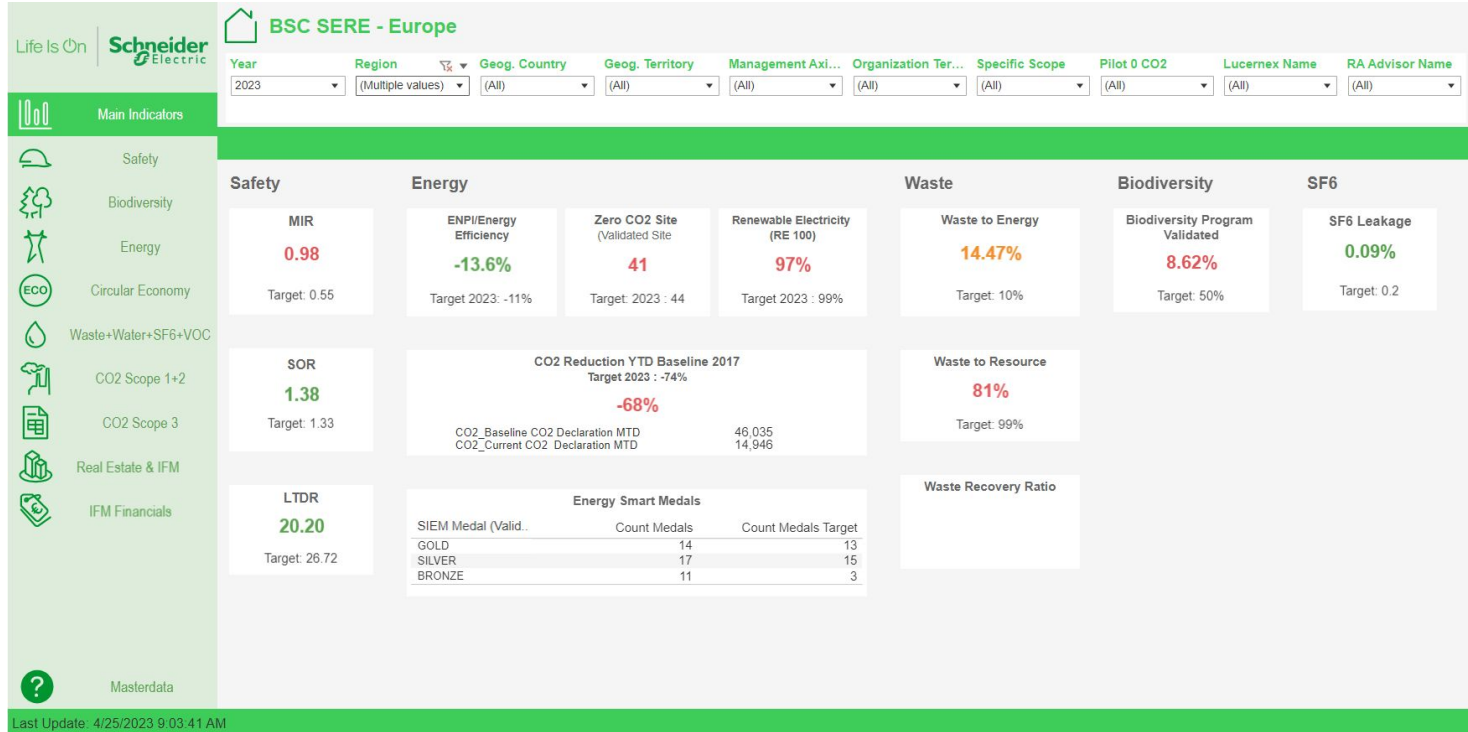
Tracking our KPIs

Tracking of all sites globally via Resource Advisor



Tracking our KPIs

Greater granularity at Europe level





Audits driving action

Andrew McKenzie, Director of Strategic Business and Partnerships

3 mega trends with strong implications are changing our lives...

3 MEGA TRENDS

3 MAJOR IMPLICATIONS

Net zero
by 2050

+80%
demand

100 bUSD
losses

x3
clean
investment

x3 to x4

x2.5
microgrids

DECARBONIZE

ELECTRIFY

RELIABILITY

SUSTAINABILITY

ENERGY COST

DECENTRALIZE

Achieving net zero CO2 emissions globally in the early 2050 is **required to stay under 1.5°C**. Technologies exist.

