Life Is On | Schneider Electric

March 21, 2025

Members, California Air Resources Board
1001 "I" Street
Sacramento, CA 95814

RESPONSE: California Climate-Disclosure Information Solicitation

Schneider Electric, the global specialist in energy management and automation in more than 100 countries, with over 21,000 U.S. employees and thousands of U.S.-based clients and partners, is pleased to submit the following response to the California Air Resources Board on California Corporate Greenhouse Gas (GHG) Reporting and Climate Related Financial Risk Disclosure Programs. Schneider Electric has been recognized as the world's most sustainable company by Time Magazine for 2024[1] as well as by Corporate Knights[2]. We understand that climate change is the most significant issue of our time, which is why, as a company, we are committed to achieving net zero emissions throughout our value chain, without the use of carbon offsets, by 2050.

We are also one of the world's leading advisors to other organizations on climate risk, greenhouse gas (GHG) management and disclosure, and energy efficiency and decarbonization solutions. As an advisor, we understand the challenges of and value in disclosing corporate emissions and climate-related risk. We are strongly supportive of the California Air Resources Board's (CARB) proposal to mandate climate-related disclosures and applaud the CARB's proactive position on advancing transparency for the investor community on climate risks.

We also acknowledge that the proposed rule will impact our clients and our response reflects this awareness. In response to CARB's solicitation for information, we provide the following general comments as well as responses to specific questions.

General Comments

The myriad of reporting frameworks today, paired with diverse and competing ranking and rating agencies, has diluted the ability for anyone to equitably compare and evaluate risks. Schneider Electric believes that corporations, regulatory and disclosure agencies and investors need consistent, comparable and reliable sources of climate change related data.

Climate change is a significant threat to U.S. business interests and the stability and resilience of our economic system. Mandating measurement and disclosure of climate-related risks, their financial implications, and the GHG emissions underpinning corporate activity is a means to drive standardization and, ultimately, actions that may slow or even arrest further climate damage. It is also the right thing to do to create an apples-to-apples comparative basis for investors of all sizes.

Furthermore, it cannot be ignored that inaccurate or misleading claims of environmental action are flourishing. So-called "greenwashing" undermines the credibility of the real work being undertaken by thousands of corporations to transform their companies for the better. A standardized expectation and framework for disclosures enhances and increases the credibility of corporate climate actions and inhibits bad actors from hiding from or misleading investors and the public.

Both the International Financial Reporting Standard S2 (IFRS) and GHG Protocol are widely accepted, validated recommendations for evaluating and disclosing emissions and climate-related risks. The

[1] World's Most Sustainable Companies 2024 | TIME
[2] https://www.corporateknights.com/issues/2025-01-global-100-issue/California%20Corporate%20Greenhouse%20Gas%20(GHG)%20Reporting%20and%20Climate%20Related%20Financial%20Risk%20Disclosure%20Programsschneider-electric-is-the-most-sustainable-company-in-the-world/

incorporation of these recommendations would acknowledge the voluntary actions companies are already undertaking and simplify the adoption of the new disclosures by aligning to existing frameworks.

Additionally, we encourage the CARB to set a multilateral working group between the different standard-setters (International Sustainability Standards Board (ISSB), the Commission, and the European Financial Reporting Advisory Group (EFRAG)) and the relevant jurisdictions to establish an efficient dialogue for enhanced compatibility between the various jurisdictional initiatives on sustainability disclosures.

For many companies, the reporting burden is significant. We encourage the CARB to seek to further align any progress under the regulations with existing frameworks to alleviate this burden and to move directionally toward universal reporting standards for emissions and climate risks and action.

Solicited Information
General: Standards in Regulation

3. CARB is tasked with implementing both SB 253 and 261 in ways that would rely on protocols or standards published by external and potentially non-governmental entities.
a. How do we ensure that CARB's regulations address California-specific needs and are also kept current and stay in alignment with standards incorporated into the statute as these external standards and protocols evolve?

Schneider Electric supports our clients in maintaining and disclosing emissions in alignment with the most current standards and climate science and has historically collaborated with the WRI to provide feedback on the Greenhouse Gas Protocol refresh. Sustainability reporting standards have historically evolved at a slower pace, but as these standards do undergo changes and updates, CARB should hold disclosers accountable for responding under the most current standard or framework. Additionally, collaboration with other organizations (SBTi, EFRAG, WRI, etc.,) that also implement these frameworks and standards would ensure CA is addressing these needs.

b. How could CARB ensure reporting under the laws minimizes a duplication of effort for entities that are required to report GHG emissions or financial risk under other mandatory programs and under SB 253 or 261 reporting requirements?