Electricity demand is projected to almost 80% above today's level

C&I companies will see over **\$100 billion in annual losses from power outages** through the end of the decade.

Clean energy investment worldwide will need to more than triple by 2030

European markets: wholesale power prices in first half of 2022 **three to more than four times** as high as 2016 to 2021

Forecasted **microgrid market growth** in the next 10 years

IPCC, April 2022

IEA, World Energy Outlook 2021

American Society of Civil Engineers

IEA "net zero by 2050" report 2021

IEA – Electricity market report, July 2022

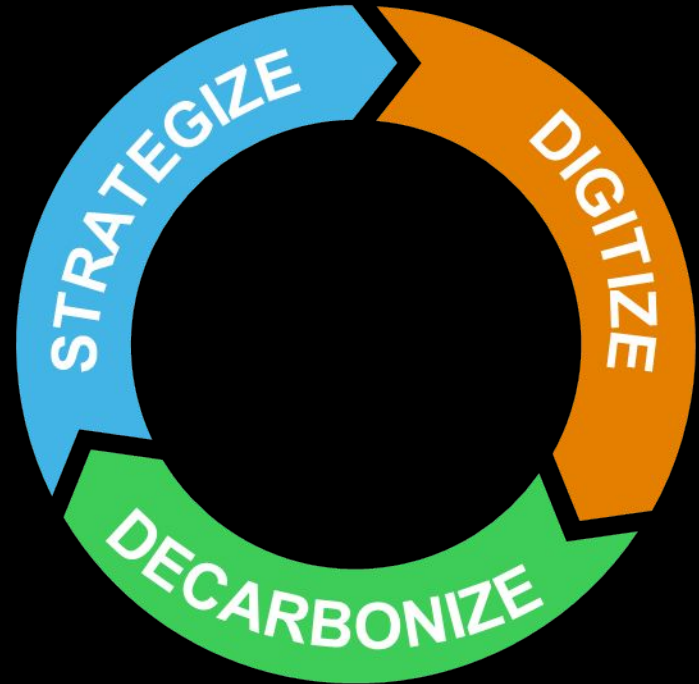
Frost & Sullivan report, 2021

Addressing challenges

Follow a 3-step approach from strategy setting to execution to deliver results in line with climate ambition

COMMON ROADBLOCKS

- Establishing baseline
- Creating a strategy
- Tracking data
- Navigating reporting & assessment frameworks
- Measuring impact



Sustainability

Energy + Resource

Asset Performance

Process Performance

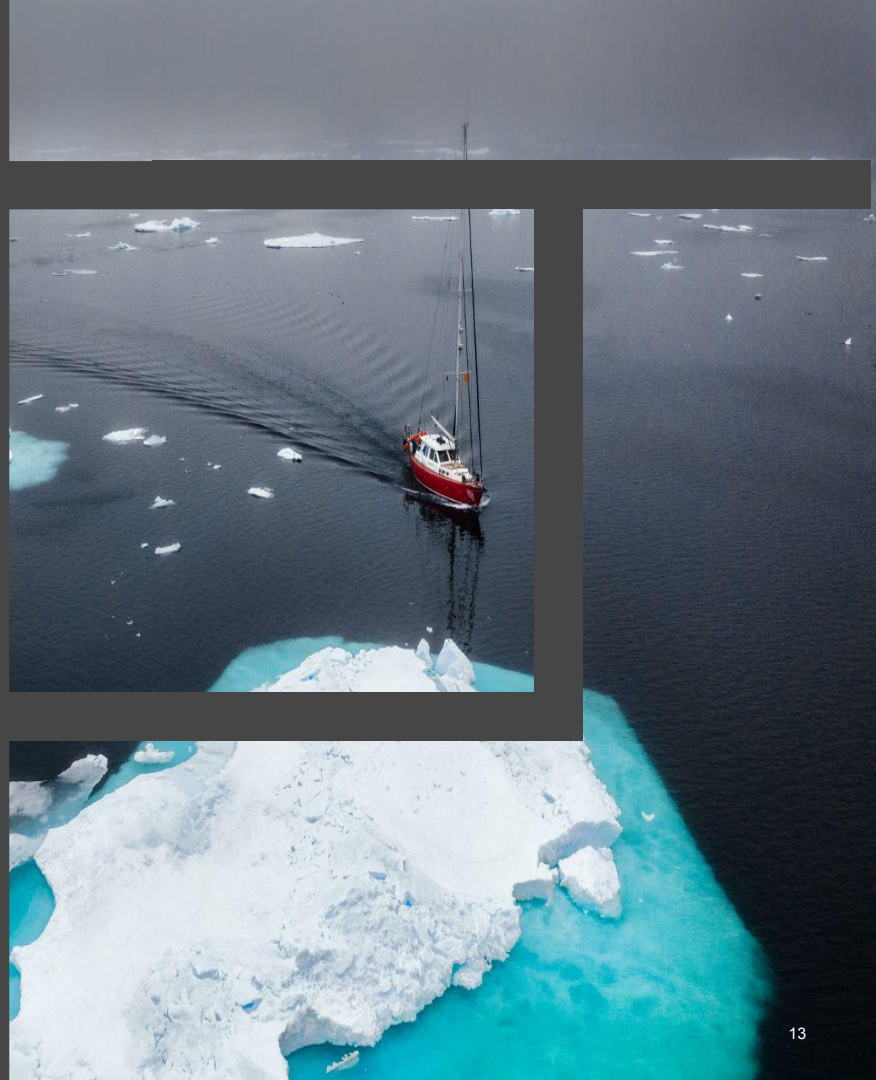
Cyber Security

Support our customers on climate, from strategy setting to execution



Sustainability Assurance

May 2023



Who is interested in Sustainability Reporting & Assurance?



Governments



Regulators



Customers



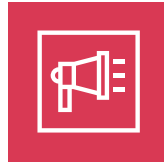
Suppliers



Employees



Society



Press



Unions



Investors

What is Sustainability or ESG Assurance?

Assurance engagements

- Objective is to **express a conclusion** about whether, **based on the evidence obtained**, the **subject matter information is free from material misstatement, whether due to fraud or error**
- Typically performed under ISAE 3000, or ISAE 3410 for emissions.
- Differs from advisory services which focus on developing **recommendations**, providing **advice** or forming a **'view'**, based on expertise, training or relevant market information.
- We provide assurance over certain 'front' half non-financial information in our clients' annual report or separate sustainability reports.
- Examples of information we assure include
 - GHG emissions and targets
 - Diversity and inclusion metrics
 - Supply chain management
 - Green, social and sustainable financing
 - Corporate governance disclosures

Why do companies want assurance?

Any assurance is currently **voluntary**. We see an increasing demand for assurance over ESG and climate related information, driven by a number of factors:

Internal factors

- Accuracy, reliability and robustness of data in making key strategic decisions
- ESG KPIs impact remuneration
- Employee engagement and retention
- Consistency and differences across different markets and businesses
- Management comfort over related systems and processes
- Continued learning and process improvements

External factors

- Reputation and commitment to ESG and sustainability
- Better access to funding/banks demand it
- Readiness for BEIS Audit & Assurance Policy
- Suppliers and/or customers starting to demand it
- Consistency with wider stewardship activities
- Increased scoring from ESG rating agencies
- Consistency with peers

Currently there are **no mandatory requirements** for assurance but future regulations will mandate it, moving from limited assurance to reasonable assurance. This will start with EU-incorporated companies, but almost inevitably we expect other jurisdictions to follow.