Standardization and consistency across reporting disclosures is both important for clients to maintain accurate and consistent reporting, as well as necessary for stakeholders and investors using this information for decision-making purposes to have accurate and consistent information reported. Many companies that are required to comply with other regulations, like the Corporate Sustainability Reporting Directive (CSRD), also have compliance obligations under SB 261 and SB 253. With this, there are likely duplications where global companies have IFRS S1 and S2 obligations at the country level. It would be our recommendation to CARB to initiate collaboration with the IFRS to foster a connection between reports and databases in the future such that one report is acceptable for those companies required to disclose under multiple regulations. We would also recommend if a company were required to report to the CSRD, that perhaps an agreement is made where only one report (that adheres to the regulation with the highest level of scrutiny) is required.

c. To the extent the standards and protocols incorporated into the statute provide flexibility in reporting methods, should reporting entities be required to pick a specific reporting method and consistently use it year-to-year?

At Schneider Electric, we align our reporting to follow Greenhouse Gas Protocol (GHGP) guidance, as well as support our clients in aligning their processes and methodology to the GHGP. Consistency is one *of the five (5) key themes in the Protocol that we support our clients in achieving. While the protocol provides organizations with flexibility in choosing between multiple approved boundaries and methodologies, it is necessary that companies report consistent methodology year-over-year in order for accurate comparisons and trends to be made. However, companies should still maintain the flexibility to improve or revise their methodologies (example, moving from spend-based to supplier-based data), so long as these emissions are re-baselined and re-reported for historical years with a consistent methodology, so that when changes do occur accurate comparisons can still be made.*

General: Data Reporting

5. Should the state require reporting directly to CARB or contract out to an “emissions” and/or “climate” reporting organization?

Similar to sentiments in the response to question 3b above, many companies that are required to comply with other regulations, like the Corporate Sustainability Reporting Directive (CSRD), also have compliance obligations under SB 261 and SB 253. If CARB contracts out to an “emissions” and/or “climate” reporting organization, the recommendation would be to choose an existing organization that is well recognized and aligns with the same reporting requirements and standards required by SB 253 and SB 261. Additionally, if companies were to report directly to CARB, it would be the recommendation that CARB would align the reporting disclosure to closely mirror other regulatory and voluntary disclosures that have the same reporting requirements. Ultimately, we would encourage CARB to minimize duplication efforts for companies that are required to disclose elsewhere, no matter if reporting directly to CARB or through an external organization.

6. If contracting out for reporting services, are there non-profits or private companies that already provide these services?

CDP is the leading non-profit running the global environmental disclosure system for investors, companies, cities, states, and regions. Recognized as the gold standard for sustainability reporting, CDP helps organizations manage their environmental impact and align with evolving regulations. Schneider Electric itself reports annually to CDP and has achieved a Climate score of “A” for fourteen consecutive years, has renewed its partnership with CDP as a Gold Accredited Provider of global sustainability consulting services and sustainability software.

SB 253: Climate Corporate Data Accountability Act

7. Entities must measure and report their emissions of greenhouse gases in conformance with the GHG Protocol, which allows for flexibility in some areas (i.e. boundary setting, apportioning emissions in multiple ownerships, GHGs subject to reporting, reporting by sector vs business unit, or others). Are there specific aspects of scopes 1, 2, or 3 reporting that CARB should consider standardizing?

The flexibility in the protocol is meant for companies to have pathways to accurately represent their footprints in differing industries or business structures. It would likely not benefit CARB or stakeholders to require companies to standardize aspects of the Greenhouse Gas Protocol as this standardization may skew the outlook of the actual environmental impact that some companies or industries have. For example, if the CARB were to implement standardization by requiring all companies to report using an operational control boundary, an operational control boundary may skew the environmental impact outlook of portfolio companies versus when using a financial control approach (recommended). Instead of standardizing aspects of the protocol, the consideration here should be standardization of reporting requirements across all organizations and requiring companies to fully disclose their methodology and boundary approaches applied.

To ensure transparency, comparability, and auditability of GHG disclosures while balancing flexibility for diverse industries, we recommend that the CARB implement targeted standardization measures in the following key areas:

1. Scope 2 Consistency
• Require reporting of both location-based and market-based Scope 2 emissions, following the GHG Protocol Scope 2 Guidance.
• Mandate that all companies disclose the percentage of electricity covered by energy attribute certificates (EACs) to improve transparency on renewable energy claims.

2. Scope 3 Reporting Materiality & Categories
• Require companies to disclose their methodology for determining material Scope 3 categories, preventing selective reporting.
• Standardize Scope 3 supplier engagement expectations, encouraging companies to provide transparency on primary vs. estimated data sources.
• Set minimum reporting expectations for high-impact Scope 3 categories (e.g., Purchased Goods & Services, Use of Sold Products, Business Travel, and Transportation & Distribution).

4. Sector-Based vs. Business Unit Reporting
• Require reporting at the consolidated corporate level, with optional disaggregation by business unit where relevant.
• Align with SEC and CSRD reporting structures, which focus on enterprise-wide disclosures rather than business unit segmentation.

5. Standardizing Greenhouse Gases Reported
• Ensure consistency in which greenhouse gases must be reported, avoiding discrepancies where companies selectively omit certain fluorinated gases or biogenic CO_2.

6. Transparency in Methodology & Data Quality
• Require all companies to disclose the assumptions, data sources, and estimation techniques used in emissions calculations.
• Provide industry-specific guidance on data quality expectations, particularly for Scope 3 estimations.

8. SB 253 requires that reporting entities obtain “assurance providers.” An assurance provider is required to be third-party, independent, and have significant experience in measuring, analyzing, reporting, or attesting in accordance with professional standards and applicable legal and regulatory requirements.
a. For entities required to report under SB 253, what options exist for third-party verification or assurance for scope 3 emissions?

Schneider Electric supports our clients through the third-party assurance process for all emissions scopes, including scope 3. Typically, companies verify their scope 3 inventory at the same time and to the same level and standard of assurance as scopes 1&2.
b. For purposes of implementing SB 253, what standards should be used to define limited assurance and reasonable level of assurance? Should the existing definition for “reasonable assurance2” in MRR be utilized, and if not why?

To align with other global frameworks and regulations, Schneider Electric would encourage CARB to adopt the same definition of assurance and required standard as the Corporate Sustainability Reporting Directive (CSRD). Alignment with other regulatory disclosure requirements both reduces duplicative efforts, as well as the financial burden on companies by having to complete two separate assurance engagements.

9. How should voluntary emissions reporting inform CARB's approach to implementing SB 253 requirements? For those parties currently reporting scopes 1 and 2 emissions on a voluntary basis:
c. What frequency (annual or other) and time period (1 year or more) are currently used for reporting?

We most commonly support our clients with reporting on an annual basis, with disclosure of the most recently completed fiscal year's emissions. Annual disclosure is currently widely used across voluntary disclosures, and we would encourage CARB to maintain this cadence.

d. When are data available from the prior year to support reporting?

Data is typically available one quarter after the end of the fiscal year end. Data can typically proceed through third-party audit by the end of the second quarter after the fiscal year end.

e. What software systems are commonly used for voluntary reporting?

Given the necessary complexity of full, complete, comparable, and accurate emissions reporting, companies are increasingly turning to software solutions to quantify, audit, and track their emissions. While there are a number of software systems available, one example is Schneider Electric's EcoStruxure Resource Advisor Streamline sustainability reporting with one source of truth. Companies use Resource Advisor to capture, track and report enterprise sustainability data for any stream from energy, water, and waste to HR and EH&S metrics and more. It utilizes a best-in-class carbon management reporting platform and fully maintained global emissions library to allow companies to increase internal awareness about their sustainability strategies and program performance through engagement dashboards.

SB 261: Climate Related Financial Risk Disclosure

10. For SB 261, if the data needed to develop each biennial report are the prior year's data, what is the appropriate timeframe within a reporting year to ensure data are available, reporting is complete, and the necessary assurance review is completed?

Generally, publications may be appropriate approximately 18 months after the close of the fiscal period. This accounts for the following timeframes:

- *Audited financial data is released ~60-90 days (2-3 months) after fiscal year-end.*
- *Comprehensive climate-related risk assessments, scenario analysis, and disclosure drafting typically takes between 5-10 months.*
- *Assurance is likely to take another 2-3 months.*

11. Should CARB require a standardized reporting year (i.e., 2027, 2029, 2031, etc.), or allow for reporting any time in a two-year period (2026-2027, 2028-2029, etc.)?

Companies may find benefit in the flexibility of reporting within a two-year period. If this is something CARB decides to pursue, clear structure defining the temporal boundaries of the input data, including what information can be repurposed from the prior reporting year, what corresponding timeframes are acceptable for the reference (input) data, and to what extent estimated input data is acceptable, for instance, should be clearly outlined for reporting entities.

12. SB 261 requires entities to prepare a climate-related financial risk report biennially. What, if any, disclosures should be required by an entity that qualifies as a reporting entity (because it exceeds the revenue threshold) for the first time during the two years before a reporting year?

ISSB built in transition reliefs for the first year for which companies apply IFRS S1 and S2. Since IFRS S2 is the successor to TCFD as referenced in SB 261, considering the adoption of the relevant IFRS S2 reliefs may be appropriate for first time responders to SB 261.

13. Many entities that are potentially subject to reporting requirements under SB 261 are already providing other types of climate financial risk disclosures.

f. What other types of existing climate financial risk disclosures are entities already preparing?

Schneider Electric currently supports our clients with developing and disclosing information on climate-related risks to CDP, CSA (DJSI), CSRD, and other regional or national regulatory disclosures.

g. For covered entities that already report climate related financial risk, what approaches do entities use?

As CARB is not specific above on what it means by "approaches", we are providing some feedback on approaches in different contexts as it relates to assessing and disclosing climate-related risks.

<u>Overall Approach:</u>
Many companies that Schneider Electric supports are shifting their approach from conducting risk analyses to inform strategic resilience or integrate climate risk holistically into the enterprise, to analyzing only what is minimally required by regulations in order to follow the regulation requirements and disclose timely. Because of this, we reiterate that companies would greatly benefit from increased alignment between SB 261 and other current regulations like the Corporate Sustainability Reporting Directive (CSRD).

<u>Disclosure Approach:</u>
As far as disclosure, many companies are currently approaching disclosure by embedding the publication into their sustainability report or preparing a standalone report, it is still fairly uncommon to see this information robustly in the 10-K of public companies.

<u>Assessment Approach:</u>
As far as assessment, some organizations are using climate software and data as a service purely basing results on sectoral or geographical analysis (akin to a screening), some are purely qualitative, while some conduct very intense qualitative and quantitative modeling. There is a relatively wide net in terms of acceptable approaches to assessing climate-related risks, however there is relatively strong consensus around the typical scenarios used in climate-related scenario analysis.

<u>Scope Approach:</u>
As far as scope, some companies are assessing climate-related transition and/or physical risks and/or opportunities within their operations and/or supply chain and/or value chain (including customers). The scope is not particularly well-defined at the moment and value-chain climate-related risk assessments can be complex. If the baseline expectations are moving toward a scope that by default, includes the value chain, that should be clearly stated within the regulation requirements.

h. In what areas, if any, is current reporting typically different than the guidance provided by the Final Report of Recommendations of the Task Force on Climate-related Financial Disclosures?

Current reporting differs from the guidance provided by the Final Report of Recommendations of the Task Force on Climate related Financial Disclosures (TCFD) in several different ways;

- *Companies typically do not disclose their climate-related risks and opportunities in the 10-K or annual financial filings as originally recommended by TCFD.*

- *It seems that companies are so focused on meeting the requirements that there is less focus on carrying out the intent of the TCFD to use the results to inform strategic decision-making and capital allocation decisions and create processes that can truly be embedded into the risk management framework at the enterprise level.*
- *Some companies have been reticent to publish financial figures with respect to their climate-related risks or publish forward-looking statements for fear of legal repercussions against the TCFD recommendations.*
- *Some companies choose to forego disclosing opportunities and only publish impacts to risk. Climate-related opportunities are not specifically mentioned in SB 261, while it is clearly referenced within IFRS S2 and TCFD. The lack of specific mention may indicate that it is not within the scope of SB 261.*

i. If not consistent with the Final Report of Recommendations of the Task Force on Climate-related Financial Disclosures, are there other laws, regulations, or listing requirements issued by any regulated exchange, national government, or other governmental entity that is guiding the development of these reports?

Across our client base, we have seen that the TCFD is still largely relevant and has driven most disclosures on climate-related risks and opportunities to date. Now there is a surge of development attributed to IFRS S2, SB 261, CSRD, and various other regulations globally that is guiding the development of these reports.

Thank you for the opportunity for Schneider Electric to provide responses to this solicitation and we look forward to continued engagement with the California Air Resources Board on the development of the Corporate Greenhouse Gas Reporting and Climate Related Financial Risk Disclosure Programs. Please do not hesitate to reach out to me directly with any questions at Amy.Mmagu@se.com.
Sincerely,

Amy Mmagu
California Government Relations Manager
Schneider Electric