Levels of assurance and their key differences

Reasonable Assurance

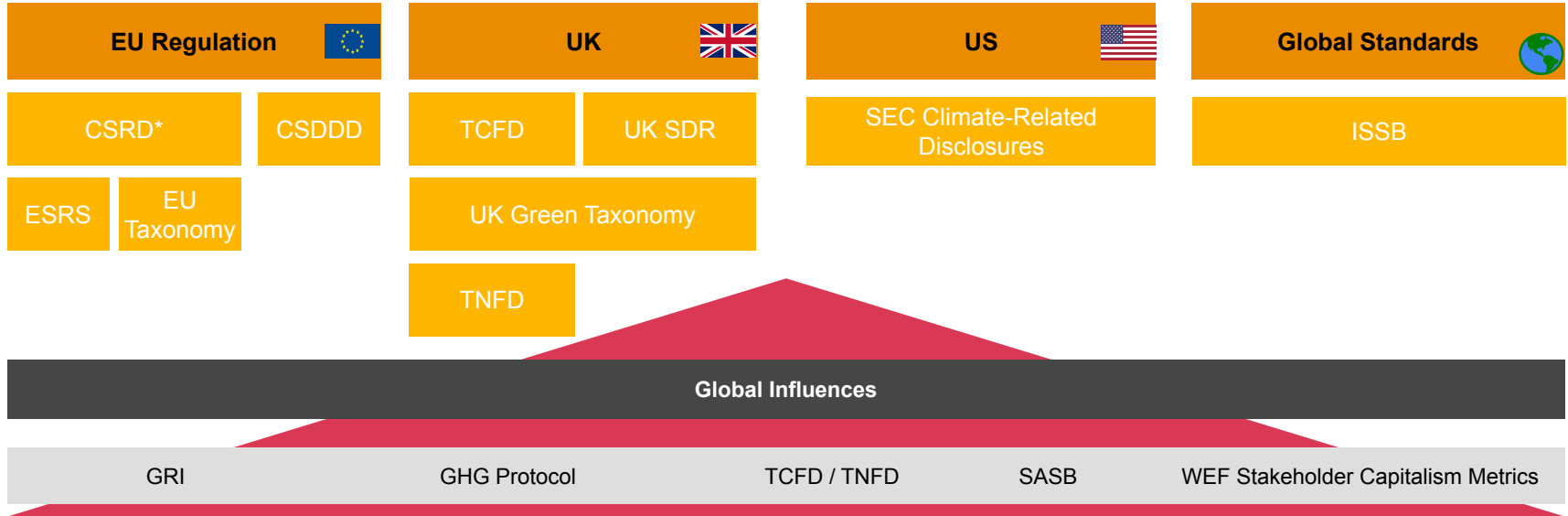
- Expressed in 'positive' terms
- “In our opinion **the Subject Matter Information...has been prepared, in all material respects, in accordance with the Reporting Criteria.**”
- More extensive testing, including testing of controls where reliance is planned
- Different nature of procedures
- Akin to financial statements audit

Limited Assurance

- Expressed in 'negative' terms
- “... **nothing has come to our attention that causes us to believe that the Subject Matter Information...has not been prepared, in all material respects, in accordance with the Reporting Criteria.**”
- Less extensive in testing and no requirement to test controls
- Limited assurance can cover a range from 'just above meaningful' to just below reasonable assurance

From voluntary to mandatory in a short time frame

The reporting environment is transitioning at pace



CSRD* = Corporate Sustainability Reporting Directive

ESRS = European Sustainability Reporting Standards

CSDDD = Corporate Sustainability Due Diligence Directive

TCFD = Task Force on Climate-Related Financial Disclosures

TNFD = Task Force on Nature-Related Financial Disclosures

SDR = Sustainability Disclosure Requirements

GRI = Global Reporting Initiative

SEC = U.S. Securities and Exchange Commission

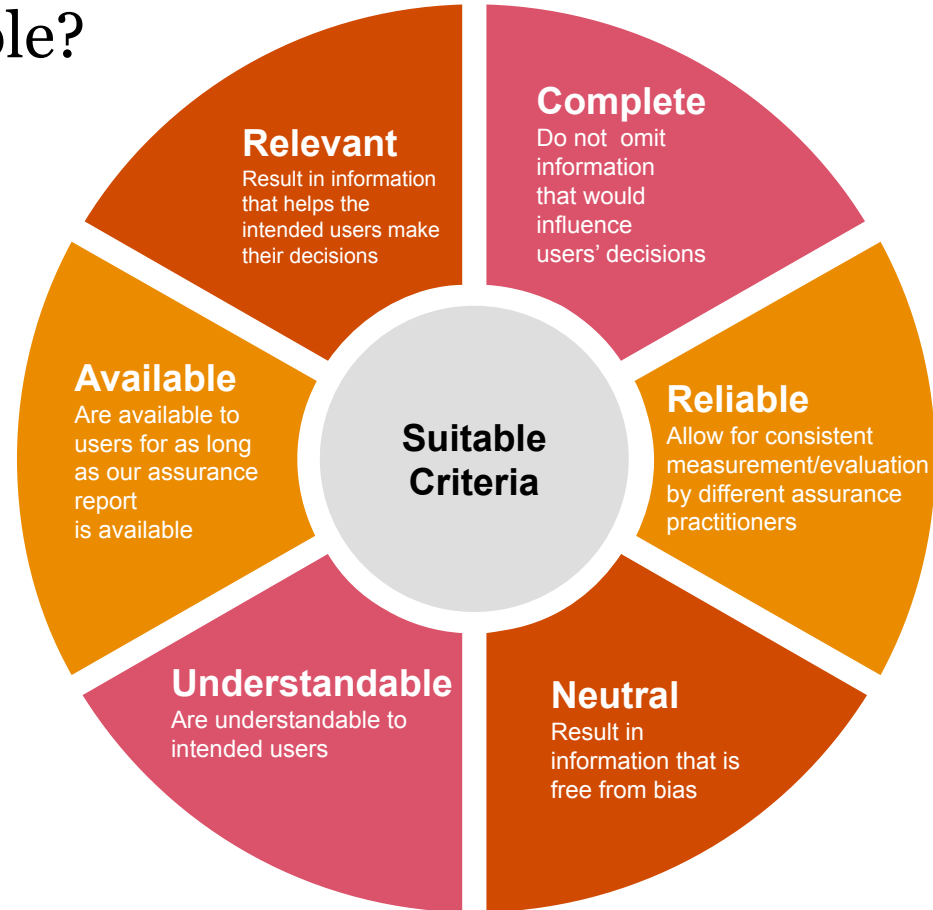
ISSB = International Sustainability Standards Board

SASB = Sustainability Accounting Standards Board

WEF = World Economic Forum

Is the information auditable?

- To provide assurance, the subject matter being audited must be defined using “suitable criteria”
- Is supporting evidence available?
- Are 3rd parties involved in providing that evidence?
- Is the information consistently prepared across the organisation?
- Is there any internal process to check or verify the data, particularly where it is spreadsheet based and therefore more prone to error?



Common challenges when starting external assurance...and how to prepare

Challenge	Preparation
Reporting criteria is not always suitable and measurable, or does not reflect what the company is actually doing.	Start discussions around the appropriateness of your reporting criteria early in the process to highlight any issues. Your provider should be able to with you to advise whether the criteria meets the requirements of ISAE 3000 and as it stands, whether it helps the business embed consistent and understandable guidance.
Inconsistent application of a valid reporting boundary	Start working with your assurance provider well before year end so they can understand how you define your boundary, and provide feedback around where this may not align to existing guidance, particularly around emissions and the GHG protocol. Consider and document why there might be differenced with your approach to consolidating information for financial reporting purposes.
Inconsistent collection and aggregation of data	Data can come from multiple sources in multiple buildings across multiple sites. It may be in slightly different formats and be prepared by different people in a slightly different way which means the criteria is not applied consistently. Early walkthroughs would identify inconsistencies and allow time to make any updates, or implement any required internal verification.
Lack of available audit evidence, or incomplete evidence.	<p>Allow your provider to start testing early. Sometimes evidence to validate spreadsheet data is not retained by those collecting the data (invoices, meter data, other information from third parties). This needs to be kept so it can be audited.</p> <p>Data is also needed for the full 12 months of the year. Sometimes data is not available for the full period and assumptions need to be made. Make sure that you can explain your approach where year end data is not available, and that any assumptions are applied consistently.</p>
Estimates and assumptions are not appropriate or not applied consistently.	More complex estimates, judgements, assumptions and extrapolations may exist for certain data. Make sure all such assumptions are known, documented and applied consistently. This highlights the importance of documented guidance being provided to any teams collecting and submitting data.

Q&A

session

Thank you

